Chapter 4
Financial Education and Program Evaluation*

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Abstract This chapter provides an overview of the wide range of financial education programs aimed at improving Americans’ financial literacy as well as a review of the current program evaluation evidence demonstrating the impact of financial education programs. We advocate for the adoption of a comprehensive framework for evaluation to assist those currently delivering, and planning to deliver, financial education while highlighting some of the key challenges. Jacobs’s (Evaluating family programs, pp. 37–68, 1988) five-tier approach to program evaluation is described and outlined to provide a general framework to guide financial education evaluation.

Among Americans, burdensome consumer debt, low savings rates, and record bankruptcies are commonly considered the result of low financial literacy levels. As a result, both public and private initiatives have called on Americans to learn the basics of saving and investing for long-term financial independence, or otherwise to improve their level of financial literacy. Collectively, the scope and size of the financial education effort have been significant, although undoubtedly some initiatives are experiencing greater success than others.

To this end, we present an overview of the wide range of financial education programs aimed at improving Americans’ financial literacy. Financial literacy denotes one’s understanding and knowledge of financial concepts and is crucial to effective consumer financial decision making. Programs that educate to improve financial literacy “provide individuals with the knowledge, aptitude and skills base necessary to become questioning and informed consumers of financial services and manage their finances effectively” (Mason & Wilson, 2000, p. 5). Financial education can include any program that addresses the knowledge, attitudes, and/or behavior of an individual toward financial topics and concepts.

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In this review, the overview of programs is followed by a short summary of the current evidence of the impact of financial education programs. We then outline a comprehensive framework for financial education evaluation. Our intention is to highlight some of the key challenges facing providers of financial education programs who wish to evaluate the effectiveness of their program. As a tool, we suggest a framework to guide the evaluation of financial education programs. Without question, the costs of deliberate program evaluation methods can be prohibitive for some education providers. However, the adoption of a more consistent and comprehensive framework to evaluation will better capitalize on economies of scope. Widespread adoption of a more consistent approach to program evaluation will facilitate program comparison and aid in identification of best practices in financial education. The critical link between formal knowledge and real economic outcomes is now well established (see Lusardi & Mitchell, 2007a, for a review). The next step is identifying the most effective and scalable programs in financial education.

**Current Financial Education Programs**

Over the past decade, there has been a dramatic increase in the development and delivery of financial education programs. In a 2004 Government Accountability Office report, the Comptroller General reported that “an estimated 20 different federal agencies operate about 30 different programs or initiatives related to financial literacy” (Government Accountability Office, 2004). A Fannie Mae Foundation report reviewed 90 financial education programs offered in the community and workplace. Of the 90 financial education programs, 65% were launched in the 1990s. Of these programs, three-fourths began in the late 1990s or in 2000 (Vitt et al., 2000). In Spring 2003, the Federal Reserve Bank of Cleveland reported on the financial education efforts in the Fourth District, which includes Ohio, eastern Kentucky, western Pennsylvania, and northern West Virginia. The study found almost half of the programs were 5 years old or less, whereas just over 10% of the programs had been around for 20 years or more (Hopley, 2003).

A host of public and private entities engage in personal financial education. Purveyors of financial education programs from the Fannie Mae report include (1) community organizations (29 programs), (2) Cooperative Extension Service (24 programs), (3) businesses (18 programs), (4) faith-based organizations (eight programs), (5) community colleges (seven programs), and (6) the U.S. Military (four programs) (Vitt et al., 2000). Of 164 community development corporations, social service agencies, local state and federal government agencies, faith-based organizations, foundations, and schools or universities responding to a Federal Reserve Bank of Cleveland survey, 32% delivered a financial education program, 12% funded a financial education program, and 2% did both (Hopley, 2003). Commercial banks commonly engage in financial education efforts. A recent study by the Consumer Bankers Association (2002) found that 66% of the 68 retail banks surveyed were conducting financial education programs.