

# Financial Wellness Newsletter

## THE MULTIDIMENSIONAL BENEFITS OF FINANCIAL EDUCATION: FOR INDIVIDUALS, COMMUNITIES, AND THE MOBILE FUTURE

THIS ARTICLE WAS DEVELOPED AS PART OF CONNEXUS ASSOCIATION'S PARTNERSHIP WITH EVERFI, INC

In today's world, the ability to manage money has never been more critical. All the while, financial knowledge among the general public has not kept pace with the need for financial capability. In a 2017 study, only 48 percent of all Americans were able to answer at least half of a set of financial literacy questions correctly. The young adult demographic performed even worse, with less than a quarter of millennials, in another study, able to answer basic financial wellness questions. A lack of financial knowledge in adults can also lead to communication problems with younger generations. Although most parents do talk to their children about money, less than half feel that they are "well prepared" to do so. And while many teens report discussing their personal financial decisions with their parents, intra-family talks are more likely to address attitudes toward money than specific aspects of personal finance such as achieving healthy credit scores, building emergency funds, and growing wealth. The gap in financial knowledge is further compounded by the millions who are not reached by financial services at all. According to a 2017 study by the Federal Deposit Insurance Corporation (FDIC), 6.5 percent of American households – or some 8.4 million – are unbanked altogether, and almost 3 times as many are underbanked, meaning that although they may have a checking or savings account, they also rely on expensive, high-risk, and frequently unregulated services such as payday loans and check-cashing services to make ends meet.



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# THE MULTIDIMENSIONAL BENEFITS OF FINANCIAL EDUCATION: FOR INDIVIDUALS, COMMUNITIES, AND THE MOBILE FUTURE CONTINUED

## **Introduction Continued**

For Americans to live satisfying and successful lives, a strong foundation of financial capability is a necessity. But leading indicators point to a knowledge gap that is leaving more and more people behind: insufficient levels of financial knowledge among the general public, limits on what is taught at home, and a large number of un- or underbanked households. Bottom line? People need access to more resources – and at Connexus Association we are committed to supporting that need.

## **Financial Education: Empowering Consumers to Make Sound Choices**

At its most fundamental level, financial education is about empowering people to make sound financial choices that allow them to live more confident and fulfilled lives. This includes providing for basic needs in the present but also looking ahead to goals such as acquiring a home, starting a business, having a family, caring for aging parents, and preparing for retirement. A financially capable individual is able to put their money to work for them, choosing between many different accounts, funds, loans, and other financial instruments to identify the right solution to fit their goals, aspirations, and circumstances. The ability to navigate this landscape has become increasingly important in today's complex and digital financial ecosystem where consumers are required to be active participants, making decisions that, in the past, may have been left to a banker, broker, or pension manager. Additionally, today's consumers are inundated with a plethora of digital tools and apps from emerging financial services companies that require a basic competency in financial matters in order to take advantage of. In the most practical sense, the ability to create and follow a budget can help one avoid living paycheck to paycheck, in perpetual worry about the next overdraft or bounced check. But there are other costs to financial vulnerability. In fact, money-managing difficulties can lead to extra fees that people with a higher degree of financial competency are often able to sidestep. These fees may include higher interest rates, and charges for services such as ATM use, cashing checks, or dropping below the minimum balance of an account. These hidden costs can contribute to a vicious cycle where it becomes harder and harder to establish healthy financial habits, despite one's best intentions to do so.

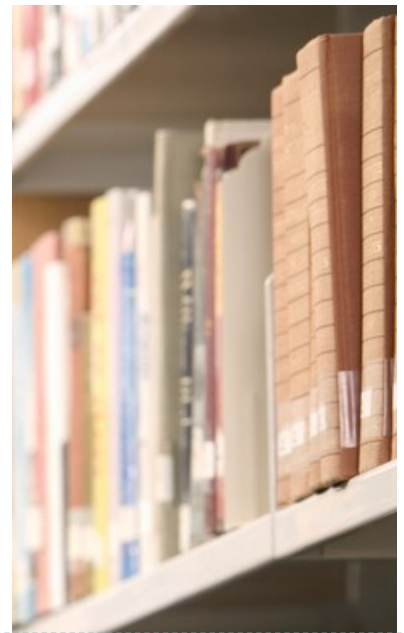
## **Creating Community With Financial Education**

While financial education programs can teach the basics of individual budgeting, planning, and literacy skills, they can also create an even more powerful impact at the community level. As the surveys cited in the introduction demonstrate, too many students are graduating without the basic financial knowledge they need in their adult lives. This is where K12 financial education programs can have a real impact – especially if they are provided at no cost to schools already struggling with budget constraints. Classroom programs, like the Connexus Association Financial Scholars Program, provide an interactive and engaging way to include financial education in schools. For maximum effectiveness, programs should be age appropriate, measure student results, and offer support to help and guide the teacher. And as more towns, cities, and states begin to mandate the inclusion of financial education in their curriculums, the demand for such programs will continue to grow, providing financial institutions with an opportunity to further invest in the futures of the communities they serve.

## THE MULTIDIMENSIONAL BENEFITS OF FINANCIAL EDUCATION: FOR INDIVIDUALS, COMMUNITIES, AND THE MOBILE FUTURE CONTINUED

### Digital Education for a Wireless Future

Five years ago, digital check cashing was hardly a blip on the radar; today, it is fast becoming a mainstream process, allowing immediate access to funds right on your phone. Although the evolution of technology means that we can't predict every new development, we can expect that this shift from physical to digital banking will increase as we look into the future. As the number of brick-and-mortar branches continues to shrink, with some 10,000 closing their doors since 2008, the landscape of banking in the upcoming decades will look very different from today. For consumers, that means less dependence on in-person banking, in exchange for a proliferation of tools such as websites, apps, and other remote banking mechanisms. With digital banking comes greater

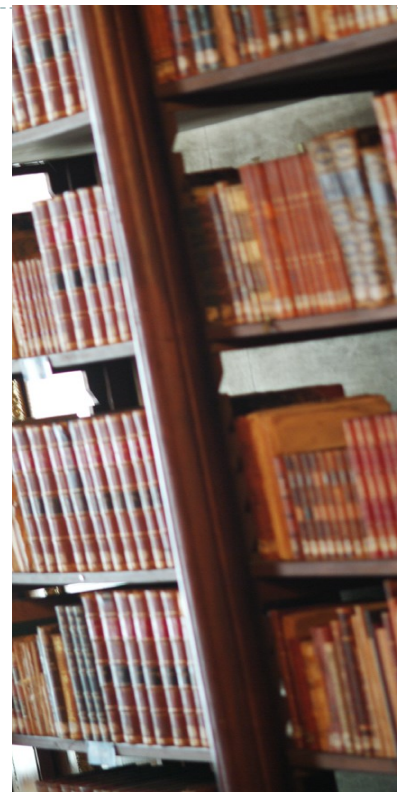


*“For Americans to live satisfying and successful lives, a strong foundation of financial capability is a necessity.”*

flexibility, allowing users to transfer funds, make deposits, pay bills, manage their portfolios, or apply for a loan wherever they are – at home, at work, on vacation, and even abroad. In addition to allowing for quicker response times and immediate problem solving, this trend presents a benefit for those with reduced mobility, such as senior citizens, residents of rural areas, and the mobile-wired Millennial and Gen-Z generations. As physical branches close, banks and credit unions will need to work harder to find creative ways to reach underbanked populations. Look for digital financial education to play a key role in this effort, helping un- and underbanked populations connect with financial institutions to gain information about and access to desperately needed services. As an added bonus, digital education can be more easily provided in foreign languages, increasing its effectiveness in a country where one in five households uses a non-English language at home. Spanish-speakers represent the largest group, with 13.3 percent of the U.S. population age 5 or over speaking it regularly in the home.

### Conclusion

Financial education is about building a more confident future: for ourselves, our communities, and the most vulnerable. Sound financial decisions nurture families, unleash entrepreneurship, unite communities,



**CONNEXUS ASSOCIATION**

The primary purpose of Connexus Association is to provide scholarships for education, to assist educational institutions and to provide financial literacy education to help borrowers and savers reach their financial goals. Members of the Connexus Association consist of organizations or individuals who pay dues. Dues will be \$5.00 and will allow membership for two years. Members may renew their membership every two years with dues of \$5.00.

Please contact us with questions.

**THE MULTIDIMENSIONAL BENEFITS OF FINANCIAL EDUCATION: FOR INDIVIDUALS, COMMUNITIES, AND THE MOBILE FUTURE CONTINUED**

**Conclusion cont.**

and, in the most idealistic sense, enable us to pursue our dreams. By harnessing power of the internet, we can make education more convenient, interactive, and available to populations who might not otherwise have had access to it. Check out our digital learning modules, that provide a series of short interactive learning experiences to help you get a clear understanding of critical financial topics including saving, investing, credit scores & reports, insurance & taxes, and identity protection. Many modules also include action plans with budgeting and planning tools to reinforce positive behavior and help you take positive steps toward better financial health. Join the Connexus Association today for access to the Financial Wellness Center.

At Connexus Association, we are committed to providing financial education to our members and our wider community. In this difficult time Connexus Association is continuing to make donations which support our mission, while broadening our horizons to include more giving to food pantries and organizations helping those struggling financially during the global pandemic. To find out more about which of our programs might be right for you, contact us at [info@connexusassociation.org](mailto:info@connexusassociation.org)

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