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PERSONAL FINANCE EDUCATION IN RELATION TO FINANCIAL SATISFACTION, CONFIDENCE, AND PRACTICES

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Among the general public, there is strong support for teaching personal financial management in the public schools; over 80 percent of a sample of adults in Utah felt that money management should be a required subject [5]. In fact, many states, including Illinois, mandate consumer education at the high school level. High school graduates in Georgia felt well prepared in skills relating to consumer and homemaking but felt they needed additional information in the areas of personal finance, consumer education, child development, and family living [6].

Despite strong support for personal finance education, very little research has examined the effectiveness of these courses. The research that exists suggests that although respondents feel such education is important, the knowledge gained in these courses is not being used as effectively as instructors had hoped [2,3,6]. This study was conducted to examine the question of whether college-level personal finance education results in adoption of recommended money management practices, increases confidence in money management skills, and increases financial satisfaction. The relationship between adoption of recommended practices and financial satisfaction and confidence was also examined.

Methodology

Two samples were selected. One sample consisted of 208 graduates randomly selected from the class rosters of the Utah State University (USU) personal financial management course. The comparison sample consisted of 223 randomly selected USU graduates who had not taken the USU personal finance course. All subjects graduated between 1983 and 1988.

Each subject was mailed a questionnaire. The response rate was 73.3 percent; 316 usable responses were returned. A total of 167 of the sample who had taken the USU personal finance course returned questionnaires; 149 of the subjects in the comparison sample responded. Twenty-nine respondents in the comparison sample had completed some other personal finance course and were therefore added to the sample that had completed the USU course.

To assess the use of recommended financial practices, respondents were asked to indicate whether they had (1) written financial goals, (2) a written spending plan (budget), (3) kept records of expenditures, (4) owned a checking account, (5) calculated their net worth, (6) owned a savings account, and (7) evaluated their spending plan and actual expenditures. Each positive response received one point; additional points were added to each score based on the degree of usage of each basic financial management practice. For example, respondents without a savings account received zero points on that question; those with a savings account received one point. Respondents who made a deposit every pay period were given two additional points; those who deposited whenever they had some extra money received only one additional point. Points were totaled across the seven recommended practices to calculate a financial management score for each respondent.

The actual financial management scores ranged from 5 to 30. The possible range was 0 to 32. The scores were divided into three categories -- good (23 to 30), fair (14 to 22), and poor (5 to 13). Higher scores indicated the use of more of the recommended financial management practices.

Financial satisfaction was measured using a six-question, six-point scale designed to assess the subject's degree of satisfaction with (1) level of income, (2) money for family necessities, (3) ability to handle financial emergencies, (4) amount of money owed, (5) level of savings, and (6) money for future needs of the family [1,4]. Responses to the six items were averaged to yield a mean financial satisfaction score. The final measure, confidence with current financial management skill, was assessed by a single-item, six-point scale asking respondents how confident they felt about their financial management skills.

Statistical analysis was designed to compare the two samples' use of recommended financial management practices, financial satisfaction, and confidence in financial management skills. One-way analysis of variance (ANOVA) was used to compare the group means; the Scheffe´ multiple range test was used to identify significant differences between the means ($p \leq .05$). ANOVAs and the Scheffe´ test were also used to compare the respondents' financial satisfaction and confidence scores on the basis of whether they considered themselves a good, fair, or poor financial manager.

Results

The demographics of the two samples were almost identical. A majority (62 percent) of the respondents had completed a personal financial management course (n=196); 120 had not. Females composed 69 percent of the respondents who had completed a personal finance course, but only 43 percent of the sample who had not. The median age for both groups was 28 years. Sixty-nine percent of both groups were married, with most couples having at least one child present in the home. Median household income was $20,000 to $29,999 for both groups.

The two groups were not significantly different in their adoption of recommended money management practices, financial satisfaction, or confidence in personal financial management skills. Respondents who had completed a personal finance course did not have significantly higher (or lower) scores on any of the three measures.

To examine the relationship between the adoption of recommended financial practices and financial satisfaction and confidence, the two samples were combined. There were significant differences among the groups on both financial satisfaction ($F=13.5$, $p=0$) and confidence in financial management skills ($F=20.7$, $p=0$). (See Table 1.) The good managers were more satisfied and more confident than the fair managers; fair managers were more satisfied and more confident then poor managers. Thus, as the number of recommended financial management practices actually used increased, so did financial satisfaction and confidence in financial management skills.

Conclusions

Results of the study suggest that completion of a college-level personal financial management course did not result in the adoption of more recommended money management practices. Nor did it increase financial satisfaction and confidence in financial management skills. However, other related factors, such as

Table 1. Mean Financial Satisfaction and Confidence Scores in Relation to Mean Financial Management Scores

Financial Management		Financial Satisfaction		Skill Confidence	
Description	Score	Mean Score[a]	n	Mean Score[b]	n
Good Manager	23-30	4.3	180	4.8	180
Fair Manager	14-22	3.9	110	4.4	110
Poor Manager	5-13	3.4	26	3.7	25

[a]Range = 1 (Extremely dissatisfied) to 6 (extremely satisfied)

[b]Range = 1 (Extremely unconfident) to 6 (extremely confident)

grades in the personal finance course and overall GPA, were not investigated. There was a significant relationship between the number of recommended financial practices actually used and the level of financial satisfaction and confidence in financial management skills. Respondents who reported using a greater number of recommended financial management techniques expressed a higher level of financial satisfaction and confidence in their financial management skills.

Implications for Consumer Educators

The challenge to consumer educators is to bridge the gap between the perceived importance of personal finance education and implementation of the skills taught in such courses. Results of this study suggest that as the use of recommended financial management practices increases, so does financial satisfaction and confidence in financial management skills.

Therefore, there are two major strategies personal finance educators can use to encourage students to implement recommended techniques. One strategy is to include experiential learning exercises which the students perceive as important to their present needs and future goals. Instructors can also demonstrate how financial management skills can be used in the future as financial needs and goals change.

Another strategy is to teach students how and where to find the consumer and personal finance information they may need in the future. Students could be assigned activities which encourage them to explore and become familiar with various community sources of consumer and personal finance information. The use of public or school libraries, the Cooperative Extension Service, consumer information guides, county or state consumer affairs offices, federal and state consumer agencies, and magazines such as *Consumer Reports*, *Changing Times*, and *Money* could be emphasized in assignments.

Students might also be required to compile their own financial files complete with copies of essential financial documents. Copies of articles explaining basic personal financial management skills could be included for future reference as the students' financial situations change.

Results of this study suggest that many students fail to implement the skills taught in personal financial management courses. Emphasis on experiential learning assignments as well as identifying financial management information resources in the community could go a long way toward bridging this gap.

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