

Money Smart

Relevance

Many families face the constant challenge of managing limited resources to meet everyday expenses. The increasing complexity of the financial system and the lack of formal financial literacy education further burdens families who are trying to make ends meet, particularly low-income families.

Research studies indicate that people of all ages, incomes, and education levels lack the basic financial knowledge and skills to ensure long-term stability for themselves and their families. One result of this limited financial knowledge and skill is the estimated 73 million Americans classified as ‘unbanked’ or ‘underbanked.’ These are people who do not have a bank/credit union account or do not fully utilize the services of the institutions in which they hold accounts. As a result, they spend disproportionate amounts of their family budgets on high fee services such as check-cashing outlets, money stores, payday loan companies, and other ‘alternative’ financial services. It is estimated that 23 percent of families living in rural communities along the Mexican border – including South Texas – are ‘unbanked.’ A recent report by the Center for Public Policy Priorities summarized results from the Corporation for Enterprise Development, which reported almost 51 percent of Texas residents do

not have a savings account; 20 percent of Texans have zero net worth; Texans have the lowest credit scores in

the nation; and Texas ranks 44th in the rate of homeownership.

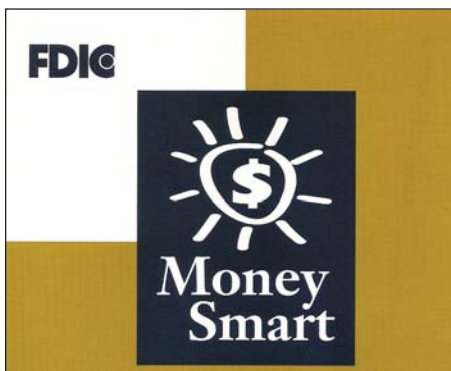
Response

Money Smart is a financial management program developed by the Federal Deposit Insurance Corporation (FDIC). While targeted at adults outside the financial mainstream, this curriculum can be used with adults who have low financial knowledge and skills. The curriculum helps individuals build financial knowledge, develop financial confidence, and use banking services effectively.

The *Money Smart* program is a set of 10 instructor-led modules. Each module includes a guide for instructors, including a script and exercises, and participant materials. Curriculum materials are available in English or Spanish. Each module includes an evaluation instrument with retrospective pre and post questions about the

Money Smart Class Topics

- Introduction to Banking Services
- Credit
- How to Choose and Keep a Checking Account
- How to Keep Track Your Money
- Saving
- Your Rights as a Consumer
- How Your Credit History Affects Your Credit Future
- Credit Cards
- Loans
- What Home Ownership Is All about



participant's knowledge of the concepts taught before and after the class.

Over the past five years, *Money Smart* has been utilized by Texas AgriLife Extension Service to increase the financial literacy of a variety of Texans, including Habitat for Humanity families, recent immigrants, Head Start parents, and participants of drug rehab programs.

Results

In 2008, 9 Texas counties made 1,888 educational contacts by conducting 113 educational sessions utilizing the *Money Smart* curriculum. Classes were conducted for clients in a variety of community organizations, including Crisis Center, Pregnancy Resource Center, Volunteers of America, housing programs, Foundation Communities VITA tax sites, court-ordered probationers, and school parent groups. In Bell County, 23 clients of the Killeen Help Center participated in a *Money Smart* series. Participants reported a significant increase in knowledge of the concepts taught throughout the series. Changes in financial management practices included opening checking and savings accounts, beginning to reconcile checking accounts, using a spending plan, taking actions to restore credit, and now saving money. In Travis County, four Financial Literacy Coalition of Central Texas (FLCCT) volunteers conducted *Money Smart* 'Express' classes at VITA tax preparation sites, with 126 people participating in the classes. FLCCT volunteers also conducted 47 *Money Smart* educational sessions reaching 809 adults.

In 2007, FLCCT trained 33 new volunteers. Forty-five volunteers conducted 89 *Money Smart* programs with 1,063 participants. Ninety-one percent of the participants indicated the classes were valuable to them, and 89 percent indicated they would implement one new financial management practice they learned. Changes in participants' knowledge were consistent with results from 2004.

In 2004, *Money Smart* was selected to be the main curriculum taught with adult audiences by FLCCT. Classes were taught at six locations throughout Austin and included Habitat for Humanity, El Buen Samaritano, Manos de Christo, Travis County Employees Wellness Program, Texas Property and Casualty Guaranty Association, and Friendship International. A total of 498 participants attended these classes; 54 percent attended classes taught in English, and 46 percent attended classes taught in Spanish. Participants completed the before and after course evaluation provided with the *Money Smart* curriculum for each class they attended. Complete evaluation instruments were obtained from 466 participants. Statistical analysis of participants' knowledge of the program's concepts before the class and after the class indicated a statistically significant increase in knowledge as a result of participating in each class. Additionally, we were interested in knowing whether there was a difference in the scores of those taking the class in Spanish compared to the scores of those taking the class in English. Increases in scores were significantly greater among the Spanish speakers than the English speakers for the Money Matters and Borrowing Basics classes. There was no significant difference for the Pay Yourself First class.

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