Asset Funders Network

MetLife Foundation

present today's webinar:

MOVING BEYOND FINANCIAL EDUCATION

A Grantmaker's Guide to Investing In Impactful Financial Capability Programs

APRIL 11, 2018

CENTER FOR ADVANCED HINDSIGHT
COMMON CENTS LAB

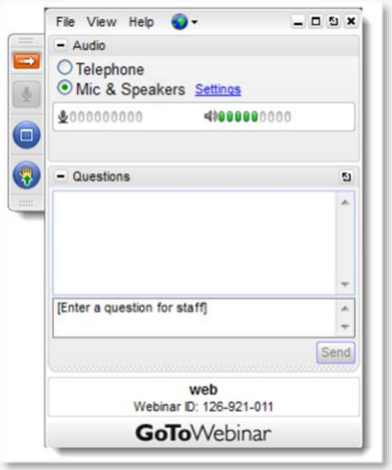
meda

HARMONY
NEIGHBORHOOD DEVELOPMENT
Engaging. Investing. Building. Empowering.

WEBINAR CONTROL PANEL

PARTICIPATE

During the presentation –
Type your question in the
QUESTIONS BOX
to be addressed during discussion breaks or during Q/A



Asset Funders Network

the only grantmaker membership organization focused on building economic well-being for all.

AssetFunders.org

who we are

Our Mission

Asset Funders Network advances economic opportunity and prosperity for low and middle income people through philanthropy.

AFN members are:

- Private, Public, Corporate, and Community Foundations
- Public-Sector Funders
- Financial Institutions
- Corporate Giving Programs
- Credit Unions
- Community Development Financial Institutions
- United Ways

Asset Funders Network

INTRODUCTIONS

Evelyn Stark
Assistant Vice President, Financial Inclusion
MetLife Foundation

Wendy De La Rosa
Co-Founder and Principal
Common Cents Lab
San Francisco, CA

Lucy Arellano
Director of Asset Building Programs
Mission Economic Development Agency (MEDA)
San Francisco, CA

Katherine Johnson
Executive Director
Harmony Neighborhood Development
New Orleans, LA

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DISCUSSION AGENDA

Introductions & Framing Remarks	**Evelyn Stark** MetLife Foundation
Effective Program Design Framework & the Research Behind It	**Wendy De La Rosa** Common Cents Lab
Discussion Panel *Evelyn Stark, Moderator* MetLife Foundation	**Katherine Johnson** Harmony Neighborhood Development **Lucy Arellano** Mission Economic Development Agency
Moderated Q/A And Closing	**Evelyn Stark** MetLife Foundation

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$670M IS SPENT EACH YEAR ON FINANCIAL EDUCATION, yet studies show that it only makes a 0.1% difference in financial behaviors.

- CONSUMER FINANCIAL PROTECTION BUREAU
- META-ANALYSIS BY DANIEL FERNANDES, JOHN G. LYNCH, AND RICHARD G. NETEMEYER

What is Common Cents Lab?

Common Cents Lab is a **financial research lab** at Duke University that creates and tests interventions to help **low and moderate-income** households increase their financial well-being across 5 areas:

Improving cash flow management	Decreasing expenses	Decreasing debt	Increasing short-term savings	Increasing long-term savings
				

Americans are NOT financially secure

In a study of over 800 people in the U.S., 36% had $500 or less in savings

Standard Model of Financial Education

Education -> Knowledge -> Behavior Change

As a society, we have been increasing our efforts to educate our citizens on financial education

- **45** states include personal finance in their K - 12 standards (up from **31** in 2002)
- **37** require that those standards be implemented (up from **17** in 2002)
- In 2002, the **Financial Literacy and Education Commission** was created, with a mandate to develop a national strategy on financial education
- **April** has been designated as Financial Literacy Month

Information
does NOT
lead to behavior change

A meta-analysis, analyzing the relationship of financial education on financial behaviors across 168 papers and 201 studies found very weak results

- → "financial education interventions explain only 0.1% of the variance in financial behaviors, with weaker effects in low-income samples."

- → For studies that used RCTs, the effect was much smaller, showing that financial education interventions explain only 0.0% of the variance in financial behaviors

-Fernandes, Lynch, Netemeyer (2014)

Standard View

We're rational and self-optimizing agents

Most of our decisions are made **cognitively and deliberatively**

Attention is an abundant resource

Deep reservoir of willpower

Education -> Knowledge -> Behavior Change

Behavioral View

We're swayed by a multitude of other factors

Most of our decisions are made emotionally and automatically

Attention is a scarce resource

Shallow reservoir of willpower

Environment-> Behavior Change

How do we change behavior?

3 B's: A Framework for Change

3Bs

- → **Behavior**
- → **Barriers**
- → **Benefits**

Behavior

→ **Measurable and actionable behavior**

Common Mistakes

- → Too general
- → Mind-set focused

Example:

- → Paydown debt vs. Pay $10 more than the minimum payment every month

1. IDENTIFYING KEY BEHAVIORS. Programs must have the right dose of information at the right moment for the right audience.	**KEY INGREDIENT**
❑ Does the program focus on action and behavior change?	JUST-IN-TIME
❑ Is the program offered right before participants need to take an action—within two weeks of participants being able to make a behavior change?	
❑ Is the program focused on one behavior or topic at a time?	
❑ Is the program related to an issue participants can actively change right now?	
❑ Is each group education session short (i.e., less than one hour in length)?	

Examples from the academic literature:

- **Asking a program participant to focus on more than one goal leads to decreased motivation (Dalton and Spiller 2012)**
- **Programs that have just one saving goal vs. many savings goals, increased overall savings (Soman and Zhao 2011)**

Barriers

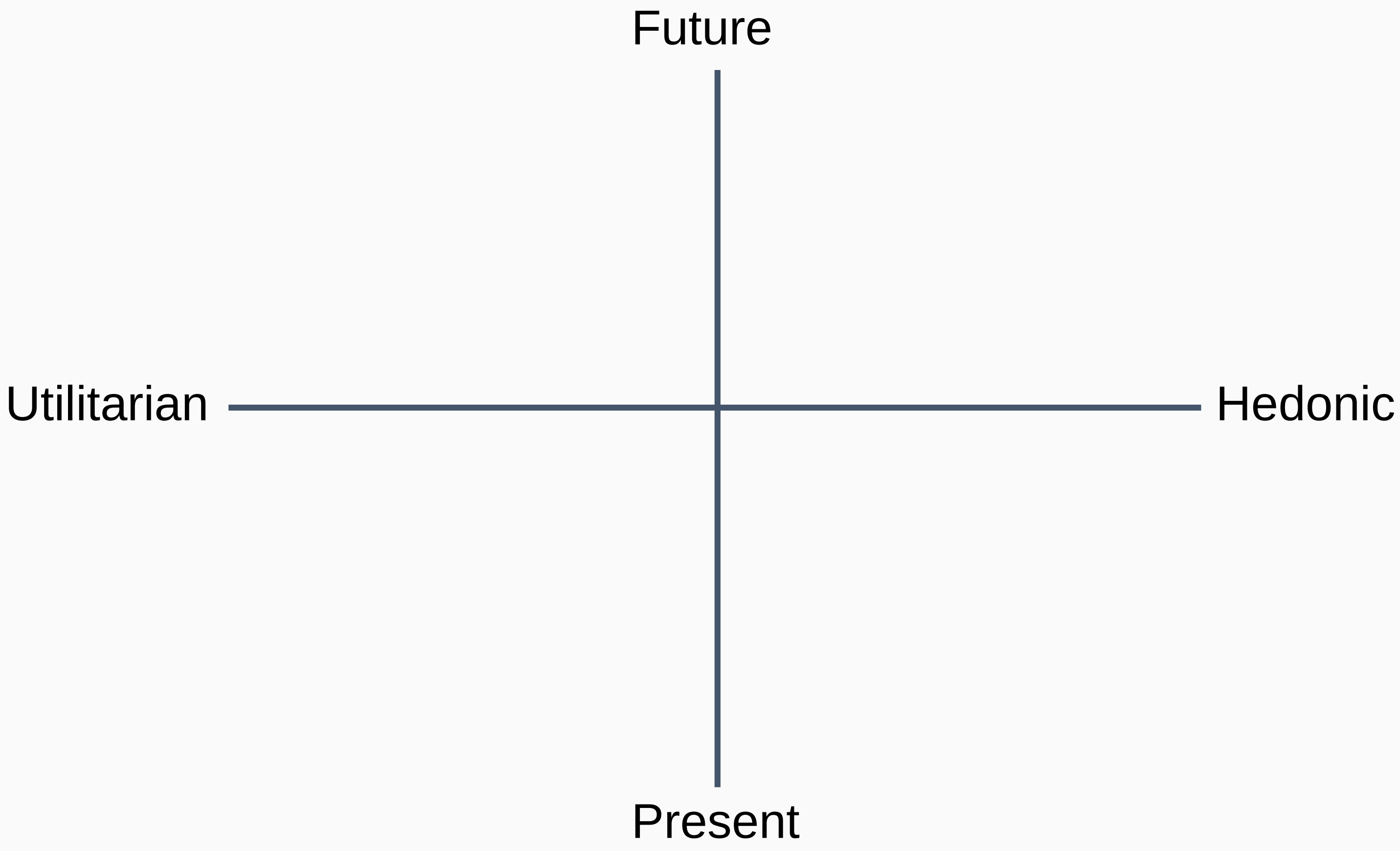
→ Every click, every field, every signature, every step, every call, every choice, every form...

2. REDUCING BARRIERS. Programs have to occur in the right environment—one that is comfortable and with few barriers to taking financial action.	KEY INGREDIENT
❑ Is ongoing support and accountability provided to participants?	ACCOUNTABILITY
❑ Is the program streamlined to reduce barriers and unnecessary steps, forms, and actions, and instead make the desired behavior easier or the default?	REDUCING BARRIERS
❑ Are any desired behaviors automated?	REDUCING BARRIERS
❑ Does the program have participants complete actions during the session and not after, such as check credit scores, open accounts, or set up budgets?	REDUCING BARRIERS
❑ Are participants sent goal reminders, action steps, and financial status updates to keep their goals top of mind and help them follow through on their actions?	REDUCING BARRIERS

Examples from the academic literature:

- Save more for tomorrow increased savings rates from 3.5% to 13.6% in 40 months (Thaler and Benartzi, 2004)
- Pre-filling out FAFSA forms increased likelihood of applying by 40% and college enrollment by 30% (Bettinger et. al, 2009)
- SMS texts with credit score information increased credit scores by 21% in individuals with low credit scores (Federal Reserve Bank in Boston, 2014)

Benefits



3. AMPLIFYING BENEFITS. Programs must include the right motivation for participants.	KEY INGREDIENT
❑ Does the program use implementation interventions to increase participant follow-through?	IMPLEMENTATION INTENTIONS
❑ Do participants connect to his or her future self through reflection on what the future will look like when they have achieved their goal?	FUTURE SELF
❑ Does the program offer participants opportunities to connect to their peers who have demonstrated positive behaviors for learning and resources?	SOCIAL PROOF

Examples from the academic literature:

- Providing people with envelopes and asking them to answer "where" they are going to save helped increase savings rates by 22% (Soman and Zhao, 2011)
- When people spend three to five minutes imagining and writing down how they would feel in a comfortable and worry-free retirement, they become 25% more likely to increase their savings on the spot (Benartzi et al.)

We only know all of this through testing

4. EVALUATION. Education must include measurement of outcomes in the right way.

- ❏ Does the program have the ability to measure behavior outcomes (e.g., savings balances, paying bills on time, or credit scores) for a period of longer than three months?
- ❏ Does the program have an adequate sample size of participants (i.e., 250 participants every three months) for authoritative experimentation or evaluation?
- ❏ Does the program test its outcomes either through a controlled experiment (gold standard), A/B testing, or a pre-post measure (bare minimum)?

Nonprofit Perspectives

meda

HARMONY
NEIGHBORHOOD DEVELOPMENT
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MEDA's program provides financial education and 1:1 coaching on debt, income, savings, credit, and safe banking.

These are services are embedded into all asset building programs: **workforce development, business development, housing opportunities, and tax**.

Clients work efficiently on a comprehensive plan, **with one coach** to reach and sustain goals and change behaviors:

- **Continued engagement**
- **Increased political organizing**
- **Improved credit scores**

Harmony's programming has shifted from a homeownership focus to a **comprehensive financial orientation.**

Services include **VITA, credit counseling, youth financial education, 1:1 coaching, and group financial empowerment seminars.**

Behavior changes include:

- **Increased savings**
- **Reduced debt**
- **Improved credit scores**
- **Goal attainment**

QUESTIONS & DISCUSSION

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QUESTIONS

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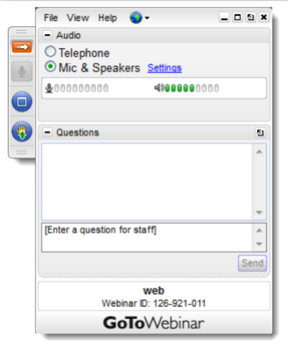

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Recommendations

> “DO THE BEST YOU CAN until you know better. Then when you know better, do better.”
>
> MAYA ANGELOU

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presentation

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The survey will pop up on your screen momentarily
and will also be sent to you via email

WE VALUE YOUR TIME,
AND YOUR RESPONSES WILL INFORM
OUR FUTURE PLANNING

THE WEBINAR HAS CONCLUDED