



Financial Education & Account Ownership: Combined strategy leads to better outcomes

Research from a variety of studies finds that combining financial education and savings account ownership have a positive impact, where each leads a person to seek more of the other. When individuals receive quality financial education, they are more likely to open savings accounts and apply their new knowledge. Starting this combination early gives youth a better chance at lifelong financial well being.

Leveraging education and account ownership impacts asset building

Combining financial education and savings account ownership has been found to have a number of positive effects:

- Active use of savings accounts: Individuals participating in education and first-account ownership programs gained greater saving - approximately \$700 per year - than first-time account owners without financial education. In one example, over 70% of participants in first-time savings continued with savings behaviors after the program ended.
- Stable maintenance of balances in accounts: After participating in financial literacy courses, savings account holders increased their savings rates and increased their average account balance. Participants in an IDA program who earned less than \$20,000 annually had an average savings rate of almost 5% and average account balances of approximately \$800.
- Progression to other savings products & increase in financial education: Participation in an initial-savings account programs lead individuals to seek out other financial products and education to succeed in the new savings opportunity. In one case, 30% of a program's customers went on to obtain other financial products.
- Demonstrated acquisition of knowledge: Multiple studies found measurable increases in the amount of knowledge gained through financial education. Among participants in an education-only program, post-training scores increased an average of 20% over pre-test scores.

Financial education creates life-long savings behaviors:

When youth have financial education, they gain the skills and tools to secure lifelong financial health.

- 86% of youth participating in financial education curriculum demonstrated an increase in financial knowledge or behavior when dealing with money.
- Three months after participating in a financial education course, 58% of youth participants improved their spending habits, 56% improved their savings habits, and 39% identified starting a savings account as the most important impact of the program.
- Five years after high school, students with mandated financial education in high school had self-reported savings rates 1.5% higher than those without mandated education.
- One program targeted at youth savings for postsecondary education found that youths' involvement in account programs encouraged other family members to save and/ or pursue postsecondary education.

Source:

- Baker, Christi and Doug Dylla. (2007). Analyzing the Relationship Between Account Ownership and Financial Education. New America Foundation Initiative on Asset Building.

www.illinoisassetbuilding.org

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IABG is co-chaired by Heartland Alliance for Human Needs & Human Rights and the Sargent Shriver National Center on Poverty Law.