Five principles of effective financial education

Reflection guide

Consumer Financial Protection Bureau

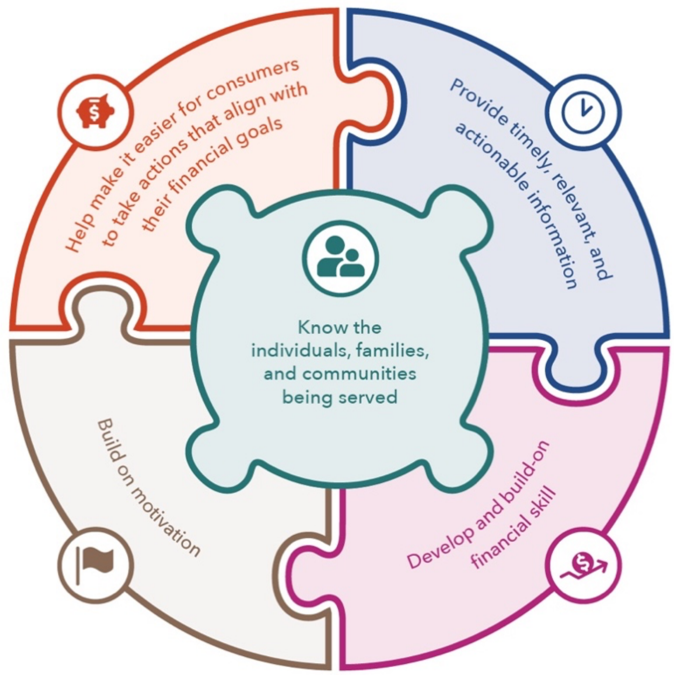
About this guide

Over the past several years, the Consumer Financial Protection Bureau (CFPB) has conducted research into what makes financial education effective.[1] Effective financial education does not just help people perform better on tests or quizzes of financial facts. It equips consumers to understand the financial marketplace, assess the safety and affordability of financial products and services, and make sound financial choices in pursuit of their life goals.

There is no single right way to provide financial education for all consumers under all circumstances. Knowing this, the CFPB gathered research and input from the field, and identified five evidence-based principles that can provide guidance for a wide variety of financial education programs and activities.

The five principles are:

- **Principle 1:** Know the individuals, families, and communities being served
- **Principle 2:** Provide timely, relevant, and actionable information
- **Principle 3:** Develop and build-on financial skill
- **Principle 4:** Build on motivation
- **Principle 5:** Help make it easier for consumers to take actions that align with their financial goals



The purpose of this guide is to help financial education practitioners think about how you can integrate these principles into your services (or reflect on how you already do).

The guide provides strategies and tips *from financial educators, for financial educators* to help put the principles into practice. Integral to these principles and the strategies to implement them are that effective financial education:

- is based in trust
- supports and empowers
- understands and builds on community

1 This research, conducted in 2016 and updated in 2024, included a review of existing literature on the effectiveness of financial education (overall, by types of practice, and for subpopulations defined by demographic characteristics such as race, ethnicity, and gender), and interviews and other qualitative research with financial education practitioners.

- is holistic
- recognizes structural and systemic inequities

Importantly, these principles are applicable across all types of financial education programs. They apply to programs that work one-on-one with clients and to those that provide group financial education classes. They apply to programs that focus on serving one community and to those that serve broader cross-sections of consumers. The remainder of this guide has a section on each principle that provides:

- a description of the principle and what to do to implement the principle
- strategies for implementing the principle
- reflection prompts

Reflection

What does "effective financial education" mean to your organization?	
What are your organization's strengths that make its financial education services effective?	
What do you want to get out of using this guide?	

Principle 1

Know the individuals, families, and communities being served

Effective financial education aligns with people's specific circumstances, challenges, and goals. However, each person's financial circumstances, challenges, and goals reflect many factors—including the opportunities that are available to them, the barriers they face, financial shocks they have experienced, and the individual, family, and cultural identities they hold and values that guide them. Developing programs and practices that acknowledge how these factors contribute to a client's financial situation and that provide nonjudgmental support in response is foundational to effective financial education.

How to put this principle into practice

Earn your client's trust.

Learning about clients holistically requires that practitioners earn their clients' trust.

Focus on how you and your team approach and interact with the people you serve. Withhold judgment. Help them feel heard and supported. Encourage them to share their prior experiences, current financial situation, and their goals and aspirations.

> *"Everyone has different lived experiences and starting points, and honoring that will not only help the participant learn best but will make them feel more motivated and included."*
>
> *– Financial educator*

Understand your client's broader context.

Family relationships, peers, community, and culture can influence people's financial attitudes, behaviors, stress, and support. Understanding this broader context of your clients' lives helps you know and serve them better.

Being physically present in a community is one-way practitioners can get to know their individuals and communities better. For example, your organization can hire staff who live in the community or have lived experiences similar to the people you serve. You can also access data or local history to learn more about the community. While you may or may not talk about it explicitly with your clients, it is important to understand the broader context in which your clients' financial lives take place, both to tailor content and to be able to provide relevant and actionable steps to clients.

Acknowledge systemic and structural barriers.

Critically assess what barriers beyond your client's control (and beyond the scope of financial education) may be impacting their financial situation. In CFPB's research with practitioners, they highlighted that financial education programs run the risk of ignoring the inequities built into existing financial systems. Understand and acknowledge the systemic inequities your clients face, such as a lack of access to affordable financial services, and past or ongoing discriminatory practices in the financial market and elsewhere. Clients may also have other traumatic events or fears that are shaping their actions and behaviors. Given these realities, consider what financial education can and cannot accomplish. Your clients may need referrals to other services. Work to ensure someone in your organization knows where to find those additional services.

Take a client-led approach.

A client-led approach is based on the belief that your client is best positioned to determine what their goals are and what type of support they need. Avoid dictating a predetermined approach or path, or being driven by an agenda determined by external factors. Place decision-making power with the client and adjust your financial education process so that it meets the financial goals that individuals define for themselves.

Strategies	
Listen to understand	In one-on-one engagements, practice active listening. Ask your clients about their lives and their financial goals by asking open-ended questions and listening to their concerns. In larger scale programs, learn about your audience's needs and circumstances. Customize the education to reflect those needs and circumstances.
Avoid judgment and be empathetic to build trust	Avoid preconceived notions about your clients' circumstances or choices. Be empathetic towards peoples' financial situations and respect their financial goals. Look at each person as whole and not as someone who needs to be fixed; put yourself in the shoes of the individual to understand their perspective without judging.
Connect to build a partnership	Take time to build a connection with clients by asking them about themselves beyond their finances, listening to personal stories, and learning about their values. Share your own life experiences, including financial mistakes, to build trust and normalize lifelong learning about money. Building this connection increases clients' trust in you as a partner supporting them in their goals.
Approach topics with sensitivity to reduce shame	Be careful about how you ask personal or difficult questions, including questions that may be on assessment forms. If not handled carefully, these questions may provoke shame in clients or make them feel judged. In one-on-one interactions, build trust first and learn about sensitive topics indirectly, rather than through direct questions, if possible.

Strategies	
Reflect on your reactions to grow	It's normal to sometimes feel judgment toward someone's choices, even if you do not intend to. Reflect on where the judgment comes from. There may be common deficit narratives about the types of people you work with, stereotypes, your own life experiences, or other factors influencing your reactions. Trying to examine the sources of your judgment can help you reset to a place of nonjudgmental empathy.

Reflection

	What does your organization currently do well:	What additional steps could my organization take:
Get to know the people you serve		
Build trust with the people you serve		
Tailor services to the people you serve		

Principle 2

Provide timely, relevant, and actionable information

People are more likely to retain information if it is connected to an upcoming decision that matters to them and is presented along with concrete steps they can follow. Steps for implementing this principle include: 1) understanding a person's financial goals; 2) identifying upcoming decisions that impact their ability to meet these goals; and 3) providing actionable information that is relevant to these decisions and that is appropriate given their available opportunities.

How to put this principle into practice

Know the people being served in order to know what is timely, relevant, and actionable to them.

Understanding your clients is key to figuring out what information will help them, and how best to provide that information. Some financial resources or sources of information may not be geared towards the people you serve, and you will need to adapt and tailor the information to make it relevant and understandable. Avoid overwhelming participants by providing them with just the right amount of information, at the right time.

Translate relevant information into specific action steps that are meaningful for a person's own goals.

Tying the information to a person's specific goals—and an opportunity to apply it—will help them retain it. It is important to understand external forces when determining what information is actionable. For example, if there are no banks serving an area or the bank's rules exclude the client, then information about how and why to open a bank account is not actionable.

> *"There's a lot of decision fatigue in the world that we live in. And if you try to teach people something that has no relevance to them, or they have no interest in, they're not going to hold onto it."*
>
> *– Financial education program director*

Strategies	
Break down financial goals into smaller steps	Identify bite-sized objectives within bigger goals, tackle one objective before moving on to the next, and build on success.
Connect information to individual's financial goals	Make information relevant to the people being served by connecting it to their financial goals and letting them decide what skills and information they need.

Customize or personalize information	Connect information to people's life events or community situations (for example, a large manufacturing plant closing down or natural disaster); or, in group settings, to a topic that participants may have in common (for example, a car purchase or general budgeting).
Help clients set their own SMART goals	Work with clients to identify shorter-term "SMART" goals to help them along the pathway to achieving their longer-term financial goals. SMART goals are specific, measurable, achievable, relevant, and time-bound.

Stay up to date on financial topics.

Relevant information about financial topics evolves as new policies and technologies emerge and as broader economic conditions change. Practitioners need to constantly learn and to stay up to date on the positives and negatives of new offerings to provide accurate information. Organizations approach this in different ways, such as consolidating information from news, tools, email, social media, and meetings with partners and other programs that serve their clients.

Reflection

Ensuring up-to-date content:

Who is responsible for your organization staying up-to-date on financial education topics?

- ☐ program director/manager provides information or training
- ☐ each financial educator on their own

How do my colleagues and I stay up-to-date on financial education topics?

- ☐ continuing education, trainings, webinars, workshops, or similar
- ☐ team meetings or peer learning
- ☐ this is a growth area for us
- ☐ ______________________________

What emerging financial topics does your team need to learn more about?

TIP: Check out CFPB's Financial Educator tools https://www.consumerfinance.gov/consumer-tools/educator-tools/ for resources on specific topics.

Principle 3

Develop and build on financial skill

Effective financial education can help individuals feel capable and empowered by developing and building their financial skill. Financial skill is different than knowing financial facts or being proficient at financial tasks such as planning and budgeting — it also has an action component to put that knowledge to use. Skill is powerful because consumers can apply skill to all kinds of financial decisions, even those that are new and unfamiliar.

Financial skill involves knowing when and how to find reliable information to make financial decisions, how to process information to make financial decisions, and how to execute financial decisions. By helping build and develop financial skill, financial education can provide clients with the tools to feel more confident when facing new financial situations and decisions.

Financial skill includes three essential components:	
Finding reliable information	When making significant decisions like buying a house, funding college, or managing retirement savings, it's crucial to know when and how to find trustworthy information. With so many options and information sources available, consumers must locate accurate, reliable data to guide their choices.
Processing information	Once they have reliable information, individuals can identify which pieces of the information are most relevant for their situation and think through how best to use them. Many financial decisions have pros and cons, so consumers must evaluate the information they've gathered and apply them to their specific situation.
Using information	After finding and processing information, people decide how to act on that information. Financial goals are often long-term, requiring not only the skill to stick to the initial plan but also the ability to adjust it in response to challenges or opportunities. Building these skills through experience and practice is essential.

"Teaching or showing my members how and where to find information or resources versus giving them the resources gives them the skills they need to reach financial freedom. Doing the work yourself helps you retain the information and where you found it versus if someone gives it to you."

– Financial educator

How to put this principle into practice

Support clients' ability to find, evaluate, and act on reliable financial information.

Financial skill carries across various topics, products, and specific financial tasks. This is especially important since the financial marketplace changes rapidly (with new products and fintech options). Each product can have positive and negative effects depending on the circumstances. The goals and motivations of those who provide information about financial topics have different agendas and incentives. Supporting clients' ability to find and use reliable information sources, including **www.consumerfinance.gov**, will equip them to assess the changing marketplace after they conclude financial education.

Help consumers practice their financial skill to build their self-efficacy and sense of empowerment.

As consumers build financial skill their confidence grows and they become more empowered as they navigate the financial marketplace.

Some practitioners work with individuals or communities who have been conditioned to believe they have little financial skill or aptitude. Often, these beliefs stem from inexperience with the financial system due to age or immigration, racial or gender discrimination, abuse like domestic violence or financial exploitation, or predatory marketing. Such experiences can sap a person's sense of self-efficacy. Practitioners note that, while financial education can help everyone, it may be particularly important for those recovering from financial trauma. For these individuals, financial education can give them opportunities to see themselves as capable and help them regain their sense of empowerment.

Strategies	
Offer opportunities to practice	Build opportunities for your clients to practice their financial skill with you. For example, identify opportunities for clients to find and to apply information to their own specific situation. Depending on your format, they may be short exercises or independent tasks a client comes back to discuss with you later. Build in time to debrief with clients to hear about what they learned and provide feedback.
Celebrate small wins	You are an important cheerleader for your clients as they increase their skills and financial self-efficacy. Take every opportunity to acknowledge and celebrate success.

Reflection

How do we (can we) help people find reliable information to make financial decisions?	
How do we (can we) help people process financial information?	
How do we (can we) help people use financial information?	
How do we (can we) help people practice their existing and growing skill?	

Principle 4

Build on motivation

Having knowledge, financial skill, and relevant opportunities are important but not sufficient conditions for a person to take financial actions. Motivation, action, and follow through are critical.

How to put this principle into practice

Understand, reinforce, and channel people's existing motivation.

The CFPB's research points to three key traits that can help people stay motivated to take actions that align with their intentions:

1. having an internal frame of reference that connects financial actions and decisions to their own values, circumstances and goals
2. having confidence in their ability to influence financial outcomes (also called financial self-efficacy)
3. having the ability to stay on track even in the face of obstacles (that is, perseverance)

Well-designed financial education programs and support mechanisms that meet people where they are, acknowledge their challenges, and recognize their strengths can build their participants' internal frame of reference, financial self-efficacy, and perseverance.

Focus on a client's values.

Research suggests that people who make financial decisions based on their own goals, priorities, standards, and values—rather than based on comparisons to other people—experience greater financial well-being. This is called having an internal frame of reference. People with a well-established internal frame of reference are less likely to be taken advantage of by marketing or other external factors. They are also more likely to take positive financial actions if they are guided by an internal frame of reference than if those actions are simply being prescribed from others (without any connection to their own goals and values).

Promote financial self-efficacy.

People are more likely to try to do something if they believe they can be successful at it and that the outcome will be worth the effort required. Belief in their own ability to influence financial outcomes, achieve goals, and complete action steps that they set for themselves is called financial self-efficacy.

Support your clients' perseverance.

Perseverance is the ability to stay motivated and focused and stick with one's resolve, even in the face of obstacles. Unlike having an internal frame of reference, where the motivation comes from connecting financial decisions and actions to intrinsic factors such as values and goals, perseverance can be increased or supported by external factors, such as coaches or peers. In fact, while not necessary, having an external support system is a great tool to help clients stay focused on their financial goals and follow-through on the action steps they need to take to get there.

> *"When you are able to align the work that you're doing with people's values very directly, for example, the value of taking care of family, then motivation becomes automatic because if people are motivated to take care of their family, and you're able to connect the dots as to why doing these things is going to help them do that, then they're already motivated."*
>
> *– Financial education program director*

Strategies	
Learn about your client's values to understand their motivation	Taking time to learn about a client's values will help you understand the deepest source of their goals and motivation. Keeping people focused on their own aspirations and the steps to get there makes taking the required actions easier and more meaningful to them.
Celebrate small wins	Meeting small milestones is important to people's overall progress. Taking time to uplift all successes, no matter how small, helps people see themselves progressing toward their goals. This builds clients' sense of self-efficacy and perseverance, helping success build success.
Promote connections to people with shared goals	People in similar situations who share similar financial goals can support each other as accountability partners. These people could be from a client's existing social network, or other program participants you connect them to for peer support.

Reflection

How do we find out what motivates our clients? What more can we do?	
What do we do to support our clients' self-efficacy? What more can we do?	
What situations and factors get in our clients' way? What do we do to help our clients persevere when they face a set back?	
How do we celebrate our clients' existing financial skill? How do we celebrate their skill growth? What more can we do?	

Principle 5

Help consumers make it easier to take actions that align with their financial goals.

A person's environment and values can strongly influence their decisions and actions in ways that can impact their ability to achieve their financial goals. Financial educators can help their clients:

- identify elements of their environment that may be hindering or helping their ability to take actions that align with their financial goals
- understand which of those elements are within their control
- make changes to those elements in ways that make it easier for them to take actions that advance their financial goals

"The system that people are in whether economic, political, or cultural can influence what options or decisions are for them to make."

– Financial education program director

How to put this principle into practice

Recognize that a person's social and economic context and values significantly shape their decisions and actions, including those related to finances.

The social and economic environment that someone lives within and, consequently, the opportunities that are available to them, have a significant effect on their financial well-being. These contextual factors include access to jobs and benefits, sufficient and stable income, family resources, and the availability of affordable financial products and services that meet their needs. Importantly, generations of systemic and structural discrimination have resulted in people living in inequitable environments that are less conducive to their financial well-being and having fewer opportunities to improve it.

Financial education programs cannot directly change the social and economic environment in which their clients live or the opportunities that are available to them. But it is critical that programs consider how these factors influence their clients' goals, decision-making, and overall financial lives.

To develop this understanding:

1. learn about the structural and systemic factors that have shaped their clients' environments and the values that guide them

2. build relationships of trust based on respect and empathy
3. create an environment so that clients feel they can be forthcoming about their financial lives without being judged or feeling shamed

Help support clients to identify what they can change.

After you establish an understanding of a client's context, identify aspects of that context they can influence as they work towards financial goals. This can help people feel more confident and empowered—can help keep them motivated.

Help your clients set up systems that make it easier for them to make decisions and take actions that align with their financial goals.

Ultimately, clients are the ones who have control over the decisions they make or the actions they take. Helping them automate or streamline processes is one way programs and practitioners can support them to take steps to achieve their goals.

Strategies	
Automate actions that help people reach their goals	Help clients find financial products and services and set them up in ways that will help them achieve positive financial outcomes. For example, some debit cards round up purchases and save the extra amount, promoting savings. Where practical, set bills on autopay or use calendar software or apps to set up reminders for payments.
Raise awareness of options	Help individuals become more aware of their options in the financial marketplace, including how they are presented and how to navigate them effectively.
Use technology to support positive context	Make use of technology your client already uses to reinforce a supportive environment. Check in with your client on how technology, like social media, apps, or other platforms impact them. But if your client identifies social media as potentially derailing them from their intended actions, talk to them about alternative social media content or setting limits on social media engagement. For some, sharing goals with others through social media can be a source of motivation, celebration, and community support.

Reflection

In our program, how do we take our participants' contexts into account?	
Which external constraints do we typically think about for our clients? Are there aspects we need to consider more?	
What parts of their lives or actions do our participants feel judged or shamed for? Where does that judgement and shame come from? How might we be able to help mitigate those feelings of shame or judgment?	
How do we present choices and set up systems to make it easier for our clients to make decisions and take actions that align with their financial goals?	
How do we work with our clients to identify technology solutions to help them overcome financial challenges?	
How do we help our participants feel empowered even as we acknowledge external constraints they face?	