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Indiana Financial Literacy Report Card

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Goals and Outcomes

Networks Financial Institute (NFI) conducted a survey (parallel to that of the Jump\$tart Coalition for Personal Financial Literacy national survey) to generate an in-state baseline of information about Indiana high schools seniors and their level of financial management skills and education, generating a Financial Literacy Report Card. The Jump\$tart Coalition for Personal Financial Literacy is an organization that seeks to evaluate and improve the personal financial literacy of young adults; develop, disseminate, and encourage the use of standards for grades K-12; and promote the teaching of personal finance. Jump\$tart conducts a biennial survey of high school seniors nationwide to assess their financial management skills and education. NFI's research compares Indiana results to national Jump\$tart 2004 results. This Financial Literacy Report Card analyzes the financial literacy levels of high school seniors from across the state.

NFI administered the Jump\$tart financial literacy examination to a sample of students from all regions of the state, all income levels, and in both rural and urban settings. Specific Report Card objectives are:

- Understand Indiana high school seniors financial literacy aptitude;
- Compare Indiana high school seniors financial literacy aptitude to the most recent national results available;
- Identify areas of concern or weakness, relative to financial literacy aptitude, for Indiana high school seniors; and
- Identify demographics affecting financial literacy aptitude for Indiana high school seniors.

The views expressed are those of the individual author(s) and do not necessarily reflect official positions of Networks Financial Institute. Please address questions regarding content to Martha Henn McCormick at martha.mccormick@isunetworks.org. Any errors or omissions are the responsibility of the author(s).

NFI working papers and other publications are available on NFI's website (www.networksfinancialinstitute.org). Click "Research" and then "Publications." To receive updates about NFI news, events, and publications, sign up for NFI update emails at www.networksfinancialinstitute.org

Survey Instrument

The 52 multiple-choice questions are divided into four categories: income, money management, saving, and spending. Many of the first 31 questions can more accurately be described as testing knowledge and skills, while others survey attitudes. Some questions require computational skills. Some pertain to general economic knowledge while others ask survey participants to make judgments about specific scenarios and can be accurately described as word problems. Topics touched on include:

- Insurance (life, health, auto)
- Savings
- Bank services (ATMs, loans)
- Budgeting
- Inflation
- Taxation (income, sales)
- Government regulation of financial services
- Credit cards (interest rates, protections)
- Salaries and wages
- Investments
- Credit history
- Retirement planning
- Interest

The remaining questions ask for personal information on survey participants, their family history, and their perceptions and attitudes toward financial literacy. Topics include:

- Gender
- Home ownership
- Educational plans
- Family income
- Race
- Parents' education
- Career plans
- Income expectations
- Credit and/or debit card use
- Driving privileges
- Employment history
- Bank accounts
- Securities ownership
- High school class level
- Money management (confidence, source of knowledge)
- Allowance
- Spending v. saving habits
- High school classes taken

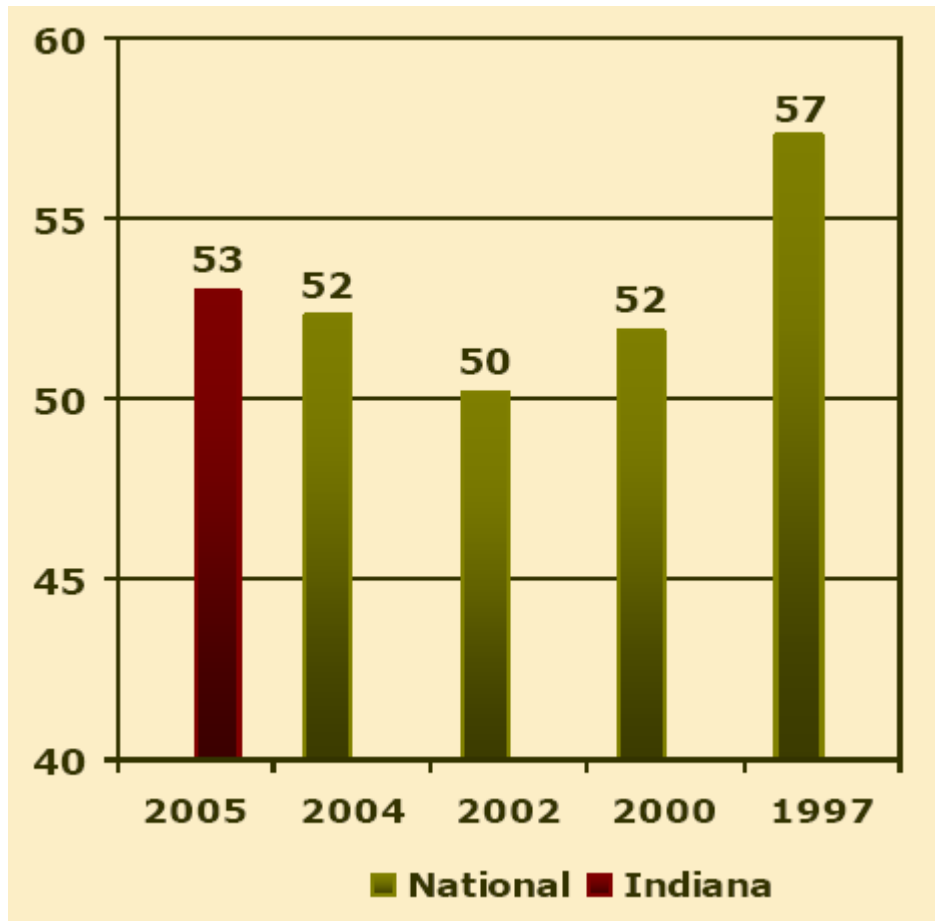
Methodology and Sample

Using the Jump\$tart high school senior survey, NFI provided paper survey packets to 35 randomly selected high schools across Indiana. Participating schools were asked to administer the survey in one seniors-only class, excluding finance or economics classes. As an incentive to participation, NFI randomly awarded one school per region (north, central, and south Indiana) a donation of \$500.00. A total of ten schools (of the 35 approached) participated in the survey. A total of 207 individual completed Jump\$tart surveys were received and analyzed.

Results

Nationally, according to the Jump\$tart survey, the peak year for high school senior financial literacy aptitude was 1997, the first year that the national survey was conducted. In that annual survey, 57.3% of questions were correctly answered. Since that time, the percentage of correct answers has hovered at 50% to 52%. Indiana high school seniors scored at 53% in 2005, so Hoosier seniors rank at or are comparable to the national average.

Figure1: Jump\$tart National 2004 vs. Indiana 2005 Results



Using a grading scale typical of those used by schools around the nation (59% or less being a failing grade), in the national 2004 results, 66% of seniors failed the exam. In the 2005 Indiana results, 62% of seniors failed. One-third passed with the equivalent of a C or D. 4% of Indiana seniors received a B. None received a score equivalent to an A. There was not a significant deviation in pass or fail scores across the three identified Indiana geographic regions or broken down by public vs. private schools.

Figure2: Most Accurate Statements

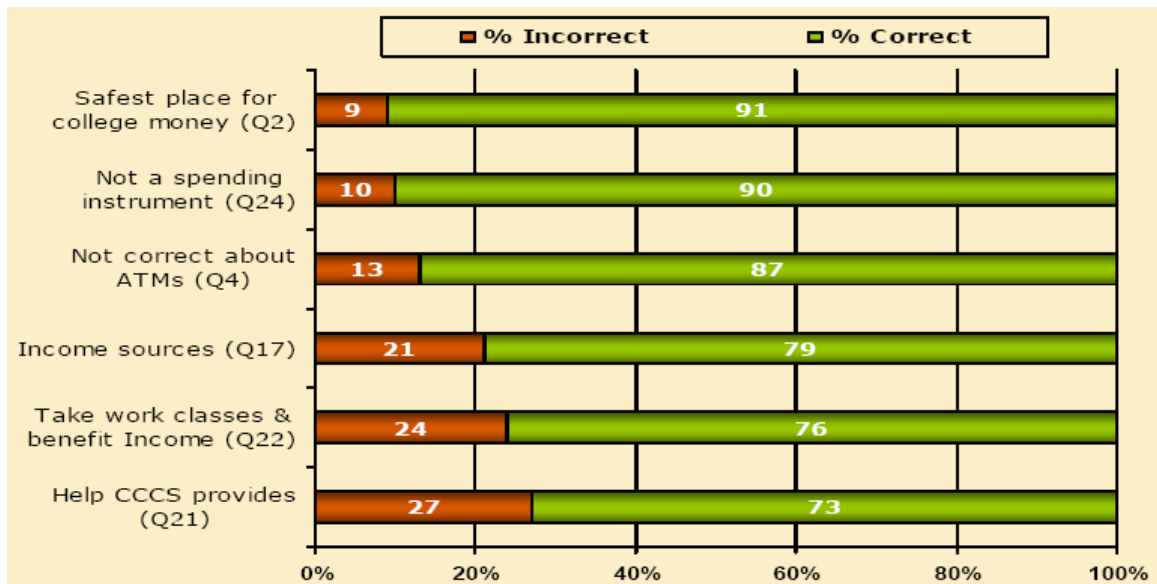
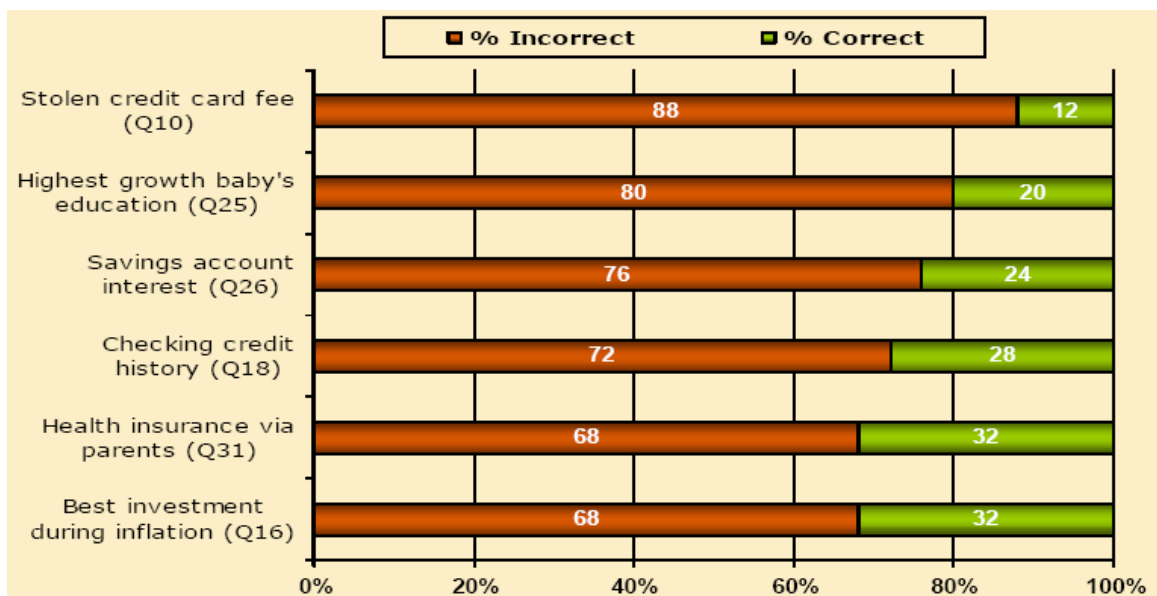


Figure3: Least Accurate Statements



Demographically, the survey reveals a great deal about Hoosier high school seniors and their perceptions and attitudes regarding financial literacy. The majority of seniors work during some or all of the year, with only 15% reporting that they have never worked outside the home. Most (64%) had not grown up receiving a regular allowance. They largely classify themselves as somewhat thrifty and interested in saving money and most have either

a checking or a savings account, or both. They tend not to have their own credit or debit cards.

Students report that they gain most of their money management knowledge at home; school and personal experience are secondary sources of financial education. From school, most students report having had an economics class or at least a class that offered a stock market simulation experience. In stark contrast to the 66% failure rate on the survey, nearly half of seniors report that they are somewhat sure of their ability to manage their own finances; less than 20% are very sure and a quarter are not too sure of their money management ability.

Conclusion

While Indiana teens' financial literacy skills test out at a near-identical level to the national average, it is important to keep in mind that Indiana's average, like the national average, is a failing one. Networks Financial Institute hopes that the findings from this study will spur a lot of attention to and interest in the state of financial literacy in Indiana. NFI looks forward to sharing the findings of these studies with all service providers, practitioners, the financial services industry, and the General Assembly, as well as the public in general. NFI has also published the results of the Financial Literacy Indiana Activities Inventory, a comprehensive study that looks at the financial literacy curricula and materials teachers are using within Indiana classrooms, the materials that are helping them implement financial literacy lessons, and the sources of those materials. For additional information on this study or for a copy of the Financial Literacy Indiana Activities Inventory, contact Networks Financial Institute at 317-536-0281, or toll-free at 800-603-7113, or visit the NFI website at www.networksfinancialinstitute.org.

Networks Financial Institute was founded at Indiana State University in 2003 through a grant from Lilly Endowment, Inc. As an outreach initiative of Indiana State University's College of Business, NFI facilitates broad and collaborative thinking, dialogue, and public policy progress in the evolving financial services marketplace. NFI's three areas of focus are education, outreach and research.