



Equitable Communities
Community Development Through Collaborative Investment

Does Financial Literacy Contribute to a Stronger Community?

A yearlong study

June 2017



Equitable Communities

Equitable Communities was formed in 2012 to understand and analyze the remarkable success of two small demonstration projects started in 2007 by The Kent brothers: one is Jagna Community Radio/Philos Health in rural Philippines and the other is the Financial Literacy Program in New York City public elementary schools.

The programs we created are highly successful, award winning, self-sustaining, and constantly moving. Their success has created a demand in other underserved communities. Equitable Communities has received pledges to support organizations and individuals that want to scale up parts or all of our projects to create a network of self-sustaining communities. Over the eight years, we witnessed a creation of an effective partnership between local and established organizations united with a passion to get services to the areas that needed it most.

Financial Literacy Program in New York City

Financial literacy is the ability of individuals to make appropriate decisions in managing their personal finances. People have always been responsible for managing their personal day-to-day finances – making sure they have enough to pay rent each month, the electricity bill, saving up for that vacation, paying for a new fridge when the old conks out; and bigger considerations, such as putting aside enough for a child’s education or even setting up a trust fund. Financial education is increasingly important – and not just for investors but for children, teens, and parents. It is becoming increasingly essential for the average family to decide how to balance its budget, buy items, get a student loan, buy a home, fund the children’s education, and ensure an income when the parents retire. Financial literacy allows families to make educated and informed decisions.

There is agreement that parental involvement in children’s schooling is important and leads to positive effects for children and families. But there is disconnect between that knowledge and having it come to play in practice. The programs that we, at Equitable Communities, have helped develop and bring to life in the schools are an important bridge to actually providing a way for parents to be a part of their children’s education. Especially with a target on financial literacy, benefits can be seen for children and families.

Parental involvement has repeatedly been shown to positively impact children’s school performance and may mediate the effects of poverty.¹ There are certain barriers, such as parents’ mistrust of the school system or their lack of confidence in navigating their children’s schools, that can keep parents away from getting involved.² Often times, this lack of engagement is interpreted as being reflective of parents’ unwillingness to get involved. But understanding the social obstacles that parents must overcome in order to be able to be an active part of their child’s schooling is an important step for building stronger school communities. The development of interactive and engaging programs, which are culturally sensitive, is a wonderful way of seamlessly bringing parents into schooling.

Saving and Economic Realities

Saving is still little understood. One of the most asked questions is “why don’t people save?” Annamaria Lusardi, professor of Economics and Accountancy in George Washington University, lists a number of reasons: impatience, lack of self-control, short-sightedness. In addition, households may simply lack financial literacy and information on the many variables that are needed to make saving plans for the future and face high planning costs and limited opportunities to overcome these costs.

In 2012, the Federal Reserve Bulletin³ looked in depth at the changes in U.S. family finances based on three year-long survey results. What is striking is that while the data suggests that families’ savings decreased about 4%, the median income also dropped almost 8% over the 2007-10 period. This may mean individuals resist the low income and try to, nevertheless, keep their savings intact.

In addition, the study shows the most commonly reported reason for not having a bank account—given by 27.8 percent of families—was that the family did not like dealing with banks; the percentage citing this reason has risen steadily since 1989. Also, increasingly more people (46% in 2010) cited location of the bank as the most important reason for choosing institution for their main checking account.

¹ Lee, J. S., & Bowen, N. K. (2006). Parent involvement, cultural capital, and the achievement gap among elementary school children. *American educational research journal*, 43(2), 193-218.

² Hornby, G., & Lafaele, R. (2011). Barriers to parental involvement in education: An explanatory model. *Educational Review*, 63(1), 37-52.

³ Ackerman, R. A., Fries, G., & Windle, R. A. (2012). Changes in US family finances from 2007 to 2010: Evidence from the Survey of Consumer Finances. *Federal Reserve Bulletin*, 100, 1-80.

Our Work

Our School

The main location of the project in New York City is at a public school in Red Hook, Brooklyn. Red Hook is one of the most diverse and underserved neighborhoods of New York City⁴. Especially after Hurricane Sandy, Red Hook experienced difficulty in returning to normal life and blooming in the New York City real estate economy⁵. The school serves about 450 students from prekindergarten through Grade 5.

Our Community

Equitable Communities was given the opportunity to work with the school to develop in-home family financial literacy. Children first participated in EC's 10-week Financial Literacy Residency and Fair Program. From there and in collaboration with local families, the MoneyBox was developed, combining games and play with financial books. Local ownership at the school is evident as the Savings Game was redesigned with the help of a grandmother and her granddaughter.

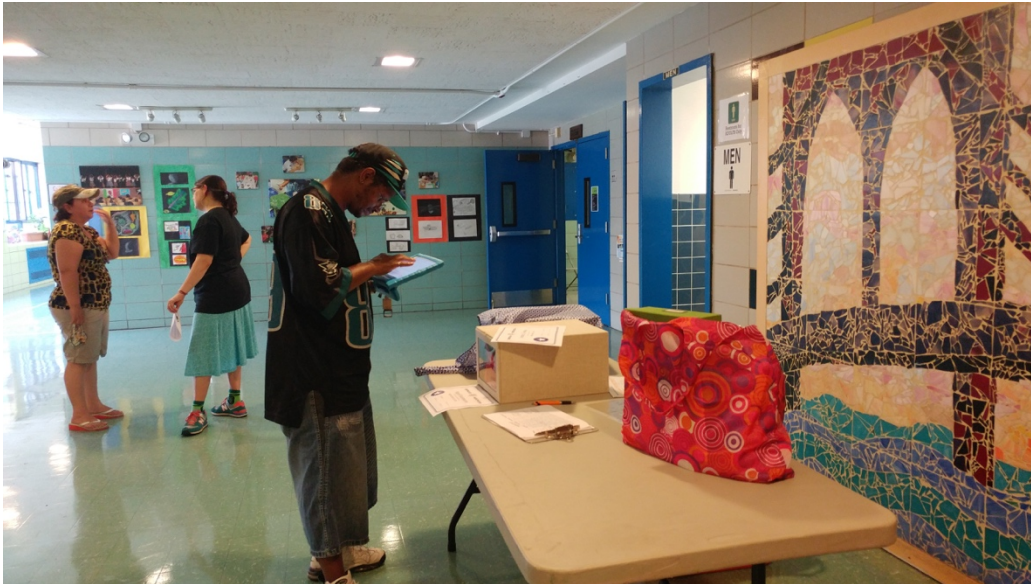
Based on the past work and the realities of current socio-economic changes happening in NYC, we, at Equitable Communities, have tried to evaluate our programs and the effect we have made in the communities we work with. To keep the authenticity at the core of our evaluation methods, as suggested above, we kept our scale small to deeply understand how much individuals care about their future financial status and what they do to improve their own and children's current situation.

What we heard was interesting: communities in underserved areas DO care about their finances and want their children to start saving for college but they DO NOT fully trust banks that are functionally and physically far to them.

To support these anecdotal narratives, Equitable Communities conducted an online survey on the financial literacy of our school community in Red Hook. With the help of the Parent Teacher Coordinator, we reached out to parents through Facebook, email, tabling in the school with our materials. Below is a picture of a parent that is filling out our survey on a tablet provided by the school:

⁴ <http://www.measureofamerica.org/wp-content/uploads/2014/10/RedHook-Fact-Sheet-2014-15.pdf>

⁵ <https://www.nytimes.com/2016/10/16/realestate/red-hook-brooklyn-on-the-rebound.html?mcubz=0>



Twenty two parents and teachers completed the survey and some of their responses are highlighted below.

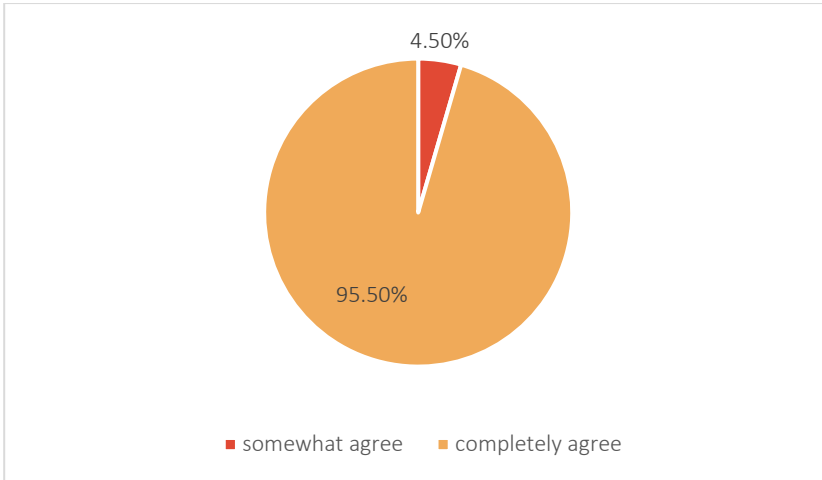
Our participants were mostly women, with 18 women and 4 men. Sixteen were employed full time, 1 part time, 1 was a homemaker, and 2 were looking for employment. Most families also found that their income covers their needs fully or mostly (86%) with the remaining 14% saying partly or not at all.

Overall, everyone thought a community is stronger when its citizens are financially capable and many (82%) thought that they could have made better decisions in adulthood if financial literacy were taught to them as children. Participants also all agreed that starting to save early is important, with all but 1 saying they completely or somewhat agree. The 1 other participant said they were neutral.

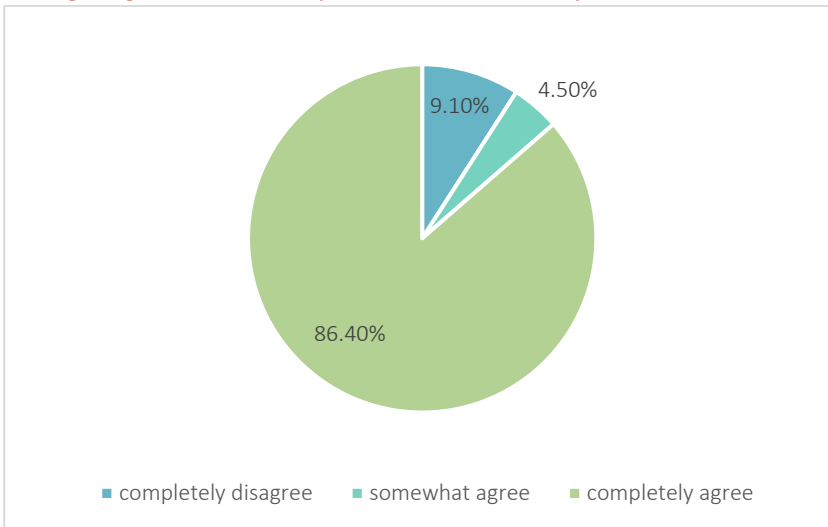
Respondents most often believed that it is the parents who are most responsible for teaching financial literacy to their child (21 of 22 participants). They also believe much of the weight falls on schools. Interestingly, respondents believe this learning should begin early on – 19 out of 22 participants believe elementary schools should be teaching financial literacy, whereas 14 believe it should be in high school and 13 think financial literacy should develop in college. This, too, reflects participants' beliefs that starting to save early is important.

In addition, participants thought...

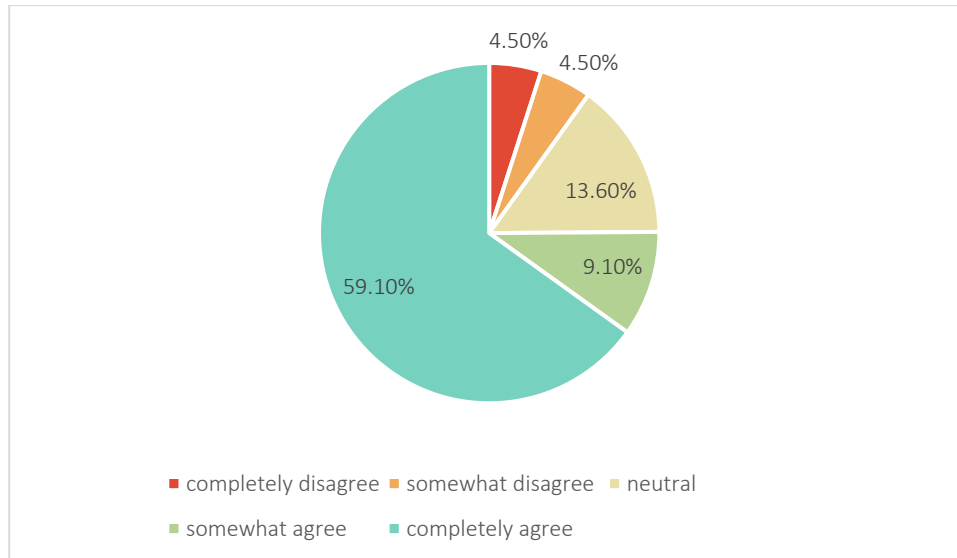
It is important for me to teach my child how to save:



Saving, in general, is an important skill that everyone should have:



I already encourage my child to save his/her money:



Looking at the Red Hook community, most respondents do not think there are enough banks in the community (54.5%) while only 22.7% think there are enough banks. Over 80% said they would be willing to attend a financial literacy workshop if such were offered at the school. Finally, all of the participants said they believe it is important for their families to learn about financial wellness. This is reflected in their overall views of financial literacy and their positive attitude toward expanding financial literacy in the community.

We were also interested in the reasons why some families do not use banks or have bank accounts. Only 3 of our participants responded to this question but 2 believed that banks do not offer the services they need and 1 stated that they do not have enough money to keep an account.

Despite this sample being reflective of more successful families, all respondents believe that financial literacy is important and many believe educating themselves, their communities, and their children is a necessary step.

Development of The Savings Game

Idea of creating an in-home learning tool for parents and children to use together after school emerged naturally after we had done our own research. We brought together age appropriate books, games, and activities that are all found to be efficient to teach about finances. We put them in a big box and called it the [MoneyBox](#). Before and after each MoneyBox borrowing cycle, a focus group meeting was conducted with parents and the Parent Coordinator at the school. Here are some of the highlights from those meetings held in 2014:

- ***“He knows the money has value”.*** Children have common sense about money and they understand various aspects of it, such as knowing the difference between credit cards and debit cards.
- ***“We were lucky. When I was growing up my parents and grandparents took care of everything. We didn’t realize. These kids do not have that much of a flexibility in this century.”*** Parents said that their needs were taken care of by their family or extended family, if needed, but their children do not have that kind of luxury.
- ***“I do not want her to feel that kind of insecurity. I tell her that something can happen to us so she needs to has her own.”*** Parents acknowledge the difficulty of surviving economically and see saving as the best way to overcome financial problems.
- ***“My granddaughter already has five piggy banks in order to be able to go to college.”*** Parents are worried about high education costs and already preparing their children to save for their future education.
- ***“If parents don’t work with the kids after school they might be limited of how they are being thought. I think she is ahead of game since I’m working with her after school”*** Parents know that they are the initial source of influence in terms of teaching their children some basic financial concepts.

- *“Kids are used to doing activities at school. But they watch TV at home. So, it was good to have lots of resources at once at home.”* Having teaching material at home seemed to be important, especially for parents who suffer from poverty.
- *“Doing something at home will help him make money.”* MoneyBox was stated not only as a tool to teach children how to manage their money but also to practice learning with their families.

Based on These Meetings...

- As 85% of the students at the school Hispanic, we created a Spanish MoneyBox to reach bilingual families more easily.
- Because saving was a topic visited many times, we created the Savings Game/Plan with a direct help of one parent and the Parent Coordinator in one of our meetings. This game is accompanied with an empty notebook that the child can design into a passbook and keep a record of her money, along with a saving goal tracker.
- We developed a MoneyBox Bucks system where children can follow up on their progress and earn Bucks by following the short-term goals we set for them. The sheet children were given can be seen at the end of the document.
- We developed a MoneyBox Club system where children get a certificate after returning the MoneyBox and are given a chance to stay in touch with us about upcoming financial literacy workshops (e.g. piggy bank workshop).
- We, now, have a parent mentor, who is helping us reach out to parents and children and getting more MoneyBox out at the school. We are happy that the community is taking the ownership of our program.

Conclusion

For some parents, talking to a child about money can be as hard as broaching other difficult child-rearing conversations. But understanding what money is and how to manage it is crucial life skill parents must pass on to their children. Financial skills should not only be a part of the school curriculum but should also be part of the child's daily life. It's never too early to start giving a child a solid foundation for making a lifetime of financial decisions at home. And through participating in their children's financial education, parents can themselves become more certain and secure in their own financial knowledge. Therefore, this learning process would make sense both for parents and children in this dynamically changing century.

Equitable Communities believes that what our communities have developed is a gift to parents, schools, and banks and the movement to reduce undeserved communities. We especially believe it is a good business decision for banks that get to contribute to and benefit from a community's commitment to increased educational and financial literacy and entrepreneurship. The community and children can grow together.

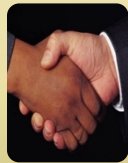
Suggestions for Banks

Why do I not use a bank?



Distance

- Physical proximity
- Functionality of service



Trust

- Value conflict
- Fees



Online Banking

- Requires technical skills
- Lack of personal contact

What can banks do?



Open branches in my neighborhood



Support child-friendly programs



Support community based financial literacy education

MoneyBox Bucks Earning Sheet

	How do I earn Money bucks?	How much do I earn?	What did I learn in one word? Rate: 😊, 😐, 😞
<input type="checkbox"/>	Checking out the MoneyBox	β 3	
<input type="checkbox"/>	Creating the columns in the passbook to record personal finance	β 2	
<input type="checkbox"/>	Recycling a box or creating one to save money in or attending piggy workshop	β 2	
<input type="checkbox"/>	Reading the book in the MoneyBox	β 2	
<input type="checkbox"/>	Showing the savings game to a friend/relative	β 2	
<input type="checkbox"/>	Finding a Moneybox Club friend in class and asking what he/she thinks about the box	β 2	
<input type="checkbox"/>	Playing one of the games with a family member	β 2	
<input type="checkbox"/>	Making a MoneyBox “advertising” poster and attaching to this form so we can use it to spread the word	β 2	
<input type="checkbox"/>	Writing a MoneyBox slogan and sharing with us on the poster	β 2	
<input type="checkbox"/>	Reminding parents/adults in the home to do the online survey and checking on their work	β 5	
<input type="checkbox"/>	Referring a friend (talk to a friend who would be interested in becoming a member of the club)	β 7	
<input type="checkbox"/>	Turning in the MoneyBox	β 9	
		Total: β 40	
		Your total:	

How much bucks are the prizes:

Sticker set are β 10, Stationery set is β 15, Small toys are β 15, Books are β 25, Monopoly is β 40

Bring us this sheet and yourselves to gather prizes