



Fallen Behind

Rhode Island's Personal Finance Crisis and the Urgent Need for Stronger Personal Finance Education in Public Schools

State of Rhode Island

General Treasurer Seth Magaziner

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Introduction

Every Rhode Islander deserves the opportunity to achieve financial security. Unfortunately, too many young people in our state do not receive high-quality personal finance instruction in school.

Thirty-six states now guarantee access to personal finance education in their public-school curriculum. Rhode Island is not among them.¹

This is despite the fact that Rhode Islanders often face major financial decisions at a young age. As soon as young adults turn eighteen, they are met with a marketplace for financial products that can help them achieve their greatest dreams or threaten them with financial ruin.

Responsible and informed use of financial services can help young people finance higher education, home ownership and retirement security. Possible financial pitfalls include predatory, high fee financial services that can trap individuals and families in cycles of debt. Now more than ever, a strong working knowledge of personal finance is essential for young people as they enter adulthood.

We now have an opportunity and an obligation, to ensure that all young people in Rhode Island obtain a strong knowledge of personal finance when they leave our public-school system and enter adulthood.

¹ <https://www.councilforeconed.org/wp-content/uploads/2018/02/2018-SOS-Layout-18.pdf>

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Personal Finance Education Improves Real World Outcomes for Students

The National Financial Educators Council defines financial literacy as “possessing the skills and knowledge on financial matters to confidently take effective action that best fulfills an individual’s personal, family and global community goals.”² A financially literate individual must have the knowledge to make informed decisions regarding budgeting, maintaining strong credit, saving, investing, and protecting and insuring their assets.

Research shows that individuals who have completed a personal finance course taught by trained educators are more likely to:

- HAVE HIGHER CREDIT SCORES AND LOWER LOAN DEFAULT RATES;³
- MEET CREDIT CARD PAYMENTS OBLIGATIONS AND AVOID BOUNCING CHECKS;
- DEMONSTRATE MORE EFFECTIVE MANAGEMENT OF PERSONAL DEBT;⁴
- ACHIEVE HIGHER LEVELS OF PERSONAL SAVINGS AS A PROPORTION OF INCOME.⁵

In 2017, the National Financial Educators Council asked 8,633 people “What high school-level course would benefit your life the most?” Respondents chose “money management” more than all other choices combined. In fact, young Americans, age 18 to 24, said personal finance education would benefit their lives more than any other high school course.

Financial illiteracy can cause damage across each stage of life. As teenagers, high school students are making financial decisions that can impact their finances for decades.

Young People Face Big Financial Decisions

While still in high school, students must decide whether to continue their education after graduation, and if so, how to pay for it. This is one of the most consequential financial decisions a young person will make. Higher education has the power to dramatically improve an individual’s lifelong earnings potential, and the cost of financing higher education also has the potential to be financially devastating.

² <https://www.financialeducatorsCouncil.org/financial-literacy-definition/>

³ Urban et al., *The Effects of State Policies Requiring Personal Finance Education on Credit Scores*

⁴ Ibid

⁵ <http://www.siepr.stanford.edu/workp/swp97012.pdf>

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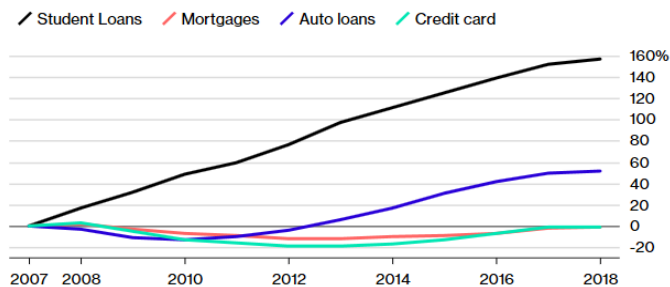


Student loan debt in the United States now exceeds \$1.5 trillion. More than one million student loan borrowers go into default on their loans each year.

Recent graduates of colleges in Rhode Island who have taken loans to finance their education hold an average of \$36,193 in student loan debt, the second highest of any state.⁶

Student Debt Just Keeps Growing

Student loans are the fastest growing segment of U.S. household debt, seeing almost 157 percent growth since the Great Recession.



Source: Bloomberg Data

The impact of the student debt crisis also strains Rhode Islanders' ability to achieve financial stability through home ownership. As student loan debt increases, it can limit the amount of money saved for a down payment and negatively impact credit scores.

Personal finance can also help young people make informed decisions in considering other large purchases, like a car or a first home. In particular, purchasing a home and choosing a mortgage is a complicated process with long-term financial implications.⁷ With a variety of complex options, borrowers with poor personal finance education may be more susceptible to risky mortgages, including adjustable rate mortgages,⁸ and have an overall higher risk of default.⁹

Rhode Island must prepare all of our students with the information and skills to navigate these complicated financial decisions.

Retirement Savings & Older Residents

Lack of personal finance education has also contributed to a retirement savings gap that continues to have ripple effects across our economy. Over 100 million working age individuals in America (approximately 60 percent of all working age individuals) do not own any retirement account assets.¹⁰

⁶ <https://lendedu.com/blog/average-student-loan-debt-statistics#RI>

⁷ http://www.ushakrisna.com/cogability_proof.pdf

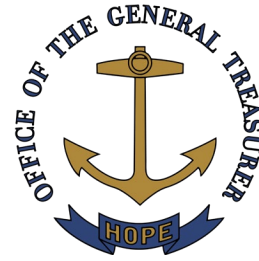
⁸ https://www.researchgate.net/publication/228207280_Who_Selected_Adjustable-Rate_Mortgages_Evidence_from_the_1989-2007_Surveys_of_Consumer_Finances

⁹ <http://www.pnas.org/content/110/28/11267>

¹⁰ <https://www.nirsonline.org/wp-content/uploads/2018/09/FINAL-Report-.pdf>

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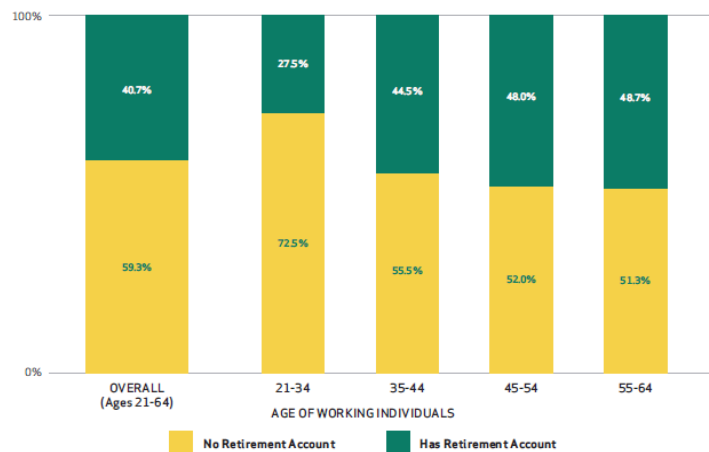


Too many Americans, as they reach retirement age, have inadequate savings, with the median savings in a 401(k) plan for people between the ages of 55 and 64 is hovering around \$15,000.¹¹ It is estimated that more than 100 million working age Americans have no savings in an employer-sponsored 401(k)-type plan, individual retirement account or pension.¹²

Lower levels of savings for retirement mean our retirees will be increasingly reliant on public assistance for financial wellbeing, which will put further stress on our state budget. Poverty rates for Americans over 65 have risen to 14.5 percent.¹³

Figure 4: Almost 60 Percent of all Working Age Individuals Do Not Own Assets in a Retirement Account

Retirement account ownership by age, December 2013



Source: Authors' analysis of SIPP 2014, Wave 1 data. Universe is working age individuals 21-64.

Saving for retirement must begin at a young age. Strong personal finance education includes lessons about the importance of planning for retirement and the power of compound interest on savings that plant the seeds for a financially secure retirement.

Unprepared for Life's Emergencies

In addition to the lack of retirement savings, too many Americans lack savings to pay for unforeseen occurrences and emergencies. The average American adult has less than \$1,000 in a savings account; approximately 55 percent of Americans could not cover six months' worth of living expenses if they lost their job; 54 percent of Americans lack savings to cover a medical emergency; and 42 percent of Americans could not cover emergency car repairs.¹⁴

These factors can result in the overuse of high-rate credit cards, and payday loans, which can further trap low-income individuals into a debt cycle.

Total American credit card debt is at an all-time high, surpassing \$1 trillion in 2017. The average household with credit card debt owes over \$16,800 and pays almost \$1,300 in interest

¹¹ <https://www.theatlantic.com/business/archive/2018/02/pensions-safety-net-california/553970/>

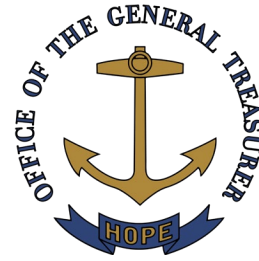
¹² <https://www.nirsonline.org/2018/09/new-report-finds-nations-retirement-crisis-persists-despite-economic-recovery/>

¹³ <https://www.theatlantic.com/business/archive/2018/02/pensions-safety-net-california/553970/>

¹⁴ <https://www.gobankingrates.com/saving-money/savings-advice/americans-average-emergency-fund-amount/>

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annually.¹⁵ As of August 2018, the average credit card interest rate is 15.5 percent, approximately a three-percentage point increase from five years ago.¹⁶

Susceptible to Predatory Payday Loans

Low levels of financial literacy result in higher use of high-cost, predatory financial services¹⁷. Twelve million Americans take out payday loans each year, spending \$9 billion on loan fees.¹⁸

Payday loans carry annual percentage rates of 300 to 500 percent, and payments are due in lump sums on borrowers' payday.¹⁹ Repaying payday loans can be an uphill battle for borrowers, as more than a third of an average borrower's paycheck is used for loan repayment, often leading to repeated borrowing, and a further spiral of debt owed.

Knowledge of personal finance is critical for young people preparing to enter the world of adulthood. The opportunities provided by the market for financial products can be life-changing in both positive and negative ways.

We owe it to the youth of Rhode Island to ensure that they leave school prepared to avoid pitfalls and navigate the financial world with success.

¹⁵ <https://www.cNBC.com/2018/01/23/credit-card-debt-hits-record-high.html>

¹⁶ <https://www.forbes.com/sites/nickclements/2018/08/16/americans-paid-104-billion-in-credit-card-interest/#332d9b20611a>

¹⁷ <https://www.nber.org/papers/w14808>

¹⁸ <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2016/01/payday-loan-facts-and-the-cfpbs-impact>

¹⁹ <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2015/07/cfpb-proposal-for-payday-and-other-small-loans>

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Rhode Island Has Fallen Behind

Rhode Islanders struggle with many of these financial challenges at a rate higher than national peers. Recent research shows that that:

- RHODE ISLAND'S COLLEGE GRADUATES HAVE THE SECOND HIGHEST STUDENT DEBT BURDEN IN THE COUNTRY;²⁰
- RHODE ISLAND'S RATE OF SERIOUSLY DELINQUENT MORTGAGE LOANS IS 9TH HIGHEST IN THE US;²¹
- RHODE ISLAND LAGS THE NATION AND REGION IN AVERAGE RETIREMENT SAVINGS;²²
- RHODE ISLAND HAS THE SECOND HIGHEST PERCENTAGE OF UNBANKED HOUSEHOLDS IN NEW ENGLAND.²³

National surveys provide an important baseline for how Rhode Island's K-12 personal finance education programs compare to other states, and the results are sobering: It is clear that state-wide, Rhode Island has not made personal finance education for young people a priority.

While the Rhode Island Department of Education (RIDE) has published voluntary standards for teaching personal finance that schools may adopt if they choose, ***Rhode Island is one of just fourteen states that does not require personal finance to be integrated into high school curricula statewide.***²⁴

Nationally, seventeen states require all high school students to complete a standalone personal finance course before graduation, and nineteen additional states require personal finance to be embedded into other classes. Rhode Island does neither.

In the absence of a statewide policy on financial education in K-12 classrooms, some schools and school districts in Rhode Island have been proactive. There are currently seven school districts²⁵ in Rhode Island that include some form of personal finance as a graduation requirement for high school students. Most high schools²⁶ in Rhode Island offer at least one class that includes personal finance, typically as an elective course.

In 2017, just over a third of graduating high school seniors in Rhode Island were taught personal finance in school, either as a standalone course or embedded within a larger course.

²⁰ <http://www.providencejournal.com/news/20160811/study-ri-college-grads-have-second-highest-debt-burden-in-nation>

²¹ https://www.housingworksri.org/Portals/0/Uploads/Documents/2017_Housing%20Fact%20Book.pdf

²² <https://www.financialsamurai.com/retirement-savings-by-state-generation-and-more/>

²³ <https://www.fdic.gov/householdsurvey/2015/2015appendix.pdf>

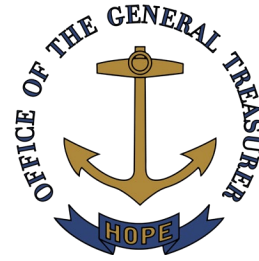
²⁴ <https://www.councilforeconed.org/wp-content/uploads/2013/02/national-standards-for-financial-literacy.pdf>

²⁵ Barrington, Cranston, Cumberland, Exeter-West Greenwich, Johnston, Smithfield, and Warwick

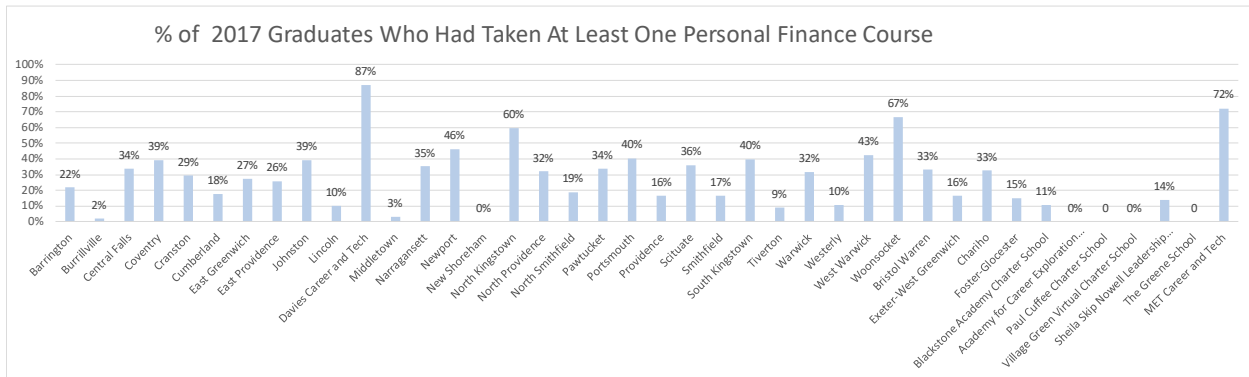
²⁶ The following schools do not have any formal personal finance courses available to their students: Central High School, Classical High School, Juanita Sanchez High School, and Providence Career and Technical Academy, all in Providence and Central Falls High School.

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The percentage of those students varies significantly from district to district.

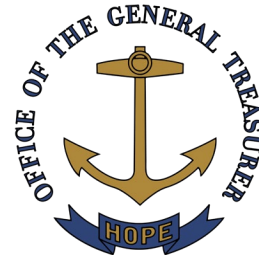


While it is encouraging that most Rhode Island high schools are offering personal finance-related courses to students on an optional basis, there is much room for improvement. Even in the districts where personal finance education is available, it remains unclear how accessible those courses are to students and how closely the material that is taught aligns with RIDE's recommended standards.

With only a third of high school graduates in Rhode Island receiving instruction in financial education, it is clear that more needs to be done.

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Resources Available for Educators

There is good news for educators looking to expand personal finance offerings in Rhode Island schools. Many high-quality resources are available at little or no cost, including professional development opportunities for educators, and classroom materials for instructional delivery and assessment.

Available resources for educators include:

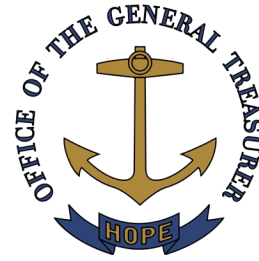
- *George Washington University's Global Financial Literacy Excellence Center (GFLEC), offers a high quality online economic education micro-credentialing program for teachers, which is aligned to the Council of Economic Education's National Standards for Financial Literacy. Twenty micro-credentials in economic education are offered and teachers have the flexibility to determine which credentials of the twenty they would like to complete. There is no cost for educators to complete this program.*
- *Working in Support of Education (W!se) Personal Finance Certification for Educators is a test to allow personal finance instructors to demonstrate proficiency in teaching personal finance. To support instruction, W!se provides professional development and instructional resources including webinar training, a detailed curriculum outline aligned with national and state standards, a comprehensive resources directory and online practice quizzes. Pretesting is also available.*
- *Rhode Island Jump\$tart Coalition and Rhode Island Council for Economic education provide various professional development programs and conferences throughout the year, including the annual financial capability conference and Fidelity Rhode Island Teacher Training Initiative.*

Instructional resources, including lesson plans, classroom materials and assessments that align with Rhode Island Department of Education standards, include:

- *Council for Economic Education's K-12 educator resources, including EconEdLink, a useful database of classroom-tested, Internet-based economic and personal finance materials for K-12 teachers and their students.*
- *The Federal Reserve Bank of St. Louis provides many economic education and financial literacy teaching material for educators, including videos and lesson plans. Their Econlowdown portal provides educators with free online courses and videos as well as free online professional development.*

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- *Next Gen Personal Finance's curriculum for middle and high school students, which includes content providing students with personal finance. The curriculum is complete with diagnostic and summative assessments as well as comprehensive questions and unit tests to assess student understanding.*
- *Take Charge Today a personal finance curriculum geared towards the use by middle school students. Formerly 'Family Economics & Financial Education', Take Charge Today provides a consistent framework for thinking through financial choices to improve well-being.*
- *EVERFI offers web-based personal finance lessons and assessments on topics that are aligned to the RIDE standards.*
- *Junior Achievement provides schools with personal finance education programming ranging from complete lesson plans for high schoolers to interactive activities that engage elementary school students. With more than ten programs focused on providing students with personal finance education, these programs teach students how to manage money, maintain a personal budget and be fiscally responsible with fun, hands-on curriculum.*
- *Working in Support of Education (W!se) Financial Literacy Certification for Students is a program aimed to help high school students graduate as financially capable young adults. Participating high schools teach a course or unit on personal finance and then administer the W!se national, standardized Financial Literacy Certification Test. The W!se Certified Financially Literate™ credential is awarded to students who pass the certification test. The credential demonstrates to colleges and employers that students have the knowledge and skills to be financially savvy.*
- *Money as You Learn provides teachers with Common Core-aligned texts, lessons and tasks that connect the Common Core to real life applications while also equipping students with the knowledge needed to make smart financial decisions.*
- *Keys to Financial Success is a complete course plan for teaching personal finance to high school students. It is composed of 51 lessons designed to teach students about personal finance using active and collaborative learning. There is a \$50 registration fee for the professional development portion of the Keys to Financial Success; however, materials and program information are free.*
- *Jump\$tart National Clearinghouse offers a comprehensive database of reliable personal finance education resources.*

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Recommendations for Financial Education in Rhode Island Schools

There is an urgent need to expand personal finance education in Rhode Island schools. All students should be able to benefit from a basic knowledge of personal finance as they prepare to enter the adult world and face important financial decisions.

While only one third of Rhode Island high school graduates are receiving personal finance instruction currently, there is reason to be optimistic that with a thoughtful plan personal finance education in Rhode Island schools can expand dramatically. All but five Rhode Island public high schools already offer personal finance instruction on at least an elective basis, and multiple free and low-cost resources already exist to assist educators in expanding personal finance instructions in Rhode Island schools

The following recommendations were developed in collaboration with educators and students, members of the business and nonprofit communities. They are achievable steps that in many cases have already been adopted in multiple other states.

The recommendations are organized into the following categories: Providing more resources for personal financial educators; providing incentives to students to take personal finance electives; providing incentives to schools to offer personal finance courses and improving data collection and reporting on the state of personal finance education in Rhode Island.

Provide More Resources for Personal Finance Educators

Recommendation 1: Provide micro-credentialing opportunities for personal finance educators

Rhode Island needs more teachers who are trained to deliver high-quality personal finance education aligned with the RIDE standards. According to a University of Wisconsin Survey, 89 percent of teachers believe that financial literacy should be taught in schools but only 20 percent felt confident in their own ability to teach the subject.²⁷

Micro-credentialing programs provide mini-degrees, or certifications in a specific topic area, with the goal of certifying that the educator has mastered a certain skill set. Under new RIDE regulations, micro-credentialing will play an expanded role in helping teachers earn certification

²⁷ <https://www.nefe.org/Press-Room/News/UW-MADISON-RELEASES-STUDY-ON-TEACHERS-CAPABILITY>

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and re-certification. Teachers will be required achieve a certain number of professional learning units (PLUs) per year, in order to maintain their certification eligibility.²⁸

While the state does not need to endorse a single micro-credentialing program for personal finance education, the Rhode Island Department of Education should maintain a list of personal finance micro-credentialing programs that are identified as a) being high quality and likely to qualify for professional development credits, and b) cover topics that are aligned with the RIDE personal finance standards.

Additionally, if Recommendation 3 is adopted, funds could be made available to assist educators with the cost of enrolling in micro-credentialing programs.

Recommendation 2: Publicize instructional resources aligned to RIDE standards

As noted in the prior section, there are many resources currently available at no cost to teachers who wish to teach personal finance education, including lesson plans, assessments and instructional materials, but the quality and alignment of these resources to the RIDE standards vary.

To promote usage of standards-aligned resources, RIDE should maintain and regularly update a list of vetted resources and upcoming teacher training events on its website.

Recommendation 3: Provide educators with financial resources to help offer personal finance courses

Many states²⁹ have created separate financial literacy funds that are non-profit 501(c)(3) organizations tasked with providing financial resources to educators and organizations providing personal finance education.

Rhode Island should explore establishing a fund (possibly a 501(c)(3) into which philanthropic money can be raised), from which teachers and administrators can apply for grants to improve and expand the teaching of personal finance in their schools. The fund should be overseen, and grants awarded by, a board that includes experienced personal finance educators and other stakeholders.

²⁸ PLUs are professional learning units, and typically 1 unit is equivalent to 1 hour of professional development.

²⁹ States that have financial empowerment funds include: Idaho, Illinois, Kansas, Massachusetts, Mississippi, Tennessee, Vermont, and West Virginia.

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Incentives for Students to Take Personal Finance Electives

Recommendation 4: Expand concurrent enrollment class offerings by allowing more flexibility in credentialing for instruction at the higher education level

High school students can be incentivized to take personal finance courses by offering them the opportunity to earn college credit through concurrent enrollment.

In order to offer credit for concurrent enrollment courses, Rhode Island's public colleges generally require the instructor to have a master's degree in related field. This poses a challenge to districts wishing to offer concurrent enrollment courses because while many teachers may have professional experience and credentials in finance, few have a master's degree in finance.

Rhode Island colleges and universities should consider recognizing concurrent enrollment courses taught by educators who do not have a master's degree in finance but have otherwise demonstrated mastery of financial concepts through relevant professional experience, high-quality micro-credentialing, or other similar programs.

Incentives for Schools to Expand Personal Finance Offerings

Recommendation 5: Coalition-building to advocate for schools to expand personal finance course offerings

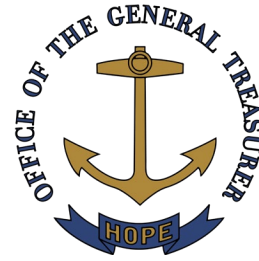
As of August 2018, there are five Rhode Island public high schools not offering a personal finance course: Central High School, Classical High School, Juanita Sanchez High School, and Providence Career and Technical Academy, all in Providence, and Central Falls High School. Further work should be done to engage teachers, administrators, students, and parents to identify barriers to expanding personal finance offerings and develop solutions for each school.

Recommendation 6: Award Designation for Schools with Strong Financial Education Programs

Currently, there is no incentive for a school to offer a personal finance course, or to align instruction with RIDE standards. Providing schools with recognition, through the establishment of annual awards for excellence in financial education, based on the number, quality and

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accessibility of their finance courses, could help encourage schools to expand and prioritize personal finance instruction.

Recommendation 7: Statewide High School Curriculum Requirement

Thirty-six states require personal finance to be taught in all high schools, either as a standalone course or embedded in a broader course. Rhode Island should join them.

While only about one third of students in Rhode Island currently graduate having taken a personal finance course, the path to achieving universal personal finance education in Rhode Island may not be difficult. All but five Rhode Island high schools already offer at least one personal finance course. There are multiple free and low-cost professional development opportunities and instructional resources that are currently available to teachers.

With a thoughtful plan, mindful of the need to support educators and administrators during periods of implementation, we recommend a two-step approach to ensuring that all students in Rhode Island graduate with personal finance skills necessary to achieve financial security.

First, Rhode Island should require all public high schools to offer a course that includes personal finance instruction aligned to the RIDE standards by academic year 2019-2020.

This can be a standalone personal finance course, or personal finance instruction could be integrated into math, social studies, business or other courses. The courses can be required or elective, so long as every student can have the opportunity to access the course at some point in their high school career. All but five public high schools in Rhode Island already offer such courses, and individual plans can be developed to assist these five schools in establishing a course, while formalizing the requirement statewide.

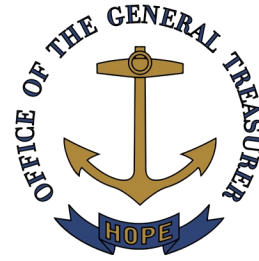
Second, all high school students should be required to demonstrate a fundamental understanding of personal finance to graduate, beginning with the class of 2022.

This understanding can be demonstrated in several ways, including by completing a standards-aligned course, completing a robust project related to personal finance under the supervision of a trained educator, and/or successfully passing a robust, standards-aligned personal finance assessment in a controlled testing environment.

Districts should have the freedom to decide which of these options to make available to students, mindful of the importance of providing educators the flexibility to be creative and tailor their instruction to students across a diverse range of socio-economic backgrounds and

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learning styles, so long as every student is required to demonstrate a strong working knowledge of personal finance at some point in their high school career.

Improve Data and Reporting

Recommendation 8: Reporting of student-level personal finance data

Reliable student-level data is necessary to benchmark and track progress toward the goal of all students accessing instruction in personal finance. RIDE currently collects data on the number of students at each school who have taken personal finance courses, however, this information is not readily accessible to the public. RIDE should publish a report annually with the percentage of graduates at each high school that have completed a personal finance class.

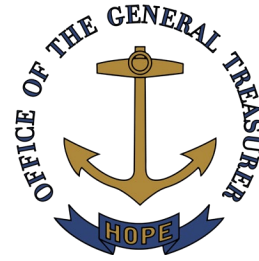
Recommendation 9: Conduct a census of personal finance education instruction at middle and elementary schools

There has not been a survey of personal finance instruction at Rhode Island elementary and middle schools. It is difficult to obtain this information as most middle schools do not have course catalogs and elementary schools focus on teaching core standards.

Development of a working group, with the task of investigating and publishing information on the extent to which personal finance is being taught in Rhode Island middle and elementary schools, and the quality of instruction being offered, would provide an important baseline of personal finance education in Rhode Island's K-8 classrooms. The working group should include committed organizations, including Junior Achievement, Rhode Island Jump\$tart, Rhode Island Council for Economic Education, educators, and representatives from RIDE. The working group should be tasked with collecting and publishing data on the instruction of personal finance at the middle school and elementary school level and provide recommendations on how financial literacy should be integrated into instruction at those levels.

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Conclusion

Set Rhode Island Children Up for Financial Success

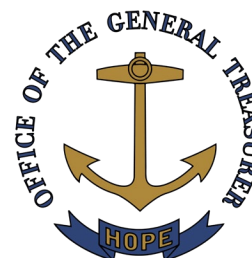
Every Rhode Islander deserves the opportunity to achieve financial security and maintain a financially stable life. Unfortunately, we know that Rhode Island is not doing enough to help prepare all its public-school students with the same basic set of financial skills that will help them develop strong financial habits and avoid costly mistakes.

The need for increasing personal finance education in the Ocean State is clear. Providing our students with the knowledge and skills to successfully navigate complex financial decisions has proven to be an effective method of producing better financial outcomes.

In the absence of a basic financial knowledge, our students are more likely to make poor decisions relating student loans, credit cards, or payday loans that may cause damage to their financial future. We must do more to ensure we are setting our children up for financial success—an effort that starts in our K-12 schools.

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Acknowledgements from Treasurer Magaziner

Stronger personal finance education in our public schools will help prepare Rhode Islanders for the critical financial decisions they will encounter as young adults and throughout their lives. This report is the result of a collaborative effort by a diverse group of stakeholders and thought leaders, all of whom are dedicated to the advancement of personal finance education for all Rhode Island students.

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*Last year, the Office of the General Treasurer convened the **Rhode Island Financial Empowerment Roundtable**. The Roundtable regularly brings together representatives from government, non-profits, education, businesses, and banking to network and share ideas on how to encourage financial literacy and well-being for all Rhode Islanders. The Roundtable is open to anyone who would like to participate, and my staff and I have benefited greatly from the knowledge and wisdom of our Roundtable participants.*

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*There are a number of other states providing residents with personal finance education and opportunities. **Alayna VanTassel**, Deputy Treasurer of Financial Empowerment for the Office of the Massachusetts Treasurer and Receiver General, has provided useful perspectives throughout this process and collaboration as we move forward.*

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