

Financial Literacy Assessment

With the thousands of lessons, lesson bundles, games, and other curricular materials used to aid financial literacy, do we know if they are working? In other words, how do we know that youth, teens, and adults are learning the content knowledge. And, even more difficult to discern, how do we know they are changing their financial behavior?

These are questions related to **“assessment”** or **“learning outcomes assessment”**.

In the financial literacy movement, we are concerned about whether learners are acquiring intended content knowledge. For example, explain how compound interest can work “for you” as a saver but “against you” as a borrower. Or show how you would assess multiple offers for credit cards, auto loans, or bank account services.

Studies in the scholarly literature have been mixed, but mostly positive. Our students—youth as well as adults—are retaining new information and tools in personal finance, at least for a short period of time. What has been harder to measure and “prove” is whether learners are taking tangible steps to alter their financial behavior. Are they opening savings accounts or taking advantage of their employer 401k plans? Are they checking their credit scores? Are they engaging in long-term planning for retirement?

Behavior may not change unless there is the capacity to do so. In other words, financial literacy does not mean that an individual or a household has the capability to alter their practices, like taking out a payday loan or begin saving for college. That is why more and more educators are beginning to use the phrase *“financial capability”* rather than “financial literacy.” Without capabilities, in the sense meant by Nobel prize winning economist Amartya Sen, a financially literate populace may not increase savings and investment or reduce debt and risky behavior. A focus on peoples’ “capabilities” means enabling people to fully function and enjoy life. Today’s financial literacy movement is concerned both about content knowledge and skills and about understanding the institutional conditions to sustain behavioral changes in the long run.

Assessment Using Standardized Tests

Educators have a number of options in order to assess content knowledge. FinEd Reviews™, under the Stockton Center for Economic & Financial Literacy, provides resources and links to assist educators in assessing their financial literacy programs.

- [OECD PISA Financial Literacy Assessment](#). The Organization for Economic Cooperation and Development, headquartered in Paris, France, has undertaken the first, international study to assess financial literacy of young people (15-year olds). The U.S. is one of the 65 countries participating. The PISA test is a test of mathematical literacy, but it also contains financial literacy questions that took 60 minutes of the testing time in

2012. The PISA test is a paper-and-pen test with multiple choice and short-answer questions. In the U.S., the [President's Advisory Council on Financial Capability](#) is evaluating the efficacy of the PISA test for use in financial literacy assessment in the 50 states and Washington, DC. PISA stands for the [Programme for International Student Assessment](#).

- [Jump\\$Start Coalition Survey of Personal Financial Literacy Among Students](#). Roughly every two years since 1997, the national Jump\$Start Coalition for Personal Financial Literacy has surveyed high school and college students about their financial literacy knowledge. The 49-question High School “survey” (test) and 56-question College “survey” (test) from 2008 are available from the Jump\$Start website. Plans are underway for a new, revised survey. With Jump\$Start’s permission, the survey can be used or adapted as a “test.”
- [National Financial Capability Challenge](#). Each year from March – April (concluding in financial literacy awareness month every April), the U.S. Department of the Treasury offers a national financial capability competition for students aged 13 – 19. It is a 2-hour online test offered to educators, with awards for students and schools with the highest scores.
- [WISE New York Financial Literacy Certification Test](#). The New York affiliate of the National Jump\$Start Coalition for Personal Financial Literacy offers school districts/teachers the opportunity to give an online test of personal finance concepts each fall or spring. WISE calls this test a “Financial Literacy Certification Program” because students with passing scores receive a paper certificate. It is not associated with the term “certification” used in teacher education and teacher preparation programs. It would be more aptly named a “Financial Literacy Certificate Program.”

All of the above links are associated with “tests” of content knowledge, linked directly to student learning, called **formative assessment**. The goal of summative assessment is typically to assess student competency after teaching a course or a module. With financial literacy and capabilities, what is much more difficult is **summative assessment** that takes place over time. In financial education, it would try to capture changes or planned changes in financial behavior. An example is the following: Sometime after teaching about the power of compound interest (for savers and borrowers), did learners make any behavioral changes to increase their savings and/or improve the management (pay-off) of their credit card debt. Both types of assessment yield significant information for teachers and learners.

Since financial literacy is knowledge and financial capabilities endeavors to change behavior in order to improve well-being, assessment of financial capabilities using summative assessment is usually done through longitudinal (long-run) research. Fortunately, scholars in the financial literacy movement are undertaking this research. The results will help inform our teaching and our curricula.

The Stockton Center for Economic & Financial Literacy will provide more information about assessment here by keeping up-to-date with the ongoing scholarly literature.