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# Research Snapshot:

# *The Value of Financial Education During Multiple Life Stages*

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## Research Summary

Prior research has examined the impact financial education has on financial behaviors. Spoiler: It's usually good. Unfortunately, 45% of individuals received no financial education from any source. But Gibson, Sam, and Cheng wanted to better understand the *timing* of that financial education. Does it matter when the education was received (high school, college, in the workplace, or at home)? It turns out, it does. Gibson, Sam, and Cheng used data from the 2015 National Financial Capability Study to measure the impact of financial education received at different life stages.

### The researchers found:

- **Exposure to financial education during multiple life stages – at home, through school, and in the workplace – leads to better financial outcomes.** The most impactful channel was learning about money at home, but any education is better than no education (Wagner, 2019) and more education – during multiple time periods – is better than less.
- **"Good" financial behaviors measured by the researchers included seven actions:** (1) Having an emergency fund, (2) spending less than income, (3) having a retirement plan, (4) calculating retirement needs, (5) using credit, (6) budgeting, and (7) participating in the stock market.
- **The impact on financial behaviors was clear, and it seemed to be driven by timing.** For example, learning about retirement in a workplace setting (aligned with the opportunity to save for retirement through payroll deductions) had a stronger impact on actually saving for retirement than learning about retirement as a high school student. The authors suggest aligning the educational content with the learner's need as much as possible.

## Study Details

**Quantitative study: Survey**

*Using 2015 National Financial Capability Study data*

30k

**27,564 adults**

**Nationally representative sample**

**Knowledge-based and behavior-based questions**

**This is just a snapshot of a fascinating paper.** Read the full study to better understand the other literature in the field, the methodology, and the limitations.

Gibson, P., Sam, J.K., & Cheng, Y. (2022). The value of financial education during multiple life stages. *Journal of Financial Counseling and Planning*, 33(1), 1-40.

## Bridge to Practice

*As with all research, this isn't necessarily generalizable. There are limitations and more questions to answer.* ***Nevertheless, there are interesting findings you can think about incorporating in your practice.***

### Emphasize the good behaviors.

This study listed seven "good" financial behaviors, which you can encourage in your clients when the timing makes sense. (Remember: Emphasizing the right conversations at the right time was found by these researchers to increase financial literacy.) For example, consider highlighting (and praising) a metric related to a client's emergency fund balance (Babiarz & Robb, 2014; Kim et al., 2019) in annual meetings, just like you might already highlight an investment return. Alternatively, think about encouraging parents to open a credit card for their college-bound young adult (Britt et al., 2015; Brown et al., 2014), along with an educational meeting with you so the young adult can build their knowledge and positive financial behaviors.

### Enable clients to have conversations at home.

As confirmed by this study, "financial education received at home… has the most substantial impact on financial behavior." Your clients already have access to you – Consider deepening your educational offerings so they can comfortably initiate conversations at home with their loved ones. You can create your own educational offerings (a quarterly quiz, perhaps, to share with your most competitive clients?) or build on existing offerings (podcasts, articles, and videos) from trusted sources.

### Advocate for relevant financial education in high school.

For individuals with only a high school degree, financial education at the high school level positively impacted their financial behaviors, which is crucial given that these individuals did not have access to college-level financial courses or workplace financial education (in some cases). Many states have adopted required financial literacy standards for secondary school, which presents an opportunity for financial counselors and coaches to support those educational programs and advocate for their inclusion in the high school curriculum, perhaps even offering their knowledge and expertise as part of the process.

### Invest in relevant workplace financial education.

The authors found that financial education in the workplace had a significant impact on financial behaviors. The most common workplace education relates to retirement, but relevant education doesn't have to end there. Consider providing lunchtime or evening educational offerings related to the positive financial behaviors to major employers in your area. In addition to building positive financial behaviors, these offerings could serve as lead generators for new clients as well.

## Definitions

- **Financial knowledge:** Financial knowledge, in the context of this study, is measured by correctly answering knowledge-based and calculation-based questions included in the 2015 National Financial Capability Survey, especially related to savings inflation, the interest rate between bonds and interest rates, and mutual fund comparisons.
- **Financial literacy:** Financial literacy, especially according to Huston (2010) involves both financial knowledge and the "ability to use personal financial information effectively by demonstrating positive financial behavior."
- **Financial capability:** Financial capability is similar to financial literacy. Other researchers and the National Financial Educators Council have defined it to involve financial knowledge, "the willingness to put that knowledge into action, and the means to do so."