Assessing the Impact of Financial Education for AFI Participants

Individual development account (IDA) projects use four key elements to assist low-income individuals and families:

- Financial education provided to individuals during their early months of project participation;
- Asset-specific training and education provided to help participants acquire their chosen asset (a home, business, or postsecondary education/training);
- IDA savings accounts and matching funds that are a monetary incentive to save and purchase assets; and
- Support services to help participants sustain their IDA savings and reach their asset goals.

Although it is usually the prospect of matching funds that brings individuals into an AFI-funded IDA project, with asset-specific training and support services playing a key role in keeping accountholders on track, ***Financial Education has an important and lasting effect on IDA project participants***. Even those individuals who drop out of an IDA project before purchasing an asset with their IDA savings benefit from the financial education they receive. IDA projects have both immediate and long-term benefits by teaching participants the basic principles of budgeting, using financial services, and managing credit.

This article discusses the need for AFI grantees and other organizations that administer IDA projects to assess the impact of their financial education classes and related activities. It suggests effective strategies for conducting an assessment of financial education classes, keeping in mind the limitations of project funding and staffing resources.

This article is the first in a series of articles from the AFI Resource Center focused on financial education topics. It is a resource for AFI grantees and project staff interested in starting or improving their assessment of the financial education they provide to their IDA project participants. What are the Characteristics of the Financial Education AFI Grantees Provide to their IDA Participants?

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Features of Financial Eduation AFI Grantees Typically Provide

AFI grantees and other organizations that administer IDA projects typically offer a series of classes or sessions on financial education that participants complete as an initial stage of the IDA project. In this article, we refer to these classes and sessions collectively as the "financial education course." Financial education courses typically cover core topics such as budgeting, saving, credit use, investments, and taxes.

> *AFI grantees draw upon different available curricula to provide financial education instruction to project participants. In 2007, more than half of AFI grantees used Money Smart, Finding Pathways to Prosperity, or some combination of the two.*
>
> *The average number of hours of financial education instruction provided to AFI participants is 12 hours, typically comprised of multiple sessions over several months.*

AFI grantees rely on different financial education curricula to structure their financial education courses. According to information collected from grantees in the FY 2007 program year, approximately 25 percent of AFI grantees used the "Money Smart" curriculum distributed by the Federal Deposit Insurance Corporation (FDIC), 7 percent used the "Finding Pathways to Prosperity" curriculum published by the National Endowment for Financial Education (NEFE), and 24 percent used some combination of both. The remaining grantees used other standardized curricula or a customized instructional program. Measured across all grantees, the average number of hours of instruction regularly provided to AFI participants was 12 hours, comprised of multiple sessions attended over a period that typically spans several months[1].

It's Vital for AFI Grantees to Continually Assess Their Financial Education Strategies

AFI grantees derive several important benefits from assessing their financial education activities:

- With limited administrative funds to support financial education and other services to accountholders, AFI projects need to **ensure their resources are being used efficiently** in order to inform their decisions about possible changes in financial education content, approach, staffing, or curriculum.

- In seeking to raise the required non-Federal funds from public- or private-sector sources, AFI grantees need to be able **to show prospective funders that project participants do indeed benefit from the financial education they receive**.
- Assessing financial education activities may demonstrate that some methods of providing financial education are more cost-effective than others. **Information on effective practices can be shared among IDA practitioners** to help them improve their financial education approaches.
- Developing knowledge about financial education and how it benefits AFI project participants may **affect Federal and state policy-making regarding financial education and asset-building programs**.

In addition to these benefits, the Office of Community Services is implementing program-wide outcome measures for the AFI program and has developed a menu of ***grantee-level performance indicators*** to help gauge project success. AFI grantees will report annually on these performance indicators. Many of the indicators are based on information AFI grantees already provide on the annual AFI data report. The five performance indicators currently in place for AFI grantees are:

- **Indicator 1A –** The number of AFI IDA participants who complete their overall asset purchase.
- **Indicator 1B –** The number of people engaging in program activities that prepare them to enter into the savings program.
- **Indicator 1C –** The number of IDAs opened.
- **Indicator 2A –** The number of AFI IDA participants who complete economic skills classes.
- **Indicator 2B –** The average number of AFI IDA participants who complete at least 2 hours of asset specific training.

Assessment

This article focuses on methods AFI grantees can use to assess the impact of financial education on their IDA project participants. ***Assessment is the process of gathering information on outcomes achieved by AFI project participants in the short-term (typically, within six months)***. The focus is on whether the participants have advanced their knowledge, attitudes, beliefs, and skills by having participated in and completed the financial education course. These short-term results are the first step in creating changes in behavior and are thus important indicators, even though the behavioral changes themselves may not be observable within this immediate timeframe. Unlike evaluation (see definition below), assessment does not require collecting data from a comparison or control group, which makes it feasible for most IDA projects. However, assessment does require careful and systematic information-gathering.

Assessing AFI Financial Education Activities: Key

What is the Difference between Assessment and Evaluation?

Assessment focuses on documenting the short-term outcomes of project participants.

Evaluation focuses on medium and long-term goals and often requires tracking project participants over time and comparing their outcomes to those of a pre-determined control or comparison group.

Key Definitions:

- *Short-term outcomes* (typically, within 6 months) relate to advancing the "knowledge, attitudes, beliefs, and skills" (or KABS) of individuals regarding the specific topics covered in a course curriculum.
- *Intermediate outcomes* (typically, 6 to 12 months) focus on the retention of changes in KABS or on changes in the financial practices or behavior of individuals in their budgeting, savings, and uses of credit.
- *Long-term outcomes* (typically, more than 12 months) pertain to improvements in the individuals' (or their households') actual economic circumstances, such as their income, net worth, or ability to obtain credit (as indicated by credit scores).
- *A Control or Comparison Group* means a group of individuals who are similar in terms of their initial characteristics (income, financial literacy level, etc.) to financial education participants but who do not receive the financial education training. Having a control or comparison group enables project staff to better isolate those changes in participant outcomes that are attributable to the financial education course (versus other project elements or external factors). Identifying and collecting data on a control group can be complicated and is usually done in partnership with university-based research centers or other independent evaluators.

Source: "Skills and Techniques for Providing Effective and Engaging Financial Education: An AFI Academy," training materials developed by the Assets Alliance and presented by Tiffany Eng, Inger Giuffrida, Vicki Oldman, and Janet Wills at the Assets for Independence University, November 2007.

Aspects of Strong Assessments

Timing of Questionnaires – Before and After: Pre-test, Post-test, and Follow-up

To establish whether participants benefit from attending financial education classes, including whether they develop financial knowledge and skills and shift their financial attitudes and beliefs, assessment requires collecting information from participants both before and after they have taken the financial education course. To measure the immediate effect of the course, it is best to implement "pre-test" data collection ***just before*** beginning the first session of the course and "post-test" data collection ***just after*** completing the last session of the course. Survey questionnaires can be distributed and collected by the course instructor at the start of the first session (for the pre-test) and at the end of the last session (for the post-test).

Design of Questionnaires and Methods Used

The information-gathering should be done in a consistent manner across all participants in a given IDA project. To do so, use a standardized survey questionnaire, often called an "instrument" or "protocol." The questionnaire will typically include 10 to 30 questions—mostly multiple-choice, true/false, or numerically-scaled responses (e.g., ranging from "agree strongly" to "disagree strongly" in a 5-part scale), and possibly some open-ended (short answer) questions.

The questions should focus on substantive matters of content that are explicitly included in the curriculum. The questions should be specific to test individuals' understanding of an issue or concept, instead of relying on the respondents to simply self-report that they are confident in their understanding.

In addition to measuring immediate knowledge gains, it is helpful to learn whether participants retain their knowledge over time. To glean this information, the project would sponsor a follow-up round of data collection, such as six months after course completion. At this follow-up stage, survey questionnaires could be distributed to participants by mail or administered by project staff when they have follow-up contact with individual participants or groups of participants. However, this type of follow-up effort is best viewed as an evaluation effort beyond the financial and staff resources of most AFI projects.

For example, ask participants to consider a statement such as "I know what to do to effectively budget my finances" and to indicate how well the statement describes them using a scale from 1 to 7, where 1 "does not describe me at all" and 7 "describes me very well." Responses from 2 to 6 indicate that the participant lies somewhere in between these two, with 4 as the neutral answer.

This type of question should be asked both before and after participants take the course, so that project staff can see how the responses change. Based on answers to such questions for a number of participants, it is possible to calculate the average increase in the reported values between the pre-test and the post-test; this average value is the measure of improvement.

The best types of questions measure the specific gains in content knowledge that occur as a result of the course, by "quizzing" participants on material covered in the course both before and after the financial education component. Varying the questions, so the participant does not know what is coming will provide a more accurate measure of overall knowledge gain.

A stronger approach is to measure the specific gains in knowledge by asking content-related questions, such as:

How are *goals* related to budgeting and financial management? (Circle one.)

a. They are not related.

b. Goals can provide some general direction to the budgeting process but they are not an essential component.

c. Goals are generally unrealistic and do not provide much meaning to budgeting, which is more exact because it's related to numbers.

d. Goals are the foundation for the budget; they provide direction to the budget.

These types of questions are better indicators of whether the individual has grasped the concepts taught in the course. Note, however, that multiple-choice questions can be challenging for those with limited English proficiency. (The correct answer here is "d".)

Note that the cue-ing effect is not a concern in measuring the retention of knowledge gains after the course is complete. To measure how well participants retain the knowledge they obtain through the course, it is actually preferable to use the same set of questions at follow-up as at the post-test. This means creating a set of follow-up questionnaires that mirror the set of post-test questionnaires. In this way, different participants will complete different questionnaires, but each individual participant will answer the same content-based questions at follow-up as they did at post-test.

A good strategy for data collection is to use the exact same set of survey questions at each stage: pre-test, post-test, and follow-up. One disadvantage of this plan is called the "cue-ing effect," whereby the pre-test questions may serve as a cue to participants as to what concepts and issues deserve class-time attention. Under this scenario, the true gains in knowledge would be overstated.

To avoid this problem, you could develop several alternative versions of the pre- and post-test questionnaire, each including a different subset of the total list of questions. This would reduce the likelihood that a respondent is asked a post-test question that also appeared on the pre-test survey.

Care should be taken to ***design the questionnaire at a level of difficulty that is neither too low nor too high*** for the incoming level of financial knowledge among participants. Thus, if average pre- and post-test scores are close to 100 percent (i.e., if the test is too easy), it will be difficult to measure knowledge gains. This is referred to as a "ceiling effect" with participants concentrated in the upper range of scores both before and after the course. Conversely, if pre- and post-test scores are all extremely low (i.e., both no greater than 20 percent), knowledge gains will also not be well captured in the data. This is referred to as a "floor effect." Under either a ceiling effect or floor effect, knowledge gains experienced by participants will be understated. Testing the questionnaire with different groups of participants will help you to identify questions that are too easy or too hard.

Using the Questionnaires to Gather Information about Participant Learning

Once you have developed the questionnaire, you should ***aim to achieve a high response rate*** among the individuals who take the financial education course. A good standard to work toward is that at least 80 percent of the people who take the course also complete both a pre- and a post-test questionnaire. By meeting that standard, you minimize the risk of bias—i.e., the risk that those responding to the questionnaire cannot be viewed as representative of the full group of everyone who took the course (i.e., both respondents and non-respondents).

In order to get the most useful results:

- *Make sure the questions are not too easy or too difficult.*
- *Try to receive completed questionnaires from at least 30 people or 80% of your financial education participants, depending on the size of your project.*

In addition to the response rate, another consideration is the absolute number of participants who complete their questionnaires and thus provide data for analysis. The specific required number will differ according to each project's circumstances, such as the number of people who participate in the financial education course. Generally speaking, however, try to ***obtain responses from a minimum of 30 participants***.

To ensure the cooperation of participants in filling out their pre- and post-test questionnaires, it is best to indicate that this is a requirement for completing the financial education course. (One can even include this as a provision in the savings agreement that a participant signs upon entering the program.) Build in time for completing the questionnaire during the first and last sessions of the financial education course. If participants are taking the classes in a different order from each other, the instructor may need to pre-identify those about to attend their final session and alert them in advance to complete the post-test questionnaire following that session.

Obtaining an adequate response rate in follow-up questionnaires—whether completed over the phone, in the program office, or by mail—may require some incentive to the participants. Movie passes, phone cards, or other small items of value donated by local merchants can be helpful in securing cooperation.

Analyzing the Information and Reporting Results

The survey data collected from participants at each stage (pre-test, post-test, and follow-up) should be entered from the questionnaires into an Excel spreadsheet or other electronic database. The analysis typically consists of calculating the average score among the individuals at each stage. The increase in average scores between the pre-test and post-test is a measure of knowledge acquired as a result of taking the course. By comparing the pre-test/post-test increase in scores with the pre-test/follow-up increase in scores, one measures the extent to which knowledge gains were retained for a certain time period beyond the course.

The increase in scores between pre-test and post-test measures the knowledge acquired as a result of taking the course.

*Comparing the pre-test/post-test increase in scores with the pre-test/follow-up increase in scores shows the extent to which **knowledge gains were retained**.*

Note that the calculation of each participant's score at each stage will require a consistent method of counting the correct answers to different kinds of questions (some involving open-ended responses or circled answers along a 5-part or 7-part scale). Before administering any of the surveys, develop a scoring method should be developed to assign a fractional value between 0 and 1 for a partially correct answer.

It is important to give attention to the statistical significance of the computed changes in scores—i.e., whether one can regard the increase in scores from pre-test to post-test as reflecting more than just "noise" in the data. The total number of respondents is a key factor in these statistical considerations. Unless you have people on staff who are trained in statistical research techniques, it is usually best to seek guidance from university-based researchers or independent evaluation consultants on how to conduct the appropriate tests of statistical significance.

Once the statistical results are in hand, they should be presented in written form, along with a description of the procedures used for collecting and analyzing the data. Such a written product will prove useful in communicating the findings to the key sets of individuals noted earlier: program staff and organizational partners, current or prospective funders, other practitioners, and policy makers.

An excellent example of succinctly presented findings from an evaluation of financial education is the five-page executive summary from Financial Links for Low-Income People (FLLIP): Final Evaluation Report.[2] Click here to access the report.

Final Considerations

It is important to emphasize that there is no "one size fits all" approach to assessing your financial education course. The particular approach implemented by each AFI grantee needs to reflect the levels of language proficiency and financial literacy of the participants. The assessment tools should be brief and should focus on those items of course content that are regarded as most important in ultimately influencing participant outcomes. Staff should consider in advance the process by which the findings from assessment efforts will be used to improve the financial education component of the IDA project. This process also should include communication with the participants themselves, so that they will understand how their cooperation in the data-collection activities may benefit future IDA participants.

Resources

If you want to learn more about approaches to assessing and evaluating your financial education efforts, information can be found on the websites of the following organizations:

- Assets for Independence Program, at www.acf.hhs.gov/assetbuilding
- The National Endowment for Financial Education at www.nefe.org
- FDIC (Federal Deposit Insurance Corporation) and its Money Smart Curriculum at www.fdic.gov/consumers/consumer/moneysmart/
- U.S. Financial Literacy and Education Commission at www.mymoney.gov

[1] See U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, Report to Congress: Assets for Independence Program, Status at the Conclusion of the Seventh Year, June 2007, p. 24.

[2] See Steven G. Anderson, Jeff Scott, and Min Zhan, "Financial Links for Low-Income People (FLLIP): Final Evaluation Report," School of Social Work, University of Illinois at Urbana-Champaign, June 2004. Available at: www.povertylaw.org/advocacy/publications/2004-06-fllip-evaluation.pdf.

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