

Consumer Economics and Family Resources: Importance of Financial Literacy

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This paper examines Standard 2, Consumer Economics and Family Resources of the National Standards for Teachers of Family and Consumer Sciences (National Association of Teacher Educators for Family and Consumer Sciences [NATEFACS], 2004). The background and scope of the Standard are reviewed and essential skills and processes needed for competency by beginning teachers are described. The Standards were approved in 2004 and intended as foundational competencies for beginning family and consumer sciences teachers. The focus of Standard 2 is the responsible use of resources. Therefore, this study examines literature on the content areas of consumer economics and family resources, specifically financial literacy and its impact on the responsible use of resources, the process skills used to teach these concepts, and examples of application of the content and process through best practices. A brief review of selected resources to assist teachers in Standard 2 is included.

The *National Standards for Teachers of Family and Consumer Sciences* were approved in December 2004 by the National Association of Teacher Educators for Family and Consumer Sciences (NATEFACS, 2004). Included is Standard 2, Consumer Economics and Family Resources: “Use resources responsibly to address the diverse needs and goals of individuals, families, and communities in family and consumer sciences areas such as resource management, consumer economics, financial literacy, living environments, and textiles and apparel” (NATEFACS).

The premise behind the development of these *Standards* is that they are what beginning family and consumer sciences teachers should know and be able to do. There was considerable discussion at the *Standards* development meetings on the best way to include the wide variety of content in family and consumer sciences as evidenced in the *National Standards for Family and Consumer Sciences Education* for secondary students (National Association of State Administrators of Family and Consumer Sciences [NASAFACS], 2008). The progress of refining the *Standards* for teachers was challenging, but done for the purpose of making them general enough for states and other groups to make the necessary connections to the *Standards*, while still meeting the competency requirements unique to their location or program. It was determined that the process of “using resources responsibly” was more central to a requirement for beginning teachers than to expect competence in a wide variety of consumer-related subject matter that varies from state to state.

The new *Standards* are in keeping with our tradition of home economics and family and consumer sciences and the content it has encompassed over time. Many family and consumer sciences professionals are familiar with the Ellen H. Richards Creed, which includes the statement, “The utilization of all the resources of modern science to improve the home life”

(Baldwin, 1949, p. 17, as quoted in Blankenship and Moerchen, 1979, p. 6). In *Toward Better Teaching of Home Economics*, Fleck (1968) described eight issues for families that are central to the content in the teaching of home economics, four of which relate directly to the new Standard 2. They are (a) “consumption and other economic aspects of personal and family living,” (b) “management in the use of resources, so that values and goals of the individual, the family or of society may be attained,” (c) “textiles for clothing and for the home,” and (d) “housing for the family, and equipment and furnishings for the household” (pp. 25-26). In the third edition of this text (Fleck, 1980), the emphasis of home economics content was five areas, three of which relate to the new Standard: (a) “consumer education and home management,” (b) “clothing, apparel and textiles,” and (c) “housing, living environments, furnishings and home equipment” (pp. 21-23).

At the core of family and consumer sciences is decision making regarding consumer choices. We are all consumers of goods and services, and beginning family and consumer sciences teachers need to be very familiar with and develop competencies in financial literacy, decision-making skills, and processes regarding the responsible use of resources to teach these skills and concepts to their students. By examining the related literature and best practices in teaching consumer economics and family resource management today and in the future, this paper will describe process skills needed to be competent in Standard 2 and the impact of financial literacy on the responsible use of resources.

Process Skills

The practical problem solving approach to teaching family and consumer sciences (FCS) and the development of a critical science methodology “has undergirded much of the curriculum work in the field since the late 1970s” (Thomas, 1998, p. 23). It integrates through and across all areas while emphasizing the reoccurring practical problems faced by families and the decision making processes to solve those problems. Many would describe the FCS classroom as an applied laboratory in which students get a chance to do hands-on activities that they will use in their home and work lives. The four process skills that are built into the *National Standards for Family and Consumer Sciences Education* (NASAFACS, 2008) are thinking/problem solving, communication, management, and leadership. This process skills orientation has been emphasized in FCS curriculum for secondary students in recent years and this orientation is applicable to Standard 2 of the *National Standards for Teachers of Family and Consumer Sciences* because it expects teachers to be competent in responsibly using resources in decision making. Vail (1998) stated that the national standards for secondary students “require students apply the process of reasoning for action” (p. 8). Chamberlain and Cummings (2003) described the four types of questions used in practical reasoning, which include “context, valued ends, means, and consequences” (p. 221). Knowing how to make decisions effectively that apply to context and circumstance, fit within access to resources, and have outcomes that lead to reasoned action to meet goals and needs requires the use of all four process skills.

The reasoning for action concept is essential to contextual teaching and learning, which was found to be prevalent among Georgia family and consumer sciences teachers, especially those who taught in work focused programs and teachers from rural areas (Shamsid-Deen & Smith, 2006). Mimbs (2005) found that Missouri FCS teacher leaders who were trained in the use of critical thinking and problem-based curricular approaches were successful integrating problem solving skills by modeling and practicing them with their students. Radford (1996) completed a study of Tennessee FCS teachers’ analysis of consumer economics and management

concepts and determined that the decision-making process, consumerism, and the management process were concept areas the teachers felt more comfortable with than specific content like saving and investing, insurance, and credit.

Resource management concepts used in family and consumer sciences include systems theory which relies on the premise that every action or input into our system has a consequence and impact on us and others, and how we manage these inputs determines outcomes (Goldsmith, 2005). Anderson and Nickols (2001) emphasized understanding the family ecosystem as a key component in the integrative nature of the profession. It is important to remember that teaching facts and figures and theories and concepts is only part of the family and consumer sciences teachers' role in teaching consumer economics and family resources. Teaching students how to think critically, use process skills, make choices based on responsible reasoned action, and examine the context and consequences of the consumer decisions they make will provide them with the truly transferable skills they need to survive in a world where the facts and figures change constantly. The following section of this paper will provide a background from the literature in the common terminology and content areas important for competency in Standard 2.

Related Literature

Consumer Education: Definition and Objectives

Consumer education can be defined as the process of gaining the knowledge and skills in managing consumer resources and taking actions to influence the factors which affect consumer choices (Bannister & Monsma, 1982). Hellman-Tuitert (1999) reported that according to the 1995 Nordic Council of Ministers:

The objectives of consumer education at school are to educate independent, discriminating and informed consumers. It is to equip the pupil with knowledge and insight into the conditions of being a consumer in a complex, multi-faceted society by providing basic knowledge in such areas as consumer legislation, personal finances, economics, advertising and persuasion, consumption and the environment, global resources, housing, clothing, price and quality, diet and health. Schools should contribute to making pupils aware of the influences they are exposed to with respect to life styles, consumer habits, values and attitudes. (p. 15)

Hellman-Tuitert (1999) summarized that the basic objectives of consumer education are to:

1. Give pupils ***knowledge*** to act as informed consumers.
2. Give pupils ***understanding*** of the functioning of society and the economy as a whole and the specific roles of consumers.
3. Develop ***skills*** to act as informed and responsible consumers.
4. Help students ***feel it is important*** to be an informed consumer.
5. Teach students ***to act*** as informed, educated and responsible consumers (pp. 14-15).

Family and consumer sciences teachers should have competence in basic consumer education to better illustrate it for their students through relevant applications. Being an informed consumer and modeling the behavior themselves is another way for teachers to demonstrate competence to their students.

Financial Literacy: Definition and Benefits

Financial literacy represents the culmination of financial access, education, and understanding, as well as an individual's interest, attitude, and practice that directly benefits the

financial efficiency and effectiveness of that individual, and indirectly and ultimately benefits that of society at large (Coussens, 2005). Being financially literate can be defined as (a) being knowledgeable, educated, and informed on the issues of managing money and assets, banking, investments, credit, insurance, and taxes; (b) understanding the basic concepts underlying the management of money and assets; and (c) using that knowledge and understanding to plan and implement financial decisions (Hogarth, 2002). Financial literacy denotes one's understanding and knowledge of financial concepts and is crucial to effective consumer financial decision making (Fox, Bartholomae, & Lee, 2005). O'Neill (2002) described the following as the significant components for regular review for families to assure financial wellness: "Financial Goals, Net Worth Calculation, Cash Flow Analysis, Spending Plan, Financial Ratios, Credit Card Analysis, Income Tax Analysis, Insurance Analysis, Retirement Analysis, Investment Performance Analysis, Asset Allocation Analysis and Rebalancing, and Estate Planning Analysis" (pp. 54-58).

Hogarth (2002) found that financial literacy is important because well-informed, well-educated consumers should make better decisions for their families; increase their economic security and well-being; contribute to vital, thriving communities; and foster community economic development. Additionally, aging baby boomers will be more responsible for their own retirement income security, youth are coming to financial independence with limited role models and experiences, an increasing number of immigrants will need to learn to manage their finances in the U.S. marketplace, and the financial marketplace of the 21st century has become more complex. All of these factors contribute to the need for appropriate financial literacy education.

Jacob, Hudson, and Bush (2000) stated in their report to the Woodstock Institute that "financial knowledge has become not just a convenience but an essential survival tool" (p. 7). Financial product innovation and marketing, technological advances, consolidation and restructuring of the financial services industry, changes in retirement and pension plans, and shifts in consumer attitudes are several trends that are significantly influencing financial attitudes and decisions (Coussens, 2004).

Research gives evidence that modern consumer education is a lifelong process essential to the economic well-being of society (Knapp, 1991). Knapp surveyed consumer professionals to gather their views on the benefits of consumer education. It was found that consumer education offers the following benefits to individuals: (a) encourages critical thinking, (b) imparts life skills that contribute to success in everyday living, (c) promotes self-confidence and independence, (d) fosters broadly accepted values, and (e) improves the quality of life. In addition, consumer education encourages citizen awareness and promotes a stable society. Customer satisfaction, more realistic expectations of products and services, and increased sales are some of the benefits of consumer education for businesses (Knapp). Family and consumer sciences teachers can make the connection between society and the family in application of these competencies to help their students make informed consumer decisions that improve the quality of life for themselves and for their families.

McGregor (2000) summarized from several reports additional benefits of consumer education that included: (a) promotes interdependence from a global perspective; (b) fosters a respect for the value clarification process; (c) reduces apathy; (d) reduces social alienation produced by exploitation in the marketplace and replaces it with empowered, enabled citizens; (e) prompts the consumer to critically examine the role of the national economy in relation to a stable society; (f) leads to more satisfactory purchases and better relationships with the business

sector; (g) generates the ability to handle and challenge commercial persuasion and advertising; (h) helps people live within their income and plan for the future by teaching them to make good decisions and to problem solve; (i) exposes people to their rights and responsibilities as a consumer relative to business and government; (j) leads to discriminating and informed citizens; (k) helps people appreciate the relationship between work and money; (l) enables people to raise standards across professions and industry sectors; and (m) prepares people to engage in self-management, growth, and enlightenment as global citizens (p. 15).

In addition to the list of benefits of consumer education stated above from Knapp (1991) and McGregor (2000), Coussens (2005) indicated that improving household financial behavior also benefits the consumer in addition to the larger financial system. The most significant benefits for consumers are: (a) reduced likelihood of falling victim to predatory lending or credit-related fraud, (b) a better understanding and awareness of options in the marketplace for financial services, (c) a decrease in credit risk and/or unintended investment risk, (d) lower vulnerability to economic shocks such as unexpected job loss, and (e) improved planning and balance between current expenditures and future financial needs. Financial institutions and the financial system benefit through improved efficiency of market operations and competitive forces; decreases in bankruptcies, defaults, and their effects; and increases in investment for future economic development (Coussens). Specific consumer groups should also be considered. The following will share research related to teenagers, which is particularly important for family and consumer sciences teachers who teach this age group.

Teenagers and Financial Literacy

According to Laura Levine, executive director of the Jump\$tart Coalition, “Our best chance of improving the money management skills of today’s youth is through financial education in school, after school, and at home” (“Financial Literacy Day,” 2006, pp. 1-2). Texas Democratic Congressman Ruben Hinojosa stated, “Personal financial literacy is essential to ensure that individuals are prepared to manage money, credit, and debt, and become responsible workers, heads of households, investors, entrepreneurs, business leaders, and citizens” (“Financial Literacy Day,” pp. 1-2).

Breitbard (2003) found spending and saving habits form early and that the best way to tackle personal financial problems seems to be with education, beginning as soon as kindergarten and lasting through twelfth grade. Although parents should be helped in teaching their children about financial management, the best starting point is to teach young people in school classrooms because most parents themselves are poorly informed about personal finance issues and frequently make bad role models. Even financially savvy parents often find it difficult to talk to their children about money and money management. According to Stanger (1997), individuals who learn financial management at a younger age tend to do better financially than those who do not have financial education.

Teenage Spending

According to a survey conducted by the Jump\$tart Coalition for Personal Financial Literacy in early 2006, high school seniors on average answered 52.4% of a 30-question financial survey correctly (Hagenbaugh, 2006). This figure was up from 52.3% when the survey was conducted in 2004, but down from 57% in 1997. Students taking the survey in 2006 demonstrated an increased aptitude and ability to manage financial resources such as credit cards, insurance, retirement funds, and savings accounts at a level slightly higher than in 2004. In

contrast, only 22.7% understood concepts about interest on savings accounts and only 40.3% understood concepts about health insurance. According to the survey, only 16.7% of the students had taken an entire course in money management or personal finance, a number that was down from a high of 20.1% in 2004. The mean financial literacy score for students who had taken a money management or personal finance course was 51.6%, slightly below the average for all students (Hagenbaugh; SmartPros, Ltd., 2006). Some previous Jump\$art surveys had shown this figure to be slightly above the national average and some slightly below, but it is clear that students do not appear to be learning or retaining those things that are needed for making important financial decisions in their own interest (SmartPros, Ltd.). However, the importance of youth financial literacy and effective programs are critical as the buying power of young people continues to increase. Children's spending has roughly doubled every ten years for the past three decades and tripled in the 1990s. Teenagers in the United States between the ages of 12 and 19 spent more than \$169 billion in 2004, a 40% increase from \$122 billion spent in 1999 (Holdsworth, 2005).

Best Practices: Implications of the Standard

As teen spending increases in a culture without strong financial literacy skills, it is especially important for family and consumer sciences teachers to be prepared to teach concepts relative to Standard 2 to assist youth in becoming more financially literate. Some of the best practices from recent research are shared here along with an overview of several specific online resources to assist teachers in the classroom.

Strategies for Teaching Consumer Economics and Family Resource Management

Fabian (2004) applied a practical reasoning approach to family and consumer sciences curriculum in Wisconsin to address "family-focused content for consumer economics" (p. 70). A curriculum guide was developed based on the use of these four questions:

1. What is the current state of affairs for families regarding consumer economics?
2. What are the reciprocal relationships in the economic system?
3. What consequences does consumer action have on the economic system?
4. How does financial literacy empower consumer action? (Fabian, p. 70)

Hira and Mugenda (1999) found a connection "between self-worth and financial satisfaction" and encouraged educators to consider this relationship when teaching about financial matters (p. 82). In a study that examined Hira and Mugenda's findings using a different sample, Grable and Joo (2001) also found it important that educators consider the importance of self-worth when teaching financial concepts.

Varcoe et al. (2001) asked a diverse group of teens from four Southern California counties to identify what they know and want to know about financial management. The survey group was comprised of probationary or juvenile hall teens, teens participating in migrant education programs, teens participating in pregnant and parenting programs, teens in public high schools, and teens participating in youth groups. Based on the findings of this study, the following recommendations were given for teaching financial management education:

1. Focus financial management education lessons on what the teens want to learn.
2. Create teachable moments.
3. Incorporate other information that "they need to know, but may not be interested in learning" into lessons in such a way as to show relevance to the topics about which they have shown greater interest.

4. Survey the audience to determine the most appealing or appropriate method for delivery of educational material---be aware that teens in differing circumstances have different interests. (Varcoe et al., p. 33)

An example of a program for improving financial literacy was reported by Bowen and Jones (2006). It was called the Commonwealth Credit Program (CCP), which teaches teens about credit card use and provides sessions on credit card terms, ways to reduce cost, credit card reports, and the impact of credit card use on the students' future, among other topics (p. 35). Results from this study determined that even a short term intervention within an educational setting results in improving the students' understanding of the importance of improving their financial literacy and aids in changing their behavior.

O'Neill, Bristow, and Brennan (1999) found that family and consumer sciences educators can play a key role in helping learners process through stages of behavioral change to take actions that improve their financial well being by:

1. Starting with "the basics."
2. Building on the positives.
3. Starting a campaign.
4. Using "hooks" to reach learners.
5. Taking a multi-pronged approach.
6. Helping learners assess readiness for change.
7. Helping learners assess their progress.
8. Focusing on learner interests.
9. Monitoring financial changes over time. (pp. 46-48)

Hellman-Tuiter (1999) suggested a socially-responsible perspective for teaching consumer education as developed by Consumers International, a federation of consumer organizations dedicated to the protection and promotion of consumer interests world-wide, through research, information, and educational activities. This socially-responsible perspective includes:

1. **Critical awareness:** Consumers need to learn how to distinguish needs from wants; and how to ask informed questions about price, availability, and quality of goods and services.
2. **Action and involvement:** Once they have acquired knowledge and awareness, consumers can confidently act to make sure their voices are heard.
3. **Social responsibility:** Consumers should act with concern and sensitivity, aware of the impact of their actions on other citizens, particularly on disadvantaged groups.
4. **Ecological responsibility:** Consumers should be aware of the impact of their decisions on the physical environment and aware of possible conflicts between their desire to own things and the destruction of this environment.
5. **Solidarity:** The most effective consumer action is through the formation of citizens' groups. Together such groups can acquire the strength and influence to make sure that adequate attention is given to the consumer interest. (pp. 15-16)

Norquist (2002) described an 8th grade consumer education course that was supported by the school district and parents and after being implemented for a few years became a required course. The objectives for the course included problem solving, goal setting, decision making, and consumer responsibility; team activities using resource management skills; and the impact of consumer decisions on family, business, and the larger community. A significant contribution to

the success of the course was the access to community resources and the relevance of the materials and learning experiences to students' lives.

The following suggestions may be helpful in becoming a more effective consumer education teacher (Hellman-Tuitert, 1999):

1. Be realistic and practical.
2. Cover a wide range of consumer behavior.
3. Be attuned to youth.
4. Be positive about private business.
5. Help students to develop values (p. 57).

Duguay (2002), Executive Director of Jump\$tart Coalition for Person Financial Literacy, described a goal for the Coalition for 2007 to have all students ready after graduating from high school to be financially prepared with “skills and concepts falling within four core areas: income; money management; saving and investment; and spending” (p. 37).

The No Child Left Behind Act has emphasized the importance of math and other core areas in the classroom. Math is easily integrated in resource management and consumer economics subject matter such as budgeting, financing loans, and checkbook balancing, and the related process skills of problem solving, thinking, and communication are helpful in reaching the expectation to leave no child behind (Card, 2004). Newell (2004) also emphasized how family and consumer sciences helps students integrate academics through “real-life experiences that are relevant to the student” (p. 14). Franklin (2004), who teaches life management, described her financial literacy unit as one that “boosts math, language arts, and technology skills while also teaching youth how to make wise choices with their money (pp. 22-23).

Resources for Teaching Consumer Economics and Family Resource Management

Family and consumer sciences teaching professionals have the responsibility of helping middle and high school students use resources responsibly. A key in fulfilling this responsibility is to provide educational opportunities in which students can learn about consumer economics and resource management concepts. Beginning teachers have access to a wide variety of materials and resources that can be used successfully to teach these concepts. These resources are designed for various age groups and can be used in a variety of instructional settings.

Council for Economic Education (CEE)

Web Link: <http://www.councilforeconed.org/>

CEE is a nationwide network that leads in promoting economic literacy with students and their teachers. CEE's mission is to help students develop the real-life skills they need to succeed: to be able to think and choose responsibly as consumers, savers, investors, citizens, members of the workforce, and effective participants in a global economy.

Family Economics and Financial Education (FEFE)

Web Link: <http://fefe.arizona.edu>

FEFE provides educators with no-cost curriculum materials and the skills and confidence to effectively teach family economics and finance to their students.

Institute of Consumer Financial Education (ICFE)

Web Link: <http://www.financial-education-icfe.org>

The ICFE/Kids sections offer money tips for young Americans, financial information and education resources, a credit education course for high school seniors and college students, education and information on the dangers of debt accumulation while young,

savings and investment information, first-time credit information, and financial planning education.

Jump\$Start Coalition for Personal Financial Literacy

Web Link: <http://www.jumpstart.org>

Jump\$Start is a national coalition of organizations dedicated to improving the financial literacy of kindergarten through college-age youth by providing advocacy, research, standards, and educational resources. Jump\$Start strives to prepare youth for life-long successful financial decision-making. Working collaboratively, more resources and expertise are available to accomplish this task.

National Endowment for Financial Education (NEFE)

Web Link: <http://www.nefe.org>

NEFE is a non-profit 501 (c) (3) foundation dedicated to helping all Americans acquire the information and gain the skills necessary to take control of their personal finances. NEFE accomplishes its mission primarily by partnering with other concerned organizations to provide financial education to members of the public - in particular, to underserved individuals whose financial education needs are not being addressed by others. Their high school financial planning program is offered in partnership with the U.S. Department of Agriculture Cooperative State Research, Education, and Extensive Service and participating Land-Grant University Cooperative Extension Services.

Conclusion

The literature provides several successful programs, strategies, and suggestions for teaching consumer economics and family resource management content and concepts. Financial literacy, social responsibility, informed decision making, behavioral change, life skills, and ultimately financial well-being require having well-informed, well-educated consumers. Family and consumer science teachers have a unique opportunity to inform and educate youth to be those consumers. They have the opportunity to make a difference in the lives of secondary students by being prepared to assist them in becoming more financially literate and by helping them make consumer choices that will improve their lives and those of their families. FCS secondary curriculum is grounded in critical thinking and process skills, and the FCS teachers' ability to assist students in applying these skills to consumer and resource management decisions is very important. By applying the knowledge for using resources responsibly to a variety of content areas as applicable to the national standards for secondary students and the appropriate state and local program competencies, new FCS teachers will assist students in meeting their needs and those of their families and communities so that the values and goals of the individual, the family, and the society may be attained.

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