

# A research based model

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## A youth developmental model

CFPB's research into adult financial well-being has identified a broad range of skills, habits and norms that appear to characterize adult financial capability. These include the factual knowledge and financial skills needed to engage in financial decision-making, and the healthy money habits, norms, and rules of thumb needed to effectively navigate day-to-day financial life. Other important personal traits include impulse control and the ability to delay gratification, perseverance in the face of obstacles, and belief in one's ability to manage money and achieve financial goals. Our research also suggested that most if not all of these abilities and attributes begin to develop in childhood. We have identified strategies for schools and educators seeking new ideas and insights as they deliver research-based, and developmentally appropriate financial education.

## Introducing the CFPB's four-part personal finance pedagogy

Pedagogy, the art and science of teaching, is an essential part of our education system. Every day teachers bring lessons to life through accessible, understandable, and actionable teaching techniques. The personal finance pedagogy is a guide for educators to teach the development of youth personal finance skills.

### The personal finance pedagogy has four parts:

1. Improve **executive functioning** skills such as planning and problem solving
2. Create and encourage **positive financial habits** and effective money management
3. Build **financial research skills** to compare and contrast options
4. Provide **safe opportunities** for youth to practice financial decision making

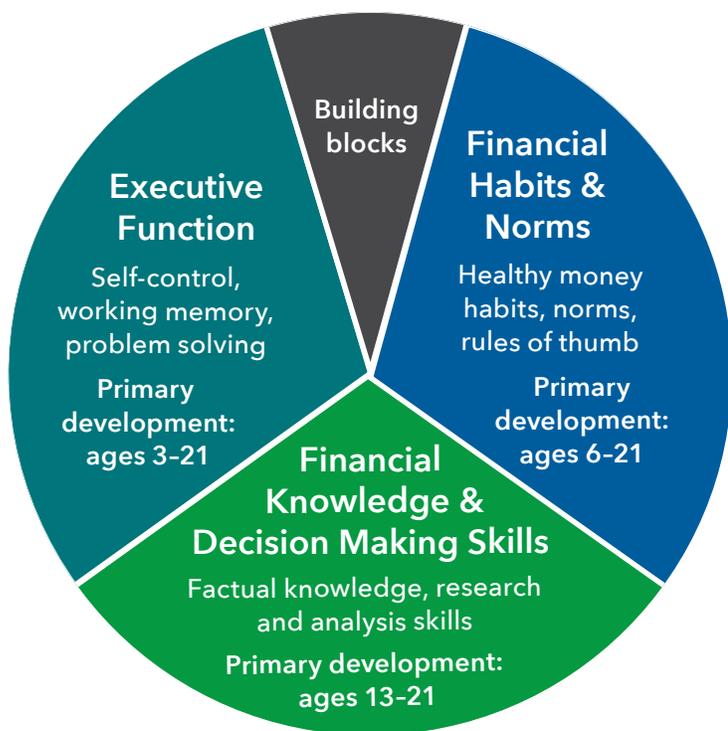
Personal finance pedagogy takes into account that behaviors, skills and attitudes develop as children mature. Teachers can incorporate developmentally-appropriate teaching strategies in their lesson plans to help children gain the skills they need for making sound financial decisions. The Personal Finance Pedagogy is not meant to replace existing tools for teaching financial literacy. Rather it is meant to be a valuable addition to the existing resources created by teachers, schools, agencies and other organizations.

## Foundation for building youth financial capability skills

The CFPB's Personal Finance Pedagogy is designed to promote lifelong learning and financial skills development. It outlines strategies for instructing students of all ages with a broad range of skills, habits and attitudes that appear to characterize adult financial capability.

An effective way to teach youth financial capability skills is to acknowledge and address youth developmental milestones. Our research into the developmental origins of adult financial capability uses a youth development model to demonstrate that youth financial capability is built on three building blocks:

- **Improving executive function:** Strong executive function makes it easier to plan, focus attention, remember details and juggle multiple tasks.
- **Creating and encouraging positive financial habits:** Financial habits and norms are a person’s values, standards, routine practices, and rules of thumb around financial matters, which help us to automatically navigate our day-to-day financial lives.
- **Building financial knowledge and decision-making skills:** Deliberate financial decision-making, like financial planning, research, and intentional decisions such as retirement planning or buying a new home.



- The Personal Finance Pedagogy is rooted in research, case studies, and expert interviews that sought to identify the key needs and challenges in supporting the instruction of personal finance. Personal Finance Pedagogy can serve as a guide for educators to confidently and effectively help students build a foundation for strong financial decision-making.

## Making a difference through personal finance education

Making responsible financial decisions is a habit that develops through lifelong learning. The recommended building blocks that drive the personal finance pedagogy address the optimal times for teaching specific concepts at the ideal ages for learning them. If these building blocks can be implemented throughout the education system, students will emerge from school prepared for the lifelong learning that ultimately creates responsible adults who can achieve financial well-being.

### More information:

CFPB Youth webpage: [consumerfinance.gov/youth-financial-education](https://consumerfinance.gov/youth-financial-education)

Teacher Online Resource Center: [www.fdic.gov/consumers/education/torc](https://www.fdic.gov/consumers/education/torc)

FLEC webpage: [mymoney.gov/Pages/default.aspx](https://mymoney.gov/Pages/default.aspx)

FTC webpage: [consumer.ftc.gov/features/feature-0022-financial-educators](https://consumer.ftc.gov/features/feature-0022-financial-educators)