

Five principles and how to use them

Summary for financial educators and practitioners

When you interact with people and help them work toward their money goals—and life goals—it’s important to feel confident in your approach.

How to use the five principles

The five principles outlined below can help guide your work. For example, you might use the principles as a checklist to identify how your program supports key factors that drive a person’s financial well-being. You might compare the principles to your program’s focus and decide to incorporate new insights. Or, you might seek out complementary programs to fill gaps you identify.

The principles are compiled from research on what drives people to take actions aimed at improving their money situation as well as their financial well-being, and how those drivers can be influenced by financial education. To help make the principles easy to put into practice, we talked to experts in the field and gathered feedback from financial education practitioners.

1. Know the individuals and families to be served

Financial education programs can be more effective if they are matched to people’s specific circumstances, challenges, and goals. *Example:* Start with an assessment tool, like the CFPB’s Financial Well-Being Scale.

2. Provide actionable, relevant, and timely information

People are more likely to absorb information if it is connected to an upcoming decision that matters to them, at the time when they can put it to use, with concrete steps they can follow. *Example:* Provide first-time homebuyers with information they can use to guide them through the home loan process.

3. Improve key financial skills

To put financial knowledge to use, consumers also need to build skills. Key skills include knowing when and how to find reliable information to make financial decisions, how to process the information, and how to follow through. *Example:* Give people simplified worksheets to help them comparison shop.

4. Build on motivation

Financial education can help people strengthen qualities and attitudes that allow them to stay motivated. You can help people focus on their own values rather than external influences, persevere in the face of obstacles, and build confidence that they can achieve their financial goals. Example: Set up a buddy system to help people stay on track.

5. Make it easy to make good decisions and follow-through

The situations people encounter can strongly influence what they actually do. You can help people follow through on their intentions by working with the influences or forces at play within their surroundings. Example: Help people set up automatic transactions that support specific goals.

Effective financial education leads to action

The five principles relate to the key drivers of financial well-being. Financial well-being can be defined and measured as a person's sense of control and freedom, with today's finances and looking toward the future.

Effective financial education can help people bridge the gap between what they want to achieve and the actions they ultimately take. The model of financial action, illustrated below, shows how knowledge, skills, motivations, and opportunities work together to support a course of action.

The model of financial action



PRINCIPLES

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- 2 Provide actionable, relevant, and timely information.
- 3 Improve key financial skills.
- 4 Build on motivation.
- 5 Make it easy to make good decisions and follow through.

For a thorough discussion of each principle, along with examples and tips, please see the full report, *Effective financial education: Five principles and how to use them*.