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A Financial Literacy and Financial Services Program for Elementary School Grades - Results of a Pilot Study

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Abstract

This study examines the effectiveness of teaching financial literacy to elementary school children and extending such learning into an age-appropriate digital world of online support services. We utilize a picture book and a story relevant to the students' real life' experiences and conceptual understanding of future rewards. We hypothesize that using materials geared toward developmental levels of cognitive ability and psychological readiness will readily engage students' understanding of delaying gratification, saving, earning or paying interest, and other fundamentals of personal finance.

Financial decision making theories for adults rely on the assumption that they are rational beings and have an underlying knowledge of basic financial concepts. Children's financial decision-making lacks the requisite education in key foundational concepts underlying the basics of such elemental concepts as interest, credit and loans. This study sought to develop a successful tool to fill the gap in early financial education by teaching the production concepts of finance as a mechanism to better understand the consumer components, and thereby supply a missing foundational element for ongoing financial well-being into adulthood.

We report on the first implementation of the pilot program, the reading of a story book relating money concepts through children's daily interactions with the visual manifestations of financial transactions. We organize the students into a pilot and control group and demonstrate empirically that the reading of the book improves financial literacy. We combine a school librarian's reading of the book to the pilot group with a field trip to a bank for both groups. We provide material to bond the child with the parent's continuation of reading of the book, and in future interactions with the bank.


We speculate on the implications of the study result's positive outcome on future financial literacy programs in elementary school grades, and on into secondary education levels, combining elements found in the curriculums of math, economics and social studies. We postulate a role for financial institutions in the reinforcement of the learning experience and, more importantly, in the delivery of age-appropriate financial products and services. We demonstrate an economic reward for financial institutions in embracing child financial literacy programs in elementary school grades and in extending the learning and implementation components through integration of age appropriate online banking services and socialization websites.

Keywords: Financial Literacy, Child Financial Literacy, Children's Education, Elementary School Education

JEL Classification: A20, 40, G20, I20

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