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Building blocks to help youth achieve financial capability

Report brief

Consumer Financial Protection Bureau

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1. Introduction

To navigate the financial marketplace effectively, adults need financial knowledge and skills, access to resources, and the capacity to apply their money skills and habits to financial decisions. Where and when during childhood and adolescence do people acquire the foundations of financial capability? The Consumer Financial Protection Bureau (CFPB) researched the childhood origins of financial capability and well-being to identify those roots and to find promising practices and strategies to support their development.

The report discussed in this brief, “Building blocks to help youth achieve financial capability: A new model and recommendations,” illuminates critical attributes, abilities, and opportunities acquired during the years spanning preschool through young adulthood that support the development of adult financial capability. By uncovering critical intersection points between youth development and financial capability, the CFPB answers the questions of “how,” “when,” and “where” children and youth typically acquire critical building blocks of financial capability – building blocks that can provide a foundation to support financial well-being in adulthood.[1]

The research led to the creation of a developmentally informed, skills-based model.[2] The many organizations and policy leaders working to help the next generation become capable of

[1] *Financial well-being: The goal of financial education*, Consumer Financial Protection Bureau (2015), *available at* consumerfinance.gov/reports/financial-well-being/.

[2] The research described in this report was conducted by the Corporation for Enterprise Development (CFED), under contract to CFPB. CFED’s research team also included academic experts in financial capability and educational and developmental psychology from the University of Wisconsin–Madison and the University of Maryland, Baltimore County, as well as ICF International.

achieving financial capability can use this new model to shape priorities and strategies.

The financial capability developmental model can be used to:

- Refine existing programs and financial education resources.
- Develop and test new and innovative financial education strategies.

This brief also outlines recommendations the CFPB created from its research to help those seeking new ideas and insights for delivering evidence-based, age-appropriate, and developmentally appropriate financial education policies and programs.

2. What are the building blocks of financial capability?

CFPB-commissioned research found that adult financial capability most likely stems from three interlocking youth developmental building blocks:

- **Executive function** – a set of cognitive processes used to plan, focus attention, remember information, and juggle multiple tasks successfully.
- **Financial habits and norms** – the values, standards, routine practices, and rules of thumb used to routinely navigate day-to-day financial life.[3]
- **Financial knowledge and decision-making skills** – familiarity with financial facts and concepts, and the ability to do financial research and make conscious and intentional financial choices.

To illustrate and explain how, when, and where children and youth typically acquire these building blocks, the CFPB created the financial capability developmental model. By applying this model, program developers, financial education providers, and policy and community leaders can help better prepare individuals for a lifetime of financial capability and enhanced financial well-being.

[3] *Rules of thumb* are automatic, "go-to" responses people have to particular environmental cues that simplify the decision-making process and yield a reliably "good enough" solution. Also called cognitive heuristics, rules of thumb are mental shortcuts people use to quickly make decisions or resolve challenges when we have limited information.

The CFPB's new research confirms the importance of starting financial education early and continuing to build on that foundation throughout the K-12 school years, and of financial education for high schoolers.[4] The research suggests that explicit personal finance instruction is just one of the building blocks of financial capability and is only likely to be successful if the person acquires the other building blocks along the way. It is important to recognize that not all children encounter opportunities to develop these building blocks fully. Therefore, families, community organizations, and schools are important platforms[5] for advancing these various building blocks. Because no one platform alone can help children acquire all three building blocks, we must work together and be intentional about creating the conditions that give all children and youth opportunities to build strong foundations for achieving adult financial well-being.

The recommendations derived from this research provide a set of common strategies for financial education program developers, parents, schools, and policy and community leaders seeking new ideas and insights as they create and deliver evidence-based, age-appropriate, and developmentally appropriate financial education policy initiatives and programs. To learn more, you can download the full report, "Building blocks to help youth achieve financial capability: A new model and recommendations," online at: http://files.consumerfinance.gov/f/documents/092016_cfpb_BuildingBlocksReport_ModelAndRecommendations.pdf.

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[4] *Transforming the Financial Lives of a Generation of Young Americans: Policy Recommendations for Advancing K-12 Financial Education*, Consumer Financial Protection Bureau (2013), *available at* files.consumerfinance.gov/f/201304_cfpb_OFE-Policy-White-Paper-Final.pdf.

[5] *Platforms* are the locations or settings where youth engage in activities to develop and reinforce financial capability attributes and abilities. Major platforms include home, schools, and programs run by community organizations.

Table 1, below, provides a summary of each of the building blocks and illustrates how it contributes to financial capability in adulthood.

TABLE 1: THREE YOUTH BUILDING BLOCKS OF FINANCIAL CAPABILITY

	1 **Executive function**	2 **Financial habits and norms**	3 **Financial knowledge and decision-making skills**
What it is	Self-control, working memory,[6] problem-solving	Healthy money habits, norms, rules of thumb	Factual knowledge, research and analysis skills
What it supports in adulthood	Future orientation,[7] perseverance, planning and goal setting, general cognitive flexibility[8]	Decision shortcuts[9] for navigating day-to-day financial life and effective routine money management	Deliberate financial decision-making strategies, like financial planning, research, and intentional decisions
Examples of financial application in adulthood	Saving, setting financial goals, developing and executing budgets	Having a system to pay bills on time	Effective comparison shopping

[6] *Working memory* is the ability to hold onto and process several pieces of information at once. In the context of building blocks of financial capability, it is used in executive function when we briefly store and recall information to compare options and make decisions.

[7] *Future orientation* is having a long-term outlook and believing that there will be opportunities for you in the years ahead.

[8] *Cognitive flexibility* is the ability to think of different ways to solve a problem. It is a component of executive function that allows us to think creatively to address unexpected challenges.

[9] *Decision shortcuts* are routine responses we use to quickly make decisions or resolve challenges when we have limited information.

3. When do children typically acquire the building blocks of financial capability?

How children learn and what they are able to master evolves as they enter different developmental stages. They acquire the building blocks of financial capability throughout childhood and into young adulthood.

The financial capability developmental model is an age-appropriate framework that incorporates financial capability skills, knowledge, and thought processes. This framework can be applied in designing programs and strategies that serve children and youth. The model identifies three key building blocks – executive function, financial habits and norms, and financial knowledge and decision-making skills. It then lays out when these three building blocks of financial capability typically manifest, as well as how they commonly progress during three developmental stages – early childhood, middle childhood, and from the teen years into young adulthood.

It is important to view the building blocks of financial capability as ideal windows of opportunity to learn key skills during specific developmental periods and to understand that these are not the only opportunities for a person to acquire the building blocks. Individual experiences play a large role in child and youth development. External factors, such as socioeconomic circumstances, limited access to a wide range of economic opportunities, and early experiences with adversity, can limit opportunities to acquire (or interfere with the acquisition of) the building blocks of financial capability. For example, even motivated and skilled youth need external opportunities and supports if they are to put their financial knowledge and money habits to use.

To close gaps in a young person's development, schools, families, and community programs are essential. By recognizing and addressing each of the building blocks, we can give all children opportunities to acquire the building blocks that create a foundation for adult financial capability and well-being.

Table 2, below, shows the typical progression of when children, teens, and young adults acquire the building blocks of financial capability.

TABLE 2: PRIMARY DEVELOPMENTAL STAGES WHEN CHILDREN TYPICALLY ACQUIRE THE BUILDING BLOCKS OF FINANCIAL CAPABILITY

	1 **Executive function** *Self-control, working memory, problem-solving*	2 **Financial habits and norms** *Healthy money habits, norms, rules of thumb*	3 **Financial knowledge and decision-making skills** *Factual knowledge, research and analysis skills*
Early childhood (ages 3–5)	✓	Early values and norms	Basic numeracy
Middle childhood (ages 6–12)		✓	Basic money management
Adolescence and young adulthood (ages 13–21)	Development continues	Development continues	✓

4. What are the building block competencies for each developmental stage?

Children begin acquiring the building blocks of financial capability as early as preschool and continue to do so throughout young adulthood. This brief discusses the role of each building block of financial capability and the youth developmental stages at which it manifests and matures. This knowledge can help program providers, communities, and policy leaders apply the building blocks model as they develop personal finance programs.

The research identified three developmental stages during which cognitive and environmental factors combine to create ideal touch points and learning conditions. These touch points are periods during which individuals are typically developmentally capable of learning a skill or attitude and are most commonly open to learning it. The cognitive and environmental factors that together make a particular age ideal for absorbing a certain skill or behavior might not readily reappear again later in life, making these capabilities not nearly so easy to learn outside the window.

Turning now to each developmental stage, the next section of this brief identifies which primary building blocks of financial capability children and youth acquire during each of the three developmental stages. The ages provided are general guides and not exact, fixed ages at which a developmental window opens and closes.

For each developmental stage, the report identifies the pathways[10] (processes and experiences) and platforms (locations) where children typically acquire a building block of financial capability.

4.1 Early childhood (ages 3–5): Executive function develops rapidly, and very early financial knowledge and norms begin to form

Executive function is the primary building block acquired during early childhood. We use executive function when we make plans, defer gratification, focus attention, remember information, and juggle multiple tasks. These cognitive abilities support impulse control and future-oriented skills, which in turn provide a foundation for performing adult financial tasks such as setting financial goals, saving, and managing a budget.[11, 12]

Very young children also begin to develop basic cognitive abilities they will use in later years as they acquire financial knowledge and skills, as well as some early financial values and norms. Children as young as 3–5 years old can develop extremely rudimentary knowledge and skills

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[10] *Pathways* are the processes and experiences through which youth gain and develop the building blocks of financial capability. Major pathways include early experiences and environment; parental influence; financial socialization; experiential learning; and direct, explicit instruction.

[11] Moffitt, Terrie E., Louise Arseneault, Daniel Belsky, Nigel Dickson, Robert J. Hancox, HonaLee Harrington, Renate Houts, Richie Poulton, Brent W. Roberts, Stephen Ross, Malcom R. Sears, W. Murray Thomson, and Avshalom Caspi, *A gradient of childhood self-control predicts health, wealth, and public safety,* 108(7) Proceedings of the National Academy of Sciences 2693–2698 (2011).

[12] Lynch Jr., J. G., Netemeyer, R. G., Spiller, S. A., and A. Zammit, *A Generalizable Scale of Propensity to Plan: The Long and the Short of Planning for Time and for Money,* 37(1) Journal of Consumer Research 108–128 (2010).

such as basic numeracy, which support personal financial management later in life.[13, 14]

Table 3, below, summarizes the primary and secondary elements of financial capability that develop during early childhood.

TABLE 3: WHAT HAPPENS IN EARLY CHILDHOOD (AGES 3–5)

Primary
Executive function develops ▪ Supports future-oriented behaviors ▪ Provides cognitive basis for financial reasoning skills ▪ Supports self-control and perseverance ▪ Forms a foundation for ability to follow through
Secondary
Basic numeracy develops ▪ Provides the foundation for applied math skills ▪ Is integral to skillful money management ▪ Is integral to financial analysis skills Financial attitudes begin to develop ▪ Examples: future orientation and delayed gratification[15] ▪ Support ongoing development of executive function and later-in-life financial skills

[13] Holden, Karen, Charles Kalish, Laura Scheinholtz, Deanna Dietrich, and Beatriz Novak, *Financial Literacy Programs Targeted on Pre-School Children: Development and Evaluation*, La Follete School Working Papers (2009), *available at* http://digital.library.wisc.edu/1793/36314.

[14] Whitebread, David, and Sue Bingham, *Habit Formation and Learning in Young Children* (London: Money Advice Service 2013).

[15] *Delayed gratification* is the willingness to forgo or postpone an immediate reward or benefit in favor of a future benefit. Along with a future orientation and impulse control, it supports self-regulation.

How it happens: pathways and platforms

- Children learn through observation; direct, explicit instruction; and practice.
- Home, day care, or preschool are the most common platforms.
- Parents and other caregivers have the most influence.

4.2 Middle childhood (ages 6–12): Financial habits and norms are readily acquired, and executive function continues to develop

The primary building block of financial capability that children typically acquire during middle childhood is financial habits and norms. These are a set of values, attitudes, standards, beliefs, and social norms about money. These beliefs will influence a majority of their financial behaviors and habits as adults.[16] During this stage, children continue to develop executive function and related skills such as impulse control and self-regulation.[17] Through the process of financial socialization,[18] they also pick up basic financial norms and habits, which they will use to make financial decisions as adults. Their continued cognitive and social development helps them interpret and analyze experiences that contribute to the development of their financial attitudes and habits. At this stage, children usually begin to grasp abstract concepts that

[16] Danes, Sharon M., *Parental Perceptions of Children's Financial Socialization*, 5 Journal of Financial Counseling and Planning 127–146 (1994).

[17] *Self-regulation*, in the context of financial capability, is the ability to understand and control impulses, behavior, feelings, and thoughts in financial situations, and to respond wisely when facing financial challenges, for example, by persevering, or by delaying gratification.

[18] *Financial socialization* occurs when youth pick up financial attitudes, habits, and norms from observing financial behaviors of parents, caregivers, peers, educators, media, or other influencers.

underpin personal finance, such as saving for a future purchase. During this developmental stage, youth are more fully able to contemplate the future and can conceptualize the timing of things happening months away.[19, 20]

Table 4, below, summarizes the primary and secondary elements of financial capability that develop during middle childhood.

TABLE 4: WHAT HAPPENS IN MIDDLE CHILDHOOD (AGES 6–12)

Primary
Financial habits and norms develop ▪ Frugality versus materialism ▪ Value of saving and planning ahead ▪ Reliance on own values when making spending decisions Financial self-confidence (financial self-efficacy[21]) grows ▪ Gaining experience managing resources ▪ Developing attitudes toward financial institutions
Secondary
Executive function continues to develop ▪ Supports financial analysis skills, planning and goal setting, conscientiousness, and grit Applied math and basic financial skills develop ▪ Helps money management ▪ Helps financial knowledge

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[19] Scheinholtz, Laura, Karen Holden, and Charles Kalish, *Cognitive Development and Children's Understanding of Personal Finance, Consumer Knowledge and Financial Decisions: Lifespan Perspectives* 29–47 (New York: Springer 2012).

[20] Whitebread, David, and Sue Bingham, *Habit Formation and Learning in Young Children* (London: Money Advice Service 2013).

[21] *Financial self-efficacy* is confidence in one's ability to manage finances and achieve financial goals without being overwhelmed, such as sticking to a spending plan.

How it happens: pathways and platforms

- Financial socialization[22]
- Home is still most important, but community, media, peers, and school gain influence
- Implicit learning dominates, but explicit learning opportunities increase

4.3 Teens and young adults (ages 13–21): Independent financial decision-making increases, and executive function continues to mature

Financial knowledge and decision-making skills are the building blocks of financial capability that come into focus during adolescence and young adulthood. As youth start making consequential financial decisions, learning about personal financial management becomes personally relevant for the first time. During the teen years, cognitive faculties, such as information processing and memory, continue to strengthen. This enables teens and young adults to practice financial research and decision-making skills.

Meanwhile, executive function continues to mature. Therefore, adolescents may display adult-level cognition in some settings, yet still lack impulse control, especially during highly emotional situations. Increasing interaction with the financial world and financial decision-making during these years allows teens to gain the familiarity with basic financial decision-making strategies, and further develop the routine habits and attitudes that they will rely upon to navigate their day-to-day financial lives as adults.

[22] *Financial socialization* occurs when youth pick up financial attitudes, habits, and norms from observing financial behaviors of parents, caregivers, peers, educators, media, or other influencers.

Table 5, below, summarizes the primary and secondary elements of financial capability that develop during adolescence and young adulthood.

TABLE 5: WHAT HAPPENS IN ADOLESCENCE AND YOUNG ADULTHOOD (AGES 13–21)

Primary
Financial knowledge and decision-making skills grow as they become more personally relevant ▪ Knowledge and skills are strengthened through making and reflecting on consequential decisions ▪ Support deliberate, intentional problem-solving
Secondary
Executive function continues to develop ▪ Supports critical thinking, focus, and perseverance Financial habits and norms continue to develop ▪ Shortcuts for automating financial decisions crystallize with repeated experience ▪ Habits and attitudes for managing money become part of individual identity
How it happens: pathways and platforms
▪ Schools, formal instruction ▪ Structured experiential learning[23] activities ▪ Real-life financial decisions, ideally guided by adult oversight

4.4 Youth capability milestones

The following table summarizes capability milestones at different developmental stages for the three financial capability building blocks. It also shows the adult financial behaviors and

[23] *Experiential learning* is the process of deriving meaning from direct or hands-on experiences. Experiential learning opportunities encourage children and youth to take initiative, make decisions, experience the results of their choices in a safe environment, and learn through reflection.

characteristics related to financial well-being supported by each of the three building blocks of financial capability. This is not a description of what is necessarily typical for all children in these age ranges. Rather, it provides information on the abilities and attributes that a young person would have in a best-case scenario, as a way to conceptualize the potential outcome goals of youth financial education programming.

TABLE 6: SUMMARY OF YOUTH CAPABILITY MILESTONES AND THEIR RELATIONSHIP TO ADULT OUTCOMES

	Executive function	Financial habits and norms	Financial knowledge and decision-making skills
Early childhood (ages 3–5)	▪ Begins to demonstrate self-regulation, persistence, and focus ▪ Can use these qualities when using and managing limited resources like time, money, treats, or belongings	▪ Has begun to develop basic values and attitudes around keeping (saving) and using (consuming) resources	▪ Has early numeracy skills like counting and sorting ▪ Grasps very basic financial concepts like money and trading
Middle childhood (ages 6–12)	▪ Shows the ability to plan ahead and delay gratification ▪ Shows future orientation	▪ Has begun to develop a positive attitude toward planning, saving, frugality, and self-control ▪ Has begun to show positive financial habits, like planning and saving ▪ Can make spending and saving decisions aligned with his or her goals and values ▪ Is self-confident about completing age-appropriate financial tasks	▪ Understands core basic financial concepts and processes ▪ Has successfully managed money or other resources to reach his or her own goals

	Executive function	Financial habits and norms	Financial knowledge and decision-making skills
Adolescence and young adulthood (ages 13–21)	▪ Demonstrates critical-thinking skills ▪ Demonstrates future orientation ▪ Demonstrates the ability to plan ahead and delay gratification	▪ Has a positive attitude toward planning, saving, frugality, and self-control ▪ Shows positive money management habits and decision-making strategies ▪ Can make spending and saving decisions aligned with his or her goals and values ▪ Is self-confident about completing age-appropriate financial tasks	▪ Grasps advanced financial processes and concepts ▪ Can successfully manage money or other resources to reach his or her own goals ▪ Can identify trusted sources of financial information and accurately process that information
Adult capabilities	▪ Sets goals and makes concrete plans to meet them ▪ Can control impulses and think creatively to address unexpected challenges ▪ Completes tasks set for oneself, perseveres in the face of obstacles	▪ Makes financial decisions in light of his or her own standards rather than in comparison to other people (i.e., has internal frame of reference) ▪ Believes in his or her own ability to manage money and achieve financial goals (i.e., has financial self-efficacy) ▪ Has effective routine money management habits	▪ Knows when to seek out, and where to find, reliable information to make a financial decision ▪ Knows how to process financial information to make sound financial decisions ▪ Knows how to execute financial decisions, including monitoring and adapting as necessary to stay on track ▪ Follows through on financial decisions

5. Recommendations for applying the financial capability developmental model

The CFPB continues to stress the importance of introducing key financial education concepts early, building on that foundation consistently throughout the K-12 years, and, along the way, involving parents and caregivers as partners in preparing children and youth for a lifetime of skillful money management.[24]

The new research presented in this brief finds that explicit personal finance instruction is only one of the building blocks of financial capability. To be successful, youth must acquire other building blocks along the way to young adulthood. Families, community organizations, and schools are important platforms for helping youth acquire these building blocks. Not all children have opportunities to develop these building blocks fully because school educators, parents, and caregivers may not feel prepared to teach financial education effectively. To address this challenge, we must work together to ensure that all children have the opportunity to acquire all three of the building blocks to build strong foundations for greater adult financial capability.

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[24] *Transforming the Financial Lives of a Generation of Young Americans: Policy Recommendations for Advancing K-12 Financial Education*, Consumer Financial Protection Bureau (2013), *available at* files.consumerfinance.gov/f/201304_cfpb_OFE-Policy-White-Paper-Final.pdf.

Therefore, the CFPB has developed four recommendations to demonstrate ways to apply the developmental model in financial education programs, policies, and initiatives. These recommendations reflect financial capability strategies and approaches that research suggests are promising opportunities and activities for youth.

Financial education program providers can implement these recommendations in current offerings and evaluate their effects. Policy and community leaders can use the recommendations to promote developmentally appropriate financial education initiatives.

5.1 Recommendation one: For children in early childhood, focus on developing executive function skills

Recognizing that executive function skills are critical to achieving financial well-being later in life, children should be involved in activities that help them to develop their executive function skills, preferably in multiple contexts.[25, 26] For example, before a play session, a parent or teacher could ask children what toys they plan to use or about an activity they plan to complete. When playtime ends, the parent or teacher can ask the children to evaluate how well they stuck to their plan. Providing increasingly difficult puzzles or sing-along rhymes also supports executive function development.[27] These activities do not need to have a financial frame, but using an age-appropriate financial context may advance both executive function and financial knowledge. Examples of executive function training in financial contexts include make-believe play

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[25] Klingberg, Torkel, Elisabeth Fernell, Pernille J. Olesen, Mats Johnson, Per Gustafsson, Kerstin Dahlström, Christopher G. Gillberg, Hans Forssberg, and Helena Westerberg, *Computerized Training of Working Memory in Children with ADHD—A Randomized, Controlled Trial*, 44(2) Journal of the American Academy of Child and Adolescent Psychiatry 177–186 (2005).

[26] Lillard, Angeline, and Nicole Else-Quest, *Evaluating Montessori Education*, 313 Science 1893–1894 (2006).

[27] Diamond, Adele, *Executive Functions*, 64(1) Annual Review of Psychology 135–168 (2013).

activities, such as having children act out scenes in which they go to the bank, make a grocery list and go shopping, or get paid to run a business or do a job.

Organizations that work with parents can share ideas and encourage parents to do age-appropriate activities that involve making resource or financial management decisions such as creating a budget or making trade-offs about purchases. The Center on the Developing Child at Harvard University provides a number of activities that parents and caregivers can do with 3- and 5-year-olds to strengthen executive function, including imaginary play, storytelling, games and songs, and cooking together.[28]

5.2 Recommendation two: Help parents and caregivers to more actively influence their child's financial socialization

Financial socialization is an ongoing process by which children and youth pick up the financial attitudes, habits, and norms that guide their financial behaviors as adults.[29, 30] Financial socialization occurs as children and youth observe the financial behaviors of others. Parents and caregivers are the primary influencers of financial socialization in elementary and middle school. During the teen and young adult years, peers and media become more influential.

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[28] *Executive Function Activities for 3- to 5-year-olds*, Center on the Developing Child, Harvard University, *available at* http://developingchild.harvard.edu/wp-content/uploads/2015/05/Executive-Function-Activities-for-3-to-5-year-olds.pdf.

[29] Danes, Sharon M., *Parental Perceptions of Children's Financial Socialization*, 5 Financial Counseling and Planning 127–146 (1994).

[30] Whitebread, David, and Sue Bingham, Habit Formation and Learning in Young Children (London: Money Advice Service 2013)

Youth financial capability programs, as well as policy and community leaders, can help parents and caregivers to more actively influence their child's financial socialization. In the process, programs can also build parents' and caregivers' confidence in their ability to share healthy financial habits and norms. A number of CFPB resources and practical suggestions to support parents and caregivers in these efforts are available online at "Money as You Grow" (consumerfinance.gov/money-as-you-grow).

5.3 Recommendation three: Provide children and youth with experiential learning opportunities

Explicit instruction in personal finance should be complemented with experiential learning opportunities. During experiential learning, youth derive meaning from direct or hands-on experiences. These learning opportunities allow youth to make independent decisions in a safe environment and to learn from those firsthand experiences. Providing guidance and opportunities for decision-making practice and reflection may help youth better learn and retain financial knowledge and skills. Schools and youth programs that offer experiential learning activities can play an important role in teaching youth decision-making skills.

5.4 Recommendation four: Teach youth financial research skills

Financial research skills include the ability to find and evaluate relevant financial information and the development of mental "guideposts" that prompt people to recognize situations in which they should seek out additional information. Financial research skills are critical because they help prepare youth for a lifetime of financial decision-making and navigating complex choices in a variety of financial situations.

Schools, youth programs, and policy leaders can help youth boost financial research skills by providing access to:

- Opportunities to build the knowledge and skills to find and evaluate financial information.
- Lessons that integrate case studies to help develop mental “guideposts” that prompt youth to recognize situations in which they should seek out additional information.
- Opportunities to conduct financial research using exercises that guide participants through the step-by-step process of seeking information, determining its validity, and weighing the available options.

6. How can you incorporate the developmental model in your work?

This resource offers new ideas and insights that program leaders, parents, content providers, and policy and community leaders can use to help American youth enter adulthood prepared to effectively navigate the financial marketplace and make money choices that advance their life goals. This resource is designed to:

- Help service providers incorporate the developmental model into existing child and youth programs, initiatives, and financial education programs and resources.
- Assist in the innovation of new financial education strategies.
- Inform financial educators, policymakers, community leaders, and funders about promising evidence-based strategies.

For more detail about the research, read the full report, “Building blocks to help youth achieve financial capability: A new model and recommendations,” online at: http://files.consumerfinance.gov/f/documents/092016_cfpb_BuildingBlocksReport_ModelAndRecommendations.pdf.

7. Conclusion

Understanding how consumers navigate their financial lives is essential to helping people grow their financial capability over the life cycle. The developmental framework described in this brief provides new evidence-based insights highlighting the need for policy initiatives and programs that support the development of executive functioning, healthy financial habits and norms, familiarity and comfort with financial facts and concepts, and strong financial research and decision-making skills during childhood and early adulthood. The CFPB's research reaffirms that financial capability is not defined solely by one's command of financial facts but by a broader set of attributes acquired and honed over time as youth gain experience and encounter new environments. This brief identifies the developmental building blocks, by stage of childhood, that support overall financial capability.

The recommendations provided are intended to suggest actions for a range of entities, including financial education program developers, schools, parents, caregivers, and policy and community leaders, toward a set of common strategies so that no one practitioner needs to tackle them all. This resource provides new ideas and insights.

The CFPB is committed to engaging and supporting organizations working to ensure that all children and youth have access to evidence-based, age-appropriate, and developmentally appropriate financial education. We have started by leveraging these research findings to inform the financial education tools and resources that we provide to parents, caregivers, and educators. Some examples of this include "Money as you grow" and "Personal finance teaching pedagogy".[31,32] In the policy arena, the CFPB is committed to promoting these findings to a variety of policy and community leaders working to advance financial education in states and nationally. For more information on the CFPB's financial capability resources for youth, please visit consumerfinance.gov/youth-financial-education.

The full report, "Building blocks to help youth achieve financial capability: A new model and recommendations," is online at http://files.consumerfinance.gov/f/documents/092016_cfpb_BuildingBlocksReport_ModelAndRecommendations.pdf. It provides a more detailed discussion of the developmental model and recommendations.

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[31] *Money as you grow,* Consumer Financial Protection Bureau (2016)*, available at* consumerfinance.gov/money-as-you-grow.

[32] *CFPB personal finance teaching pedagogy*, Consumer Financial Protection Bureau (2016)*, available at* http://files.consumerfinance.gov/f/documents/092016_cfpb_YouthFinEdPedagogy.pdf.