



BRIDGES | WINTER 2001

<https://www.stlouisfed.org/publications/bridges/winter-2001/financial-literacy-a-special-issue-district-programs-teach-public-to-be-financially-healthy>

Financial Literacy—A Special Issue: District Programs Teach Public to Be Financially Healthy

On a dreary afternoon in rural Indiana, Amish schoolchildren sit in a cozy, lantern-lit classroom and learn how to use an ATM card.

Across the state line in Louisville, Ky., teen-agers at a public high school are learning about the power of good credit.

And in St. Louis, Mo., adults who struggle to survive on meager incomes spend a series of weeknights improving their basic money management skills.

All of these activities are a small part of a nationwide effort to educate the public in what has been dubbed "financial literacy"—the ability to understand financial conditions that affect personal material well-being and to manage those conditions in an effective manner.

Although literacy has been a cornerstone of education in America since pioneer children trudged to prairie schoolhouses with primers in hand, the concept of teaching financial literacy is a fairly modern one. Its importance came to the forefront in the late 1990s when, despite a prosperous economy and the availability of expanded financial services, many families still struggled to make ends meet.

Ongoing problems are only too evident in the seven states served by the Federal Reserve's Eighth District, where more than 140,000 people filed for personal bankruptcy in the first six months of 2001. According to the American Bankruptcy Institute, they are not alone: The number of personal bankruptcies nationwide has been on the rise since 1990. In addition, research by the Federal Reserve indicates that household debt is at a record high, financial stress (debt payments that represent more than 40 percent of income) is up and delinquent payments on bills are more common.

Financial literacy programs give consumers the skills to create household budgets and savings plans, make sound investment decisions for their children's education or their own retirements and understand the vast array of financial products available in today's economy. And the efforts are paying off. When the National Endowment for Financial Education evaluated its high-school financial literacy programs, it found that those who participated improved their knowledge, behavior and confidence with respect to personal finance. Nearly half of them saved more after completing the programs.

The Federal Reserve is committed to promoting personal finance education for people of all ages. Throughout the Eighth District, hundreds of programs are available. A sampling of those is highlighted in this special issue of *Bridges*.



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<https://www.stlouisfed.org/publications/bridges/winter-2001/missouri-in-st-louis-adults-step-through-gateway-to-financial-fitness>

Missouri: In St. Louis, Adults Step through Gateway to Financial Fitness

Gateway to Financial Fitness provides personal financial education to the St. Louis community through a series of five workshops and financial counseling. The goals are to help individuals achieve better financial health and improve their housing situations.

The workshops are interactive and are taught by local financial professionals. Topics include:

- values, goal setting and spending plans;
- credit and consumer rights;
- financial institutions, saving and investing;
- insurance and
- record keeping, taxes and contracts.



It was graduation night recently for participants in the Gateway to Financial Fitness program in St. Louis. Jane Schoeck, program coordinator, is shown at left. (Photo by Ann Applebaum-Widner)

During counseling sessions, participants receive help with setting goals, developing spending plans and debt repayment plans, if needed, as well as reviewing their credit reports. In addition to encouraging sound financial decisionmaking, the program also promotes homeownership and helps existing homeowners maintain ownership by avoiding bankruptcy and foreclosure.

Launched in 2001 as a three-year pilot, *Gateway to Financial Fitness* is a collaboration among Neighborhood Housing Services Inc., the Catholic Commission on Housing and the University of Missouri Outreach and Extension. It is funded by Neighborhood Reinvestment Corp. and supported by national partnerships with Provident Financial, Fleet Financial, Visa USA, Metropolitan Life Foundation and Morgan Stanley Foundation. St. Louis partners include financial institutions, the FDIC and the Federal Reserve Bank of St. Louis.

Gateway to Financial Fitness is free and offered at various locations around the St. Louis metropolitan area. Individuals who need additional resources are referred to supporting agencies that can offer further assistance.

So far, about 25 people have graduated from workshops held at four different locations. Four additional sites started workshops in December 2001, and plans are under way for more workshops in 2002.

Though the program is just getting started, participants give a high rating to the workshops.

"Everything that was taught I need to know," one respondent states on a program evaluation. "This class has been extremely helpful. ... This class has changed my life."

For more information, contact Catholic Commission on Housing at (314) 371-0138.



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<https://www.stlouisfed.org/publications/bridges/winter-2001/missouri-ozark-residents-take-action-to-improve-money-skills>

Missouri: Ozark Residents Take Action to Improve Money Skills

Several years ago, Ozark Action Inc., a community action agency serving the south central Ozark region in Missouri, began conducting basic budgeting workshops as part of its life skills training program. The goal of the workshop is to teach adults how to manage money so they can pay not only for living expenses, but also for other family needs and wants. Its audience consists of residents of a surrounding six-county area who could benefit from learning basic math and budget skills.

The workshop is designed as a one-time six-hour session taught by a staff member from Consumer Credit Counseling Service. Participants generally have low or moderate incomes and a desire to improve their money management skills. There is no cost to attend the basic budgeting workshop. In fact, the program offers a small financial incentive to those who attend.

"The program is funded with a federal Community Services Block Grant, which even allows us to offer students a small \$13 stipend to pay for transportation, child care or other expenses," said Ozark Action Inc. staff member Angie Berry.

A test is given before and after the workshop to help determine what students learn and how they may better apply budgeting skills. Berry said there is a noticeable improvement in post-test knowledge and skills.

Workshop participants benefit in other ways, too. At tax time, for example, they can have their tax returns completed for free. The intention is that they will budget for any refunds and use the money wisely.

For more information about Ozark Action Inc., contact Berry at (417) 256-7318.



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<https://www.stlouisfed.org/publications/bridges/winter-2001/illinois-illinois-children-learn-to-bank-at-school>

Illinois: Illinois Children Learn to Bank at School

According to Illinois State Treasurer Judy Baar Topinka, almost two-thirds of adult Americans feel they lack the necessary skills to adequately handle their finances. Without a solid educational foundation in money matters, this group will be left out of mainstream America, she says, and such a foundation must start in elementary school classrooms.



Fifth-graders at Summerfield Elementary School in Summerfield, Ill., deposit money into their savings accounts during Bank at School day.

Illinois' *Bank at School* program introduces elementary schoolchildren to the world of money and banking. The goals of the program are to help young people learn financial skills through hands-on experience and classroom exercises, to encourage students to develop the habit of saving for the

future and to make savings accounts available and easily accessible to students. The state treasurer's office developed the program and provides interested schools with materials.

To get started, each school is matched with a bank, savings and loan or credit union. Teachers at the school teach the lesson plans; financial institution representatives are encouraged to participate with classroom instruction and host field trips.

"Bank day" occurs about once a month. With permission of their parents, students may open actual savings accounts and make deposits to their accounts, under the guidance of the sponsoring financial institution. Students are also trained as tellers, giving them an inside look at the banking process. Some schools have expanded the bank day exercise by having the students develop small businesses and by teaching them the steps taken to secure a business loan.

A majority of financial institutions also provide field trips to their local branches, giving the students a first-hand opportunity to better understand the banking system. In addition to the lesson plans and activity guides, the *Bank at School* program provides supplemental material from the Federal Reserve Banks of Boston, Chicago, Dallas, New York, St. Louis and San Francisco.

Currently, more than 200,000 students participate in *Bank at School*, representing more than 700 school districts and nearly 400 financial institutions statewide. Because of the success of *Bank at School* at the elementary level, similar programs have been developed for high school and college students, as well as adults.

The *Bank at School* program for high school and college students was developed with the cooperation of the Consumer Credit Counseling Service of Greater Chicago. The high school program encompasses the initial *Bank at School* concepts but adds the components of obtaining and applying for credit. It also discusses the importance of setting up a spending plan.

The program for adults takes the *Bank at School* program another step, including a discussion on financial planning and investments. In addition, the treasurer's office offers information to senior citizens on how to avoid becoming victims of scams and fraud.

For more information about any of the *Bank at School* programs, contact the Illinois state treasurer's office at (217) 782-2211.

A Glimpse into the Summerfield, Ill., Program

The fifth-graders at Summerfield Elementary School in Summerfield, Ill., know Theresa Atwood of Union Planters Bank very well. She has been coming to their school since they were in the second grade to present the *Bank at School* program.

During the school year, Atwood visits about once a month to talk to the first through fifth grades about banking and money management. The fifth-graders were recently the host classroom, and two of the students were the bank "tellers" serving the rest of the students. The tellers were shown how to fill out deposit slips, and students from each grade came to the fifth-grade classroom to make deposits.

After the banking was completed, Atwood visited the other classrooms to talk about money and saving. Perhaps most important to the children, she also gave out candy.

Karen Buehler, principal of Summerfield Elementary, said the children look forward to the visits. Teachers also like the program, because it doesn't take unnecessary time away from regular classroom training. In fact, some of the teachers use the *Bank at School* lessons to reinforce other classroom work. Buehler said the students show a better understanding of money and mathematics on their achievement tests, in part because of the *Bank at School* program.



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<https://www.stlouisfed.org/publications/bridges/winter-2001/indiana-amish-communities-embrace-saving-program>

Indiana: Amish Communities Embrace Saving Program

To many of us, the Amish represent an old-fashioned, pastoral way of life. Close-knit, spiritual families work the farm and, in the absence of TVs, computers and other such high-tech distractions, create exquisite crafts, quality handcrafted furniture and flavorful home-cooked meals.

This vision is real, but there is something missing. Many Amish communities make their products the old-fashioned way, but they rely on modern-day banking systems to conduct commerce and handle personal business transactions.

Debbie Dyal of First National Bank of Odon, Ind., recalls how one day, while working at the bank's drive-up window, she captured on film an Amish horse and buggy that had pulled up at the bank's automated teller machine (ATM). It was striking, she said, because from the window she could see the horse, then the ATM and then the buggy.

This image perhaps represents the vision of the bank's chairman of the board, who approached Dyal a few years ago about expanding the bank's existing financial literacy outreach to nearby Amish communities in Daviess County.

His vision was realized in 2000, when First National Bank started collaborating with the Amish. Together, they redesigned the program to be appropriate for seventh- and eighth-graders in the Amish communities. Last spring, Dyal presented the program to nine Amish schools.

When the bank contacted teachers to get feedback on the program, the response was positive, with a request for more information on how to build credit and on the importance of saving.

Luke Rhodes, a teacher at Oak Ridge Amish School, said the school's curriculum already includes some information on checking accounts. However, Dyal's presentation is valuable because she is able to address questions that he cannot answer, he said.

Even before working with the Amish, First National Bank was active in promoting financial literacy. It had promoted its program, *Teach Children to Save Day*, for several years at two local elementary schools in Plainville, Ind. The annual one-day program is presented to the kindergarten, second, fourth and sixth grades, with content adjusted to the grade level.



Luke Rhodes and Debbie Dyal discuss the classes they teach on money management at Oak Ridge Amish School in Daviess County, Ind. Rhodes, a schoolteacher, and Dyal, of First National Bank of Odon, say their classes complement each other. (Photo by John Nation)

"The kindergarten is taught that they save things all the time," Dyal said. "It might be a cookie from lunch to eat later, a pair of shoes that might not fit and they save them to wear at another time. We explain that it is safer to keep your money in the bank than at home. We talk about saving their money for something special."

The second grade hears a story about two children who have different views of how to handle their money: One saves everything, and the other spends all of his money. Neither child is happy. "We explain how saving a little and spending a little creates a happy medium," Dyal said. "We talk about needs and wants and explain the difference."

The fourth-graders complete a check register for a small business—a snow shoveling company that four children started. They learn to keep a running balance and how to figure out whether the business is making money. They work basic interest worksheets that show them how their money grows by earning interest in the bank.

The sixth-graders write checks, make deposits and learn terminology used by bankers, such as "ATM" and "overdraft." They also learn about deposits, withdrawals, canceled checks, stop payments and statements.

At North Daviess Intermediate School in Plainville, many of the fifth-grade students have had the lessons in kindergarten, second and fourth grades. The students there say Dyal's presentation is fun and interesting. Plus, they enjoy receiving coloring books, coin collection books and other giveaways.

Proving that today's lessons are seeds for tomorrow, Wendy Townsend, 10, commented that the classes will help her if she wants to become a restaurant owner or small business owner.



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Tennessee: Memphis Public Housing Residents Feel the Power of Saving

The RISE Foundation is aptly named, for it is helping to raise the hopes—and bank accounts—of some of Memphis' poorest citizens. RISE stands for Responsibility, Initiative, Solutions, Empowerment. Begun a year ago through the efforts of Robert Lipscomb, director of the city's Division of Housing and Community Development and executive director of the Memphis Housing Authority, its goal is to give public housing residents the power to build assets and invest in their futures.

The tool of the RISE Foundation is IDAs, or Individual Development Accounts. IDAs are savings accounts to be used by account holders for specific purposes. Participants in the program have their savings matched 2-to-1 through the RISE Foundation. But according to Beth Dixon, president of RISE, the match "is just a way to get the conversation started."

The heart of the program is the series of required classes on budgeting, money management and banking. These classes show participants how to save and work toward goals. RISE Foundation IDAs can be used for education, housing or starting small businesses—all goals that will help participants build assets.

The program is open to residents of public housing projects in Memphis, generally a low-income population. Three classes of "savers" have now graduated from the program, and all three classes have saved a total of \$9,000, not including the match.

Almost 90 percent of participants have credit problems. But Dixon said that about halfway through the series of eight classes, participants really seem to open up.

"They think they don't have anything to save, but once they do a budget and really chart their expenses, then they see they can do it," she says. "The goals really motivate. When they connect with a goal, they really start listening." Dixon proudly notes that three program participants will be ready this spring to purchase their first homes.

In the first class of 20 savers, only three had banking relationships. Dixon says that helping the savers overcome their mistrust of banks is a critical aspect of the program. By opening IDA accounts and developing an understanding of a banking relationship, a new world opens up for the savers.

"They now have a way to think differently about wealth creation," Dixon says. "They take a lot of pride in their savings and will often put in more than their stated goals, even though the extra will not be matched."



Memphis residents participating in a RISE Foundation class learn about budgeting, money management and banking, skills that will help them build assets.

According to Dixon, the principles of budgeting and saving are generally the same for everyone. But the difference with this program is that low-income savers are treated with respect.

"They aren't discounted," she says. "They are made to feel they can do it."

The most recent class of savers included Hazel Readus, a woman who takes care of her grandchildren. She says she wants a better life for her grandkids. Her goal is to save for their education. Readus, who works nights as a parking garage attendant, has consistently attended the weekly morning classes.

Participants in the weekly classes keep an income and expense log to track all money coming in and going out of their households. In class, they learn to wring extra savings from everyday expenses by doing things like bringing lunch from home and skipping the gourmet coffee on the way to work. Savers not only learn principles and tools of money management, but also receive one-on-one counseling as they set their own budgets.

Area banks such as First Tennessee, National Bank of Commerce and Union Planters have sponsored classes. The savers become new customers for the financial institutions and then potentially will need additional bank products and services in the future. Other foundations, including the Community Foundation of Greater Memphis, Fannie Mae Foundation and Hyde Family Foundation, have also provided support. All of these partners see the RISE Foundation as a vehicle to transform the lives of public housing residents.

Indeed it has. At the graduation ceremony for the fall 2001 class, participant Kijuanna Winn spoke on behalf of the class. She expressed gratitude for the opportunity to attend and summed up the participants' new-found optimism when she said, "Now the sky is the limit for us."

For more information on the program, call the RISE Foundation at (901) 722-0039.



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Kentucky: Consumers Get a Fresh Start in Louisville

Did you ever wonder why some people conduct financial transactions on a "cash-only" basis? It may be because they have no choice.

When consumers do not handle checking accounts responsibly, it could be virtually impossible for them to open future accounts. They may be forced to carry cash, more than likely use high-cost check cashing outlets and purchase money orders for paying bills that require payments by check.

Fresh Start is a pilot program in Louisville, Ky., designed to give a participant who has been denied account privileges at a local bank a second chance—a chance to open a checking account and to prove he or she will handle it responsibly.

A consumer enrolling in *Fresh Start* agrees to pay back any previous debt related to overdrafts and to take basic training in how to manage a checking account. The curriculum includes hands-on practical exercises in personal budgeting and in using check registers and statements.

After satisfying the repayment and counseling requirements, the participant receives a certificate of completion. This certificate can be presented at a participating bank, and the consumer will be able to open a checking account. Shauna Cook of the Louisville Urban League said she recommends that, in addition to the certificate of completion, participants should carry receipts showing that the old debts have been paid.

Two credit counseling agencies (the Louisville Urban League and Consumer Credit Counseling Service) offer the course and certification. Consumer Credit Counseling charges a \$50 fee; there is no charge for the Urban League course.

Fresh Start's initial funding was provided through a multi-bank grant to the Louisville Community Development Bank. The funds were used to print informational materials, fliers and certificates of completion. Partners in the program include Louisville Community Development Bank, PNC, Bank One, National City Bank, Firststar Bank, Commonwealth Bank and Trust, Fifth Third Bank, Republic Bank, Bank of Louisville, Star Bank, First Capital, Stock Yards Bank & Trust Co., Louisville Urban League and Consumer Credit Counseling Service.

The pilot program is still young—it kicked off in summer 2001. But Cook can already claim success.

"We've probably had a total of eight clients (in the pilot program). They've all been very successful," she says. She adds, "The banks here are geared up and ready to advertise this. We're getting more calls on it, so I expect it to pick up a great deal."



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Kentucky: Kentucky Teens Taught to Handle Money Wisely



Mallory Moore, Justin Bilyeu and Karen Delaney

Today's high school students are not only a few short years away from college, but also from the onset of credit card solicitations that await them on college campuses. If educated about money management at a young age, these students may be able to make better informed financial decisions as adults. That's the intent of a program called *Money Management for Savvy Students* in Louisville, Ky.

The impetus for the financial literacy program stemmed from the awareness on the part of local bankers that basic money management education is an area of need in public education—particularly at young ages, before bad habits develop. The actual effort took off in 1997 when local banks partnered with the Jefferson County School System and Junior Achievement to teach essential money skills to high school students. Topics include budgeting, savings, credit (how it works, how to obtain it, good and bad credit, credit cards) and checking accounts.

Here's how the program works. Participation in the program is entirely voluntary. In the fall and spring, Jefferson County teachers are made aware of the availability of the one-hour classes. A volunteer banker coordinates requests from teachers and divides the requests among participating banks. The banks recruit enough employee volunteers to teach multiple classes. Jefferson County Public Schools publish the workbooks at no cost, and bank volunteers teach the classes.

The target audience is primarily juniors and seniors, although other high school classes sometimes participate. Todd Driskell, a teacher at Louisville Male High School, gives new meaning to the term "financial health" by incorporating financial education into his health class curriculum. Justin Bilyeu, 15, Karen Delaney, 15, and Mallory Moore, 15, recently completed the *Money Management for Savvy Students* class and are each taking away valuable lessons.

Justin is making plans to spend next summer on a mission with his church. He knows it will be expensive, but says he intends to earn money from odd jobs and to save money throughout the year to help defray the costs.

"We learned how to manage our money so when we become adults, we know how to manage and budget, instead of living from paycheck to paycheck," he said.

In addition to what he learned, he said he would also benefit from information on how to shop for a bank that best fits a customer's needs.

Karen and Mallory babysit to earn money. Mallory said her parents have instilled in her the importance of saving, and she maintains her own savings account at a local bank. She sees the benefits of thinking long-term. "I think learning about financial literacy is important because at my age, we are interested in (buying) cars," she said.

Karen said the class was valuable, especially the check-writing section. She no longer fears the embarrassment of being out in public and not knowing how to write a check. Saving money for a car is also a high priority for her.

Looking back, these students sang the praises of this financial literacy program and intend to put their knowledge to use. Karen admits that it was the banker's use of candy and other giveaways as incentives that helped the students pay attention to his lesson—making it a sweet deal all around.



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<https://www.stlouisfed.org/publications/bridges/winter-2001/arkansas-employees-and-employers-benefit-from-workplace-financial-classes>

Arkansas: Employees and Employers Benefit from Workplace Financial Classes

Creating Hope in the Workplace is a unique series of five financial seminars taught in the workplace. It was conceived to provide better access to financial services for the growing Hispanic immigrant population in the Rogers, Ark., area.

The program reflects the crusade of its founder. While working with home mortgage loans, Roland Goicoechea of Arvest Bank noticed an extremely low net worth and many financial inefficiencies in his clients' information. After visiting with these clients, Goicoechea became convinced that knowledge could change many of their lives and make them less susceptible to abuses by unscrupulous financial institutions. But first he had to overcome two obstacles: how to get people to listen and where to reach them.

Goicoechea chose the one place everyone has to go each day—the workplace. Working with employers, he developed a system in which employees could attend seminars during their workday, without a loss of wages. The program is offered in both Spanish and English and is targeted toward moderate-income employees. The goal is to reach anyone who is not comfortable with the American financial tools available, either because of language barriers or a lack of information. Seminar topics include:

- introduction of financial services,
- how to create a credit history,
- how to buy a home,
- how to write a check in English and
- how money grows with interest and monthly contributions.

Participants reap the greatest rewards. But employers benefit, too. They report reduced employee turnover, a high employee enthusiasm about the program and peaceful integration of immigrants into the community.

As for Arvest Bank, it reports more than 400 home loans and an increase in business of \$40 million resulting from taking this small step to reach out to the unbanked.

Financial institutions interested in pursuing this type of outreach can purchase the Arvest Consulting Seminar Package and be trained in the successful use of the product.

For more information or to find out more about the *Creating Hope in the Workplace* program, call or e-mail Roland Goicoechea at Arvest Bank of Rogers, (rgioechea@arvest.com) (501) 621-4830.



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<https://www.stlouisfed.org/publications/bridges/winter-2001/arkansas-banks-educators-bring-world-of-finance-to-high-schools>

Arkansas: Banks, Educators Bring World of Finance to High Schools

Bankers and educators in Arkansas formed a special bond several years ago when they joined forces to create a special program for teen-agers. The program, called *Banking on the Future*, was formed in 1997 to educate the teen-agers not only in financial literacy but also about possible careers in the world of finance.

Banking on the Future started as a collaborative effort between the Arkansas American Institute of Banking—now known as the Center for Financial Training, South Central States—and the Arkansas Department of Workforce Education. It is part of a national school-to-work effort in the United States that is attempting to make school curriculums more relevant to the workplace.

The fundamental element of the *Banking on the Future* program is educating high school students in the basics of banking and finance. The goal is two-fold: that each student will become a better consumer of financial services, thus having a positive economic impact on the community; and that the financial services industry will have a source of trained entry-level job candidates in local communities.

Currently, 86 public high schools in Arkansas offer the *Banking on the Future* program, which is one of the core curriculums under the Business/Marketing/Technology career path. (In Arkansas, public high school students are required to select a career path. The Business/Marketing/Technology option is one of five available choices.) *Banking on the Future* provides textbooks and related materials to the schools and offers in-service training to teachers.

As part of the program, students gain an understanding of banking and finance concepts that will enhance their personal lives regardless of their chosen field of work. It includes a series of four, one-semester courses that are targeted for 11th- and 12th-graders. They include: Banking and Finance Principles, Banking and Finance Operations, Banking and Finance Law, and Principles of Consumer Finance.

The Center for Financial Training has also introduced three new courses for the program: Introduction to Financial Planning, Introduction to Investments and Securities, and Introduction to Insurance and Risk Management. The center is also working with the Arkansas Department of Workforce Education to establish several teller training schools across the state.

All of this is possible because of the strong commitment of volunteer bankers throughout the state. These bankers assist teachers in their own communities by speaking in the classrooms and by bringing students to banks so that students get a first-hand look at banking operations and services. In addition, high school business teachers are offered internships, and high school students are offered job opportunities to give them real-world experience to supplement classroom education.

For more information on the *Banking on the Future* program, contact Debbie Sefcik, executive director of the Center for Financial Training, South Central States, at (501) 372-0940 (telephone) or (501) 372-1142 (fax).