



# Money Smart

<http://fcs.tamu.edu/your-money/money-management/>

## Helping Texans Better Their Lives

### 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. Recent studies indicate that people of all ages, incomes, and education levels lack basic financial knowledge and skills to ensure long-term financial stability for themselves and their families. Consumer awareness of the need for financial literacy education has increased, particularly in the areas of budgeting, saving, and cutting back on spending.

In 2015, the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation funded a nationwide Financial Capability Study to update key benchmarks in financial capability for adults from their 2012 study. While improvements were seen, Texans still lag behind national results. The FINRA survey found that:

- 16% of Texans indicated they spent more than they made in the previous year; a 3% improvement from 2012.
- 51% reported no emergency funds to cover at least three months of expenses in an emergency; an improvement of 6% from 2012.

- 33% reported using one or more non-bank borrowing (e.g., title loans, payday loans, pawn shops, rent-to-own) methods in the past five years; a 6% improvement from 2012.
- When asked five questions covering basic economic and finance topics encountered in everyday life, 73% of Texans answered three or fewer correctly, up from 67% in 2012; indicating financial capability has not improved. This result placed Texas 44 out of the 50 states in the number of correct answers to the questions.

### 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.

For more than 10 years, *Money Smart* has been utilized by the Texas A&M AgriLife Extension Service to increase the financial literacy for a variety of Texans — such as Habitat for Humanity families, recent immigrants, Head Start parents, and participants of drug rehab programs.

*Money Smart* class topics include:

- Introduction to Banking Services
- Credit
- How to Choose and Keep a Checking Account



- How to Keep Track of Your Money
- Saving
- Your Rights as a Consumer
- How Your Credit History Affects Your CreditFuture
- Credit Cards
- Loans, and
- What Home Ownership Is All About

Pre- and post-surveys are used to determine any changes in participants’ financial management practices and attitudes toward money, as a result of participating in *Money Smart* classes. Participants have reported adoption of several recommended financial management practices and improvement in their attitudes toward money over the 5-to-10 week series — including improvement in the frequency with which bills are paid on time, increased savings, opening of savings and checking accounts, and developing a plan for spending.

## Results

Since 2004, more than 1,425 *Money Smart* classes have resulted in more than 18,500 educational contacts. In 2016, seven Texas counties made 1,493 educational contacts by conducting 1,302 educational sessions utilizing the *Money Smart* curriculum. Classes were conducted for clients in a variety of community organizations, including Individual Development Account (IDA) participants, Catholic Family Services, Boys and Girls Clubs, workforce centers, adult probationers, child support enforcement programs, Refugee Services, correctional facilities, Goodwill Industries and Financial Literacy of Central Texas.



Participant evaluations are analyzed to determine knowledge gained, skills learned, and intent to change financial management behaviors. The results consistently show a significant statistical increase in participants’ knowledge of the program’s concepts after the class, compared to their knowledge before the class. For example, during 2016, participants from Hidalgo County reported increasing their knowledge in all classes provided. The largest increases in knowledge were reported for the *To Your Credit* module dealing with credit management and credit reports, and the *Your Own Home* module, which deals with understanding the home buying process.



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