



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-46-2007
June 8, 2007

FINANCIAL EDUCATION

Survey Shows FDIC's *Money Smart* Program Improves Consumers' Money-Management Practices and Financial Confidence

Summary: Using a three-part survey to determine the effectiveness of its *Money Smart* financial education curriculum, the FDIC found that the program positively influenced how course participants manage their finances as well as their financial confidence. The study also found that these positive changes were sustained months after participants had completed *Money Smart* training.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
CRA Officer

Attachment:

List of FDIC regional contacts

Contact:

Bobbie J. Norris, Special Assistant, at binorris@fdic.gov or (202) 898-3685; or Luke W. Reynolds, Community Affairs Specialist, at lureynolds@fdic.gov or (202) 898-6724

Note:

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2007/index.html.

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

Highlights:

- With data collected from a pre-training survey, a post-training survey and a telephone follow-up survey, the FDIC analyzed the impact of its *Money Smart* financial education curriculum on the financial confidence and behavior of course participants during the survey period.
- The data indicate that *Money Smart* training positively affected participants' behavior and that those behavioral changes were demonstrated many months after the participants had completed the training.
- The study found that participants were more likely to open deposit accounts, save money in a mainstream deposit product, use and adhere to a budget, and have increased confidence in their financial abilities when they were contacted 6 to 12 months after completing the *Money Smart* course compared to before beginning the course.
- The full report is available at <http://www.fdic.gov/consumers/consumer/moneysmart/pubs/ms070424.pdf>.

FINANCIAL EDUCATION

Survey Shows FDIC's *Money Smart* Program Improves Consumers' Money-Management Practices and Financial Confidence

Findings from a three-part survey of consumers who had completed the FDIC's *Money Smart* financial education program showed that the training can positively influence how people manage their finances. The survey is the first to examine the impact of financial education on the behavior of a broad audience up to one year after completing the training. The full report – *A Longitudinal Evaluation of the Intermediate-term Impact of the Money Smart Financial Education Curriculum upon Consumers' Behavior and Confidence* – is available at <http://www.fdic.gov/consumers/consumer/moneysmart/pubs/ms070424.pdf>.

The FDIC engaged the Gallup Organization to help design and administer the survey to determine the impact of *Money Smart* on the behavior of those attending the training. Gallup interviewed 631 people who had completed the FDIC's *Money Smart* program 6 to 12 months earlier. Each person interviewed completed a survey at the start of the training and then immediately following completion of the course.

The survey results showed that those who took a *Money Smart* course on the topics of checking, savings, budgeting and credit demonstrated statistically significant improvements in their behavior and confidence immediately after the course, and that these changes persisted when measured again approximately 6 to 12 months later. For instance, participants were more likely to open deposit accounts, save money, use and adhere to a budget, and have increased confidence in their financial abilities when contacted 6 to 12 months after completing the course.

A majority of those surveyed reported an increase in personal savings, a decrease in debt, a better understanding of financial principles, and an increased willingness to comparison shop for financial services. Specific changes in behavior 6 to 12 months after the course include:

- 43 percent of those without a checking account after completing the course had opened a checking account.
- 37 percent of those without a savings account after completing the course had opened a savings account.
- 22 percent who already had a checking account at the conclusion of the training had opened a checking account at a different financial institution, and 13 percent had opened a different type of account at the same institution, demonstrating the ability to comparison shop.
- 61 percent of those not using a spending plan/budget at the end of the course were using one when polled.
- 95 percent of those who used a spending plan/budget at the end of the course still used it when surveyed.

- Between the beginning of the course and the survey, there was a 12 percent increase in the number of participants who always paid bills on time.

In addition to empirical evidence of the benefits of the *Money Smart* training, approximately 95 percent of respondents reported that they were satisfied with their *Money Smart* course.

The FDIC introduced its award-winning *Money Smart* financial education program in 2001 to help adults enhance their money-management skills, understand basic financial services offered by the financial mainstream, and build financial confidence to use banking services effectively. *Money Smart* is available free of charge in six languages, Braille, and through a computer-based instruction (CBI) version. The FDIC recently released an updated version of the instructor-led *Money Smart* curriculum in English and is scheduled to release updated versions in Spanish, Chinese, Korean, and Vietnamese this summer.

Under Community Reinvestment Act (CRA) regulations, financial institutions can receive favorable consideration in the investment test (12 CFR 345.12(t) & 345.23) or service test (12 CFR 345.12(i) & 345.24) for financial education-related activities.

For more information on finding opportunities to be involved with the *Money Smart* program, contact the Community Affairs Officer in your FDIC regional office (see attached list). Copies of the *Money Smart* curriculum can be ordered from <http://www.fdic.gov/consumers/consumer/moneysmart/>.

Sandra Thompson
Director
Division of Supervision and Consumer Protection