How Confident are Potential Personal Finance Teachers?

Melody Harvey and Carly Urban[*]

March 1, 2021

The returns to financial education requirements can be quite high. Requiring all high school graduates to complete some amount of financial literacy education increases credit scores and decreases default rates, lowers non-student debt, shifts student loan borrowers from higher to lower interest financing, improves student loan repayment among first-generation and low-income students, reduces payday lending, and increases savings for low-income households who end their education with a high school diploma.[1] However, requiring all students within a state to complete personal finance coursework prior to graduation requires teachers who are ready to teach this content.[2] A study from over a decade ago, found that teachers were not very confident (Way and Holden, 2009).

We update the 2009 study with a sample of 504 teachers who are most likely to teach a personal finance requirement if their state began mandating personal finance instruction immediately. We began by selecting over 4,000 high schools at random from the U.S. Department of Education's catalog of schools. We then selected a teacher who was most likely to be a personal finance instructor (e.g., Business, Economics, Consumer Science), and if this was not available we selected a Social Studies teacher; if no Social Studies teacher had an e-mail address available, we selected a teacher at random. This closely reflects the model for choosing a personal finance teacher, as there are circumstances where a teacher who has free time in the school day can be assigned to personal finance.

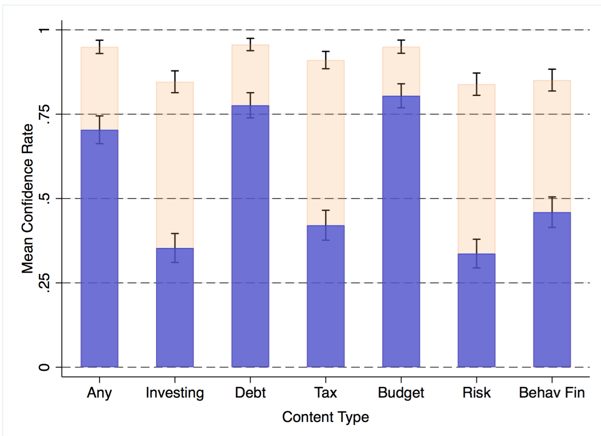
We then ask: how confident are high school teachers in personal finance instruction? We explore overall confidence, as well as confidence across several topic areas: any personal finance content (any); investing (investing); credit and debt (debt); taxes (tax); budgets, banking, and saving (budget); risk and insurance (risk); behavioral finance (behav fin).

Findings

There are four main takeaways from this research.

First, when compared to a highly-cited study in 2009 (Way and Holden, 2009), teachers are much more confident in integrating personal finance into their classroom. While only 9% of teachers in 2009 felt well-qualified to teach personal finance, 70% of teachers felt very confident in teaching personal finance and 95% of teachers felt either confident or very confident in 2020. Figure 1 shows the fraction of teachers that are very confident (purple) and confident or very confident (orange) in teaching personal finance overall and across topics. We do note that there is some variation in the likelihood of being very confident across topic areas, with investing, taxes, risk and insurance, and behavioral finance having the lowest fraction of teachers reporting they are very confident.

Figure 1: *Average confidence across topics*



This increase in confidence could be because more teachers are already engaging in personal finance instruction in 2020 when compared to 2009. For example, 30% of teachers had ever taught financial literacy in 2009 (Way and Holden, 2009). In 2020, 42% of taught a standalone course in personal finance, 28% taught personal finance material within another course, and another 13% have taught personal finance in the past but were not teaching it at the time of survey. This expansion of personal finance instruction could be in part because the number of states requiring personal finance instruction has more than doubled over the last decade.

---

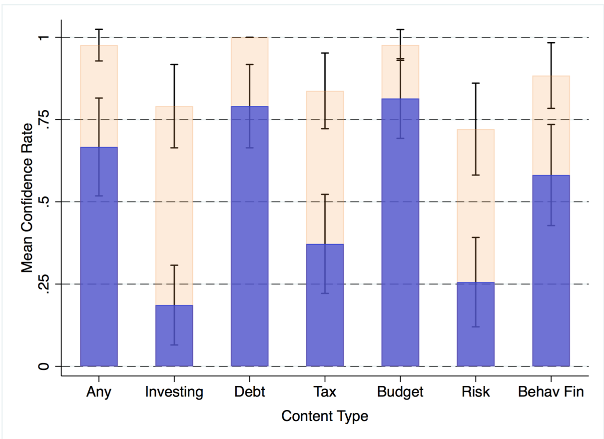
[*]The incentives for this survey were funded by Next Gen Personal Finance. Harvey: Assistant Professor of Consumer Science, University of Wisconsin-Madison. Urban: Associate Professor of Economics, Montana State University and Research Fellow, Institute for Labor Economics (IZA)

[1]See Urban et al., 2020; Brown et al., 2016; Harvey, 2019; Stoddard and Urban, 2020; Mangrum, 2019.

[2]Five states require students to complete standalone personal finance courses prior to graduating from high school, additional states require that schools incorporate financial literacy standards into required curricula, others require schools offer a class that covers financial literacy, and other states are silent on financial literacy matters.

Second, it is common that teachers whose licensure is outside of personal finance are available and hence pushed into teaching personal finance when states or schools require the course for high school graduation. Figure 2 plots the same fractions as Figure 1 but for teachers whose main licensure is unrelated to personal finance (English/Language Arts, Fine Arts, Foreign Language, Music, Science, and Other). Even among teachers whose licensure is not directly related to personal finance, the likelihood of being confident or very confident has increased to 98% and the likelihood of being confident remains high (67%).

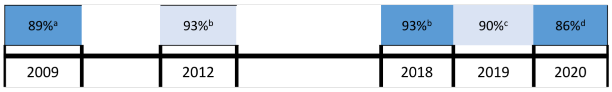
Figure 2: *Average Strong confidence across topics for teachers without personal finance-related licensure*



Third, an important correlate of confidence in financial literacy instruction is completion of professional development. In particular, those who reporting completing professional development in the last year where more likely to be very confident across all topic areas. While this is not a surprising finding in the education world, the expansion of professional development in personal finance instruction over the last decade is notable: a rise from 19% in 2009 to 54% in 2020.[3] This increase is largely driven by an expansion in low-cost or free professional development opportunities for teachers across the country that were virtually non-existent a decade ago.[4] Additional access to professional development opportunities is another possible explanation for the increase in confidence over time.

Fourth, 70% of teachers strongly agree and another 16% somewhat agree that students should be required to complete a minimum of one-semester personal finance course for high school graduation. There continues to be support for financial education requirements in high school. Figure 3 depicts the level of support for financial education in schools across different surveys and years since 2009.

Figure 3: *Public Opinion: Should personal finance be in high schools?*



*N*otes: This picture looks at the fraction of respondents who "agree or strongly agree" that personal finance should be a part of schools, though it is asked differently across surveys. a: Students should be required to take a financial literacy course or pass a literacy test for high school graduation (Way and Holden, 2009), based on a sample of teachers. b: Do you think that financial education should be taught in schools? (Source: Authors own calculation based on the National Financial Capability Study from 2012 and RAND's American Life Panel in 2018), based on a sample of all adults. c: School-based financial education should be a priority (Lusardi, Hasler, and Hasler, 2019), based on a sample of teachers. d: Students should be required to complete a minimum of one-semester personal finance course for high school graduation (Source: this study).

Final Conclusions

Teachers are more equipped to take on personal finance instruction than they were a decade ago. This is in part due to the expansion of low-cost publicly-available professional development opportunities. In considering whether or not to require personal finance in schools, states often highlight the lack of preparedness of teachers as the largest inhibitor. This research suggests that teachers are ready and largely willing to take on the new course, provided the time is available in their teaching schedules.

For a full copy of the report, see `https://www.carlyurban.com/home/financial-education`.

Please contact `carly.urban@montana.edu` for questions regarding this report.

Bibliography

Brown, Meta et al. (2016). "Financial Education and the Debt Behavior of the Young". In: *Review of Financial Studies* 29.9.

Harvey, Melody (2019). "Impact of Financial Education Mandates on Younger Consumers? Use of Alternative Financial Services". In: *Journal of Consumer Affairs* 53 (3), pp. 731–769.

Lusardi, Annamaria, Andrea Hasler, and Andrea Hasler (2019). "Raising Awareness of the Importance of Personal Finance in School: New Insights". In: *Global Financial Literacy Excellence Center Insights Report* May.

[3] This difference is actually even large since the 2009 survey asked about the last three years, and the current survey asked only about the last year.

[4] Among those reporting that they completed professional development in the last year, the most common providers were: Next Gen Personal Finance (88.9%), Council on Economic Education (10.4%), Jump$tart Coalition (5.2%), and local colleges or universities (3.5%). 36% of respondents recorded more than one professional development provider in the last year.

Mangrum, Daniel (2019). “Personal Finance Education Mandates and Student Loan Repayment”. In: *Working Paper*.

Stoddard, Christiana and Carly Urban (2020). “The Effects of State Mandated Financial Education on College Financing Behaviors”. In: *Journal of Money, Credit, and Banking* 52.4, pp. 747–776.

Urban, Carly et al. (2020). “The effects of high school personal financial education policies on financial behavior”. In: *Economics of Education Review* 78.

Way, Wendy L and Karen C Holden (2009). “Teachers’ Background and Capacity to Teach Personal Finance: Results of a National Study.” In: *Journal of Financial Counseling & Planning* 20.2.