Transcript
FedTalk: Understanding Financial Health: Race and the Financial Lives of Young Adults and Students
Federal Reserve Bank of Cleveland
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Presentation

Alexandria Halmbacher, manager, Education and Museum Outreach, Federal Reserve Bank of Cleveland: All right, so it looks like we are at the hour, so I'm going to go ahead and get started.

So first I just want to welcome everybody to today's FedTalk and thank you for joining us. My name is Alexandria Halmbacher or Zan, and I'm the manager of the Education and Museum Outreach Department here at the Federal Reserve Bank of Cleveland. And today, I'm going to be serving as our program moderator.

So for those of you that are joining us for the first time, FedTalk is our public speakers series that was launched in 2019 as a way to communicate relevant research to our community and a way to ask them to join us for a discussion on these topics. Past events have covered subjects such as the opioid epidemic, the racial wealth gap. We've done one on the Community Reinvestment Act as well as the Paycheck Protection Program. If you've missed any of our talks or you're interested in revisiting them, we do post all of our events on the Cleveland Fed's website, as well as our YouTube channel.

Before we begin today's program, I just want to review a few housekeeping notes. So upon entering today's event, your microphone was muted, and it's going to remain muted throughout the session. If you would like to ask a question of our panelists, you can just click anywhere on your screen to display the menu bubbles at the bottom. And then you'll go ahead and click on the chat bubble and enter your question. When we get to that part of our program, I'm going to try and cover as many audience questions as I can.

In the unlikely event that we are experiencing any difficulties with our video, dial-in information was provided in the invitation for today's event.

So with that, I'm going to go ahead and introduce our first speaker for today, Thea Garon, who is the senior director of the Financial Health Network. So Thea leads the US Financial Health Pulse, which is a groundbreaking research initiative designed to monitor and track the financial health of America. In this capacity, she oversees the collection and analysis of survey and transactional data to paint a rich portrait of the financial lives of people in America.

Thea also leads the Financial Health Measurement Strategy at the Financial Health Network. She has deep expertise in financial health measurement and led the development of the FinHealth Score, which is a tool to help companies measure and improve the financial health of their customers, clients, and employees.

Thea's passion for her work [comes] from a long-standing commitment to social justice and equity. She holds a master's of urban planning from NYU's Robert F. Wagner School of Public Service and a BA in history from Carleton College.

So with that, I'm going to go ahead and turn it over to you, Thea.

Thea Garon, senior director of the Financial Health Network: Perfect. Thanks so much, Zan. It's always fun to hear your full bio read out like that, so thank you for that warm welcome. And good afternoon to everyone on this call. As Zan said, my name is Thea Garon. I am a senior director at the Financial Health Network, and I'm thrilled to be here with all of you this afternoon, sharing results from some recent research that we conducted exploring the financial lives of young adults through the lens of race and ethnicity.

And I'd like to open my remarks by really thanking the organizers of the FedTalk series for hosting these wonderful convenings and for inviting me to speak at this one. I see my role in today's event as presenting the research that will set the stage for my co-panelists to share insights from their work and for all of us, along with all of you, to engage in a robust discussion of some of these trends that we explore in the first half-hour or so of the presentation.

So for those of you who are unfamiliar with the Financial Health Network, we are a national nonprofit organization whose mission is to improve the financial health of all people in the United States with a particular emphasis on those who are financially vulnerable or financially struggling. And so we do this primarily by working with our network of roughly 180 companies or so, mostly financial service providers, so mostly banks, credit unions, FinTech startups, nonprofits, and others. But we also do original consumer and market research, some of which I'll present to you today. We do policy outreach. We offer one-on-one consulting services. We also offer funding to nonprofits as well as FinTech startups looking to bring new and innovative ideas to market.

So as part of our broader consumer research agenda, we've released some research last year with our partners at GenForward, housed out of the University of Chicago, to explore the financial lives of young adults through the lens of race and ethnicity. And we choose to focus on this particular topic because far too often, young adults are treated as a monolithic group, often described by platitudes or stereotypes. "Millennials are all broken." "They all live with their parents." Right? That kind of thing. But not only are these generalizations harmful and wrong, but they also obscure important differences between young people of different races, ethnicities, and backgrounds.

So we thought to correct that in our research, and partnering with the GenForward team allowed us to do just that. GenForward is the first of its kind. It's a nationally representative survey, again, housed out of the University of Chicago, that over-samples young people of color to ensure that their voices are represented in research and in surveys.

So from May 29th to June 11th of last year, we fielded an online survey to GenForward's Consumer Research Panel. More than 3,000 young adults between the ages of 18 and 36 completed the survey, including large samples of Black, Latinx, and Asian American young adults. We also conducted nine phone interviews with young adults, most of whom were affiliated with GenForward's panel, but a few of whom were not.

And so throughout this presentation, as well as throughout the report that is based on these findings, you'll see quotes from these interviews, included to shed further light on some of the trends that we observed from the survey data. I should point out that the quotes are accompanied by stock photos, not photos of the real individuals, in order to protect the respondents' privacy.

And there are a few other quick methodological notes that I wanted to highlight before I turn to the findings themselves. So you may have noticed on that prior slide the dates of the survey. The survey itself was fielded during a really unique moment in time, right in the middle of the COVID-19 pandemic, and just days after George Floyd was killed by a policeman in Minneapolis on May 25. And so this time period was likely one of high anxiety for many Americans, but particularly so for Black Americans. And we suspect both of these events, both the COVID-19 pandemic as well as the killing of George Floyd, but especially the latter, likely influenced respondents' answers to our survey questions, particularly those of a more subjective nature. Just something to keep in mind as I'm sharing the findings themselves.

I also want to unequivocally state from the outset that the financial health disparities that we observed between young people of different races and ethnicities are the results of decades of discriminatory policies related…excuse me…to housing, employment, education, incarceration, immigration, and voting, to just name a few areas that have continually disenfranchised people of color, particularly Black Americans, since the very founding of this country. So while this history of systemic oppression and discrimination is far too extensive to cover in a single report or in a single presentation, it's necessary context to understand all of the outcomes that I'm about to share with you today.

And finally, I want to acknowledge some challenges and limitations of our data, specifically when it comes to understanding the experiences of Asian American young adults. Since the GenForward survey itself is only offered in English and Spanish, it's likely that our data about Asian American young adults both exaggerates the relative successes of this group of young people while at the same time obscuring important differences by country of origin, immigration status, socioeconomic status, and time in the United States.

Therefore, in today's presentation and in the report itself, I'll focus less on unpacking trends for this important cohort, but I want to acknowledge that this is an essential avenue for further research, further exploration, particularly given increasing rates of violence toward Asian American communities over the past year.

So with that said, let me now turn to the key findings themselves. And I planned to present these findings at a relatively high level, but I look forward to discussing them further with all of you, as well as with my copanelists, during the discussion portion of the event.

So with that, let's dig into finding number one. First off, we found that, on average, Black and Latinx young adults have less liquid savings than their white and Asian American peers. So according to this data, we found that 56 percent of Black, 59 percent of Latinx young adults say they do not have enough savings to cover at least three months of living expenses compared with 48 percent of white and 32 percent of Asian American young adults.

Without a buffer of savings to draw upon in the case of an emergency, many young adults are forced to resort to other ways to make ends meet, especially in the face of an unexpected event. And so, many of you listening may be familiar with the statistic from the Federal Reserve that roughly one in four Americans would be unable to cover a $400 emergency expense without borrowing or selling something.

But in our data, we find that a majority of Black young people, 54 percent, as well as a majority of Latinx young people, 45 percent, would be unable to cover an emergency expense of that size, $400, while both white and Asian American young adults report much higher levels of ability to cope with that sort of an expense.

And so, of course this lack of short-term savings that we're discussing is particularly alarming, given the fact that we find ourselves in the midst still—it's toward the end, but still in the midst—of this COVID-19 crisis, which has caused widespread job losses throughout the country, but particularly among young people over the past year. And so, again and again we heard sentiments of this nature when we spoke directly with young people.

As you can see from the quote on this page, we heard young folks talk about how the pandemic really upended their financial lives. The respondent here talks about how he had to dip into his savings to weather the COVID-19 crisis, and how doing so really erased tangible gains that he had made over the past few years.

Moving on to finding number two. We also found disparities across…between young adults when it came to debt load, with Black and Latinx young adults being far more likely to report having unmanageable debt loads. So here on this slide, you can see that 31 percent of Black and 28 percent of Latinx young adults reported having more debt than was manageable, compared with 22 percent of white and 17 percent of Asian American young adults.

We also found that having unmanageable debt is correlated with the type of debt that young adults have. So Black and Latinx young adults were far more likely to report having high-cost forms of debt, things like credit card balances, past due medical bills, and payday loans, whereas Asian American and white young adults were more likely to report having what you might consider wealth-building debt such as mortgages.

And so while young people across all groups reported high levels of student loan debt, or I should say additionally, Black and Latinx young adults were more likely to report having student loans and to report having higher levels of student loan debt, in keeping with their sentiments that their overall debt loads were more unmanageable.

And we can see the negative…really, the cascading negative effects of high debt all too clearly in the lived experiences of young people today. So in this particular respondent's quote, we see the effects of what you might call a debt trap. This young person wants to go back to college, but she's reluctant to take on more debt. She wants to get a master's degree to begin a new job, but she worries that she won't earn enough money, get paid enough to repay the loans that she already has. In her own words, she's stuck in this standstill as she describes it that, I think, so many young people could likely identify with.

Moving on to finding number three. Finding number three pertains to what, by now, has been the well-documented racial wealth gap. And so in our research, we find that Black and Latinx young adults are less likely than white young adults and much less likely than Asian American young adults to say that their family could help them cover a large expense such as college tuition or a down payment for a home. Now, of course, that doesn't mean that Black and Latinx young adults are not receiving support from or giving support to their families.

In fact, on the contrary, we found that many Black, many Latinx respondents mentioned this exchange of support, but years of systemic discrimination have made it much harder for Black and Latinx families to pass down wealth across generations. And without the option of relying on support from family for some of these wealth-building investments, such as paying for college or buying a home, many Black and Latinx young adults face additional financial and employment disadvantages that their white and Asian American peers generally do not.

Of course, even when young adults do receive an inheritance or support from family, our on-your-own economy places the burden of decisionmaking squarely on the shoulders of individuals. So one young person that we spoke with described the challenges of inheriting her mother's house in the event of her mother's passing. And she discussed how it will be up to her and her sister to take care of that house. She also shared her worries that she may not have the knowledge or the skills to effectively manage that asset once she receives it.

Which brings me to our fourth and final finding. We found, in many respects, really a profound and persistent confidence gap, specifically between Latinx young adults and their Black, white, and Asian American peers when it comes to their long-term financial goals. So for example, on this slide, we shared data that shows that 64 percent of Latinx young adults said they were not confident that they were on track to meet their long-term financial goals, which we defined fairly broadly—saving for retirement, buying a home, paying for college, things of that nature—compared with 55 percent of Black, 53 percent of white, and 55 percent of Asian American young adults.

We also observed a similar confidence gap when we asked questions about respondents' confidence in, specifically, their insurance coverage, as well as their ability to plan ahead, with Latinx young people reporting far lower rates of confidence across those aspects than their Black, white, and Asian American peers.

And so we're not entirely sure why that is. It's certainly an area that deserves more research, more analysis and exploration. But we think that this confidence gap may partially, at least, be linked to expectations and to comparisons to previous generations, which was a sentiment that we heard fairly consistently from many of the young adults that we spoke to. Not just Latinx young adults, I should point out.

But I thought this one young woman's reflections were particularly resonant. When considering her parents' and her grandparents' generation, she sees a distinct change in her generation's ability to save, and she considers that this may be due to frivolous spending. I would add that there are a host of structural reasons that I know we'll discuss in our discussion in a few minutes. But this respondent really sees the ultimate outcome being a loss of financial security for her generation compared to past generations in her family.

But despite all of this, despite all of these somewhat alarming challenges that I shared that young people face, particularly Black and Latinx young people, many, many young adults across all groups are optimistic about their futures. And part of this optimism is centered on the belief that, as individuals, they have an ability to better their generation's financial and economic situation.

In fact, GenForward has repeatedly found when speaking with young adults, when surveying them, that many young people, even when young people feel that the country is on the wrong track economically, they are generally optimistic about their own financial futures.

So that's the sentiment that I want to end on, that I want to leave you all with. That, although the challenges are real, particularly the disparities—the disparities are profound—but like many of the young people that we spoke with, I, too, am optimistic that we are in a moment of real opportunity, where real change seems possible. So again, I know we have more time to discuss all of this in just a few minutes.

So, with that, let me conclude my remarks. Let me turn the presentation back over to Zan to introduce my fellow panelists. Thank you.

Alexandria Halmbacher: Thanks, Thea. And before we move on, I do have one question. "Would you mind defining for our audience who we're talking about when we say 'young people?'"

Thea Garon: Absolutely. So for the purposes of our study, we spoke with and surveyed individuals between the ages of 18 and 36. That's the definition that we use. I'm sure my fellow panelists have other definitions. We kept ours intentionally broad to capture those just beginning, right, their adulthood, as well as those who may be well on their way in terms of having a career or starting a family.

Alexandria Halmbacher: Thanks, Thea, and I really look forward to our discussion we're going to have later on in the program. So with that, I'm going to turn it over to our panelists. And they're going to introduce themselves, tell us a little bit about their organization, and the work that they do.

So first up, we have Dr. Abdullah Al-Bahrani from Northern Kentucky University.

Dr. Abdullah Al-Bahrani, associate professor of economics and director of the Center for Economics Education, Northern Kentucky University: Thank you, Zan. I just want to make sure that my presentation is showing? If that is the case, I'll move on. So thank you everybody for being here and happy Financial Literacy Month. It's an honor to be part of this panel and to discuss race and the financial lives of young adults.

In my remarks today, my goal is to shed light on two things. First of all, though, we will talk about the racial differences in financial literacy and the role of financial literacy education.

My name is Dr. Abdullah Al-Bahrani, and I'm an associate professor of economics at Northern Kentucky University. I am also the director of the Center for Economic Education, where our mission is to increase access to and to also increase the quality of economic and financial literacy education.

This is a social media friendly presentation, so please feel free to capture any images and share. My handle's right there on the screen. It's @DrAalbahrani on Twitter and Instagram.

So today, I'll focus on two things. First, our research on the racial financial literacy gap. This presentation will provide a summary of our findings. If you're interested in learning more or a detailed discussion, I'll share a link to the article in the chat later on. The research is joint work with Dr. Jamie Weathers and Dr. Darshak Patel.

The second focus of my presentation will be on the initiatives that the Northern Kentucky University Center for Economic Education has introduced to help increase financial literacy and to discuss our teacher training programs.

Our research on the racial financial literacy gap was actually motivated by the large difference in wealth accumulation between whites and minorities. In 1983, the median white family had accumulated $105,000 in wealth compared to $13,000 for a Black family. By 2016, median wealth for white families had increased to $171,000 while Black median wealth increased to $17,000 only. White families accumulate 10 times the wealth of Black families. Even more concerning is that the gap is increasing.

The research on the racial wealth gap is large, and researchers are examining the many reasons why this gap exists and persists. One area that we found little research on was the racial difference in financial literacy and access to financial literacy education. In our research, we're interested in examining if there was a racial financial literacy gap and if financial education helps narrow that gap.

The data presented today is based on the national financial capability study, a nationally representative survey that collects information on financial behaviors but also collects data on financial literacy. The average financial literacy score in the sample that we have is 59 percent. On average, we do not pass a financial literacy test. For the purpose of the work here and the discussion, we find variations in financial literacy across race and ethnicity, and financial literacy scores are even lower for young adults. And we define young adults as 18 to 36 years of age.

So given the low financial literacy scores, many states have introduced financial education mandates to hopefully increase financial awareness and financial outcomes. There are currently 21 states that require some financial literacy coursework to graduate from high school. Only five of them require a standalone course. Based on the results from the survey, we find that Blacks, Hispanics, and Asians are less likely to attend high schools that require financial literacy education. While it is difficult to identify why that is the case with our data, the research on educational resources shows that there is a relationship between income, race, and educational resources devoted to school.

So the good news is that there is a positive relationship between financial education and financial literacy, and other researchers have shown that increasing access to financial literacy helps increase financial outcomes, for example, lower student loans, better credit management, and so forth. The data we have indicates that the financial literacy score of those that have participated in financial literacy education is on average higher than those that did not participate. The concerning part though is that the gains in financial literacy are lower for minorities than they are for whites. Our current work is devoted toward identifying why that's the case. We expect that it has to do with resources.

So at Northern Kentucky University Haile College of Business, we are helping by providing educators with training and resources to increase access to quality financial literacy education and increase the success of financial literacy programs. We believe that the best way to help increase financial literacy education is by investing in the educators, starting with the Class of

2021 in Kentucky. Kentucky has required that every student must complete a financial literacy program. Unfortunately, that mandate is unfunded, and most schools do not have the resources to meet that obligation. Our concern is that without the resources and without the training, we will look back later on and say that financial literacy education does not work or that we will see a growing financial literacy gap between students that attend schools that are well-resourced compared to students that cannot afford financial literacy programs.

Our goal is to assist every school and every educator to help provide the best financial literacy education, and we're doing that in several ways. First, we provide educators with a summer financial literacy course. Our four-week virtual program is designed to train educators about financial literacy education standards and to connect them with the curriculum that works best for them. The second way we're helping is we have introduced a dual-credit financial literacy course that meets general education credits. This way, we can help students build a strong financial understanding and also help prepare them for college with a course that counts toward their undergraduate education. Finally, we understand that dual-credit courses in college might not be in the plans for every student; therefore, starting in fall of 2021, we will have a financial literacy education program available to any person that wants to participate. Our curriculum will be focused on how to navigate the economy, with careful consideration to economic and structural conditions that impact financial outcomes.

Thank you for the opportunity to share our research and initiatives that we have ongoing. I look forward to other presentations and your questions.

Alexandria Halmbacher: Thanks, Abdullah. And with that, Angela, who is the director of Financial Empowerment at the United Way of Summit and Medina Counties, if you want to, go ahead and introduce yourself to the group.

Angela Lowery, director of financial empowerment at the United Way of Summit and Medina Counties: Great. Thank you. My name is Angela Lowery. As Zan said, I am the director of Financial Empowerment with United Way of Summit and Medina Counties in Ohio. The purpose of my presentation is to discuss some of the programs that United Way has implemented to financially empower residents of our community through our Financial Empowerment Center. The Financial Empowerment Center is a facility that United Way opened in partnership with the City of Akron in January 2018, in the Kenmore neighborhood of Akron. And it houses three programs that provide wrap-around financial capability services to our community.

And I'm going to talk briefly about each program and what we've learned about the financial lives of young people by offering these services. The first program is the Volunteer Income Tax Assistance program, which is called VITA. VITA is actually a national program sponsored by the IRS through which we train volunteers on tax law in order to provide free tax preparation services to individuals that make under $60,000. Volunteers for our program don't need previous tax law experience as we provide a comprehensive training. So we found it's actually a wonderful experiential learning opportunity for young people, in particular, to understand the tax system and when and how to file taxes, while also serving their community.

And we've seen VITA programs, including ours, partner with universities to offer this as a service-learning opportunity. I really believe actually that helping young people understand our tax system is a basic component of financial literacy that isn't always top of mind, but extremely important. The overall goal of our VITA program is to help low- to moderate-income individuals save on tax preparation fees and also get access to credits that they may not be aware they qualify for, such as the Earned Income Tax Credit.

And I do want to take just a moment to talk briefly about the earned income tax credit, because there were some changes recently to this credit that will really positively impact young adults. The earned income tax credit is a credit that helps low- to moderate-income workers reduce their tax liability and also increase their refund in some cases. And in prior years, individuals under 25 who did not have children were not eligible to receive this credit. However, the American Rescue Plan temporarily expanded the earned income credit in 2021 to allow workers without children between the ages of 19 to 24 to receive the credit. It also expanded the maximum amount of the credit, so people could receive up to $1,500, and it expanded the income cap as well, so people could make a little bit more and still qualify for the credit.

So research shows that this expansion is going to, besides just the age group itself, really benefit people in certain professions, including cashiers, food preparers and servers, and home health aides. So I really wanted to highlight this because I think it's an important advocacy point moving forward to continue this expansion. And I personally have really seen just the tremendous impact this credit can have on workers.

So I'm going to move on to the next program that we operate, which is Bank On Rubber City. This is actually a national movement that's spearheaded by the Cities for Financial Empowerment to ensure greater access to safe and affordable mainstream banking. And there are really two components of this program; one is trying to create greater public awareness about the importance of a mainstream bank account. And we do that through community outreach, presentations, and partnering with different community organizations.

But the second part is actually working with financial institutions, such as banks and credit unions, to encourage them to offer low-fee checking accounts that meet Bank On national standards. And then once they meet those national standards, they become Bank On-certified checking accounts. Bank On-certified accounts don't allow things like overdraft fees, which we know get a lot of people in trouble. They also have very low monthly maintenance fees. So it's really an important tool, I think in general, but also as we work with young people to help them understand and introduce how to have a bank account and what they should be looking for in a bank account.

And then the last program I'm going to talk about is our one-on-one financial coaching, which is also based on the Cities for Financial Empowerment's Financial Empowerment Center model. So United Way again partnered with the City of Akron to implement this program. And what it does is offer free, one-on-one financial counseling as a free public service to any resident of Summit or Medina County, regardless of income. And there are no income restrictions, which I think is really important because one of the core elements of the model is that access to high-quality financial information and financial advice should be a public right. So you shouldn't have to make under a certain amount or whatever to be able to access this service. Our financial coaches are employees of United Way, they're certified, and they work with our clients in one-on-one sessions to address their unique financial challenges and achieve their individual goals.

And I think one thing I do want to point out, I think it's a little different than financial literacy, but [a] very important complement to financial literacy. Because what we find is that the coaches are able to build upon the knowledge that individuals may already have from their own personal experience or by attending some of these financial education workshops and really help them apply that knowledge to their own individual lives and circumstances.

So our model really focuses on five key elements to financial empowerment that individuals can choose to work within, and you can see those elements here. Setting financial goals and creating a budget, being kind of a foundational element, getting access to a safe and affordable bank account, or being able to utilize bank accounts in a more productive way, helping folks reduce debt, helping folks increase savings, and helping people either establish or increase their credit. So in addition to helping clients set their own individual goals, we also measure indicators of success, which you can see actually right there, which we measure as financial empowerment outcomes. Every time somebody reduces debt by 10 percent, increases savings by 2 percent, establishes credit or increases their credit by at least 35 points. We also are able through our program to capture some baseline data about our clients, which really helps us get a pulse of the economic health of our community.

So I do want to end by sharing just some of that baseline data about our young adult financial coaching clients, which we were very close to our other panelists, but we defined as age 18 to 35. Young adults in this age range make up about 29 percent of our clientele. And they're referred to us through a variety of different channels. But I do want to highlight that one partnership that has been really effective is our partnership with local universities, such as University of Akron and Stark State, where we're actually able to offer financial coaching onsite at the university to complement to some of the other financial education that they may be offering. So 18 percent of our young adults are referred through these university partnerships.

You can see 50 percent of our young adult clients identify as African American or Black and 14 percent come to us unbanked, meaning they have no bank account at all. That's actually a higher rate than our general clientele, of which only 10 percent come unbanked. So again, accentuating that importance of Bank On. You can see the average income there, average credit score. I do want to highlight this is just average credit score of folks that have a credit score. One challenge we see with our young adult clients is that they are credit invisible. So just not having a credit score at all and being able to establish that becomes a goal in some circumstances. And then 70 percent actually report less than $250 in savings when they start with us. And finally, 13 percent own a home, which is in comparison to about 35 percent of our general clientele that own a home.

So hopefully this information just gives you a little perspective on the financial lives of young people that we work with and some of the strategies that we have for improving the financial health of Summit and Medina County. And with that, I will go ahead and pass it to the next presenter.

Alexandria Halmbacher: Thanks, Angela. And last but not least, we're going to have Khaz Finley, who is my colleague and works alongside me in the Education and Outreach Department here at the Cleveland Fed. You're up, Khaz.

Khaz Finley, supervisor, Education and Museum Outreach, Federal Reserve Bank of Cleveland: Thanks, Zan. First, I want to thank everybody for joining us today. I look forward to the panel discussion that's going to take place. Let me introduce myself. My name is Khaz Finley. I'm supervisor of Education and Museum Outreach here at Cleveland Fed. In this presentation, I'm just going to do an overview of how we approach the continuum of financial education through our programming and materials from elementary through university throughout the Fourth District.

So I'll begin with our Danny Dollar program that we began in collaboration with Abdullah right here. Started working with him ... sorry… and Northern Kentucky University Center of Econ Education. We targeted low- and moderate-income communities and majority minority students to try to increase their financial literacy acumen. We've been successful at increasing the rate of the instruction to 16 percent. My understanding is it's 16 percent in the basic economic concepts to 45 percent. The panel will also agree that we've seen [a] huge shift; students and educators have embraced this program and embraced it in a pathway so that they can continue to learn these concepts starting at a young age and hopefully, carry that going forward into the next stages of their educational career.

From there, here at the Cleveland Fed, we go into our middle-school programming, where we work on personal finance. We've created a Personal Finance Foundational Program that we launched this year. It focuses on three subjects in a scaffolding approach. Sixth grade, they focus on budgeting; seventh grade, they focus on the difficult topic of inflation; and then they transition into career exploration. Many high schools around the area, they do select high schools based on their career interests going forward. We wanted to support those efforts and help those kids navigate to get a broader perspective on what careers are out there in hopes of helping them navigate and select high schools that will align them for better opportunities in the future.

We initially started with Cleveland Metropolitan School District and Akron this year, reached over 3,000 students between the two districts. And thus far, it's been very successful, as you can see in the comments. And hopefully, we are leaving a lasting impact on these kids, so they not only understand what careers are out there, but they get these concepts and they can translate that into their career choices in the future.

That goes into our high school programming. On a continuum basis, we start with our Student Board Program, which is an opportunity for students throughout the Fourth District to participate and gain knowledge and skills that will translate into the professional environment as well. Students practice things such as job interviews, employability skills, budgets, just to learn these skills. And it's actually modeled and showcased with our Fourth District Federal Reserve representatives who participate and volunteer at each session. I think models are a great teacher because individuals need that; they need a person there that will be a conduit. You can't just say, "here's a job, go do it." You need someone there that will actually show you how to do the job, and tell you their background, and share how they got to where they are.

I see my computer screen is freezing up.

Girls Make IT Better; it's been a staple program here at the Cleveland Fed for a few years now. It invites girls throughout the Fourth District to participate, showcasing our female STEM professionals. This has been a successful program this year, reaching over 260 students throughout the Fourth District virtually. We've showcased our bank employees who have similar backgrounds to these young ladies and showcasing their skillset in the STEM career path. Again, another alternative for individuals from LMI communities or underrepresented communities to see someone that can model a career and a career path that isn't typically taken. And hopefully, influencing and showcasing and having those individuals choose that career path, so they can change the narrative a bit and hopefully circle back to do the same for the future.

Last but not least, we have a slide on our outreach and partnerships throughout the Fourth District. This is just a limited view on the amount of people we interact with throughout the Fourth District. A lot of universities, a lot of high schools and school districts we interact with. But we also interact with the National Urban League, Neighborhood Leadership Institute, and the Greater Cleveland Partnership, to name a few. We're trying to encourage individuals to think beyond, really, us as a museum, and think of us as really the place where you come for your financial literacy needs from beginning through university. So I look forward to this conversation we have with all the panelists, so that we can discuss how this all ties in to the subject matter today. Thanks, Zan.

Q&A

Alexandria Halmbacher: Thanks, Khaz. So at this point during our program, I'm going to go ahead and lead us through a panel discussion for probably about the next 15 or 20 minutes. So to start off, I know we've been talking a lot today about financial health and financial literacy. And just so our audience has a good understanding of everything, I want to go ahead and define what we mean by those concepts. So to start off, I'm actually going to ask Thea, if you wouldn't mind, talking a little bit about what we mean when we say financial health.

Thea Garon: Absolutely. So at the Financial Health Network, we define financial health as coming about when one's daily financial systems work well and they set them up to be resilient in the face of unexpected events and to seize opportunities over time. So you can really think of it as that three-part definition: what one does on a day-to-day basis either contributes to or detracts from their ability to be resilient and, again, to seize opportunities over time.

And then I know you had asked a little bit about the relationship between financial literacy and financial health. I think of financial literacy simply as what you know. Financial capability is another term that you often hear thrown around in our field. I think of financial capability as being what you do with that knowledge. And then financial health is more how you are doing financially. So it's really more of an outcomes measure. Financial literacy is obviously an important input to financial health in that more financial knowledge, more financial literacy, can indeed make someone much more financially healthy.

But we also take pains to point out that one's financial health is shaped by a lot more than simply financial knowledge, right? It's based on the type of job you may have, the salary that you get, the benefits that you can access in the workplace. It's based on the type of safety net that you can have access to if you lose your job, if you become ill or injured, can you access disability insurance, things like that. Then it's obviously also based on the type of financial products that you have access to—accessible savings accounts, affordable credit, low-cost insurance—which I'm sure we'll talk a little bit more about in a few minutes as well.

Alexandria Halmbacher: Thanks, Thea. And Abdullah, I want to give you a chance as well to follow up if you have some additional comments.

Dr. Abdullah Al-Bahrani: Yeah, so with respect to financial literacy, the way we look at it is financial literacy is financial knowledge or understanding, but also being able to apply it to your context. This obviously has impacts on financial outcomes. So when it comes to financial health, our definition of financial health is a little bit broader. And that is being able to make the decisions that are best for you. Often in the research on financial health, we impose the outcomes that are supposed to be the best outcomes with little regard on the local context and the individual context. So we want to take a little bit of a broader approach, equip people with financial knowledge on how to navigate through the economy and make the decisions that are best for them.

Alexandria Halmbacher: Thank you. I'm going to go to another question, and actually, I think I'm going to start with Angela for this. So what can we do to increase financial understanding across the board and, specifically, in areas or demographics with low financial literacy?

Angela Lowery: I think that we heard about a variety of different programs that are doing a really great job at the financial literacy component and the financial empowerment component, including ours. I guess my answer to this question is what I would really like to see is financial literacy be integrated throughout our public education system, really from kindergarten through university, postsecondary education, and even within some of our employer benefits systems. I think that one challenge that we see, and we may even know this from, for example, my own personal experience, if you have one financial literacy course in high school, or maybe one or two classes that focused on that within your social studies curriculum or something like that, it is very easy to not remember anything. So I really believe people when they come to us and say, "I've never been taught this." They may never have been taught that, or they may never have been taught that in a way that was relevant to them at the time.

And so I really think that it cannot just be a one-and-done situation. It needs to be integrated throughout the curriculum and relevant. And one of our sister cities in Lansing, Michigan, has a Financial Empowerment Center, and they have an entire division related to financial empowerment out of their city. And I think they have a really great model. It's a children's savings account that children in the Lansing School System can open. The families can open for them in kindergarten, and combined with that children's savings account is financial education. So every year that the child is in that school system, they're saving, but they're also learning in a relevant way to them. So I think that's just one example of a model that really makes this integrated throughout our education.

Alexandria Halmbacher: Thanks. And I guess Abdullah, I saw you nodding your head a lot. So I want to see if you have any comments. And then of course we will go to Thea and Khaz.

Dr. Abdullah Al-Bahrani: I agree with everything that Angela said. That's why I was nodding my head. And to reiterate what she said with respect to financial education as early and as often. Financial literacy education is the only curriculum that we teach once and we expect an outcome to change. We don't do that with math, we don't do that with English, with writing. So how can we incorporate it into the curriculum across the board? And I love the idea of what Angela presented that it's beyond high school and college as well. What are employers doing to equip their employees with the knowledge of the economy and how to operate within it? So I'm nodding my head because I'm a hundred percent agreeing with everything she said.

Alexandria Halmbacher: Perfect. And Thea, would you like to add anything?

Thea Garon: Sure. Happy to jump in here. I think I may come at this from a slightly different perspective than my copanelists. I absolutely would agree with them, though, that when it comes to financial literacy education in the classroom, that that is a start, especially for folks in the younger years in grade school throughout high school. But I think of financial literacy as a necessary, but an insufficient condition or way to improve someone's ultimate financial health. Because it's not that people with low incomes or those in low-paying jobs don't know enough. It's simply that…it's more that actually folks with less money are often the ones who are most savvy with their money, right? Prioritizing bills, making every dollar count. It's more that the financial system is simply rigged against so many people with lower incomes. It's not currently as it's designed to set them up for success.

So my solutions that I would advocate for to improve financial outcomes across the board, specifically to reduce financial health disparities by race and ethnicity, have to do with more designing the financial system from the ground up to better support consumers' financial health. So Angela mentioned the Bank On program. I am a big fan of that program. I think she touched on a lot of important aspects of how that program is working with large financial institutions to better disclose the terms of their products, to make those terms better in the first place to reduce overdraft, to not charge customers for simply having an account. There's also an element that Angela touched upon about proactively steering customers to the right products, reaching out to them at opportune moments in time. Research again and again has showed that the best financial advice is timely, relevant, and ongoing, as well as integrated.

I love that Angela pointed that out as well. So I think there's a lot of opportunity for those in the financial sector to reimagine, rethink how the products that they are offering ultimately set their customers up for success or for failure. And I'll conclude by simply saying that folks listening may say, "it's the large banks, it's the financial institutions. What incentive could they possibly have to do right by their customers?" And I would argue that the incentive is large. It's really in these banks', these credit unions', and other institutions' long-term interests to invest in their customers' ultimate financial health because we've done research, others have done research, that shows that happy customers, satisfied customers are far more likely to be loyal customers, more profitable customers over time. And I'll end with one real-world example here that PNC actually just yesterday announced. PNC, one of the largest banks in the United States, just yesterday announced that they are reducing customers' overdraft fees by 60 percent.

I think it's over the next year. It might be the next few years. They're alerting customers when their bank accounts are low. They're allowing customers to have a grace period before they incur any costs for going below their bank accounts. And they say that this will cut their annual revenue by $125 million to $150 million. But ultimately, they're making this investment because they think it will allow them to expand market share. So the business case is there. How can we ... we spend a lot of time, I should say, working with financial institutions to help them realize this business case and to design their products from the ground up to support customers' ultimate financial health.

Alexandria Halmbacher: Thank you. Khaz, would you like to add anything to that question?

Khaz Finley: Sure. I'll say that these are my personal views and do not represent the Federal Reserve before I speak. But I would like to just reiterate everything all three of them said and also state that simply with what Thea just said, people go into a survival mode. So it's not that they don't know these concepts. Many of them do. They may not know the exact terms, but they do know the concepts. But they put priority first. So they may have to make the decision to pay a bill rather than throw something in savings, which…many of us have been presented with that qualm in our lifetimes. I think as we reach kids at a younger age, making things more applicable and making concepts not just on paper or just in a playing activity, so the Bank On program is a great example of teaching kids what could happen.

But then you even have to throw in, as they get older, the unforeseen circumstances, uh-oh, you have to help mom with such and so. Because many of these kids, you hear stories of kids paying bills when they're 13 years old, just helping their mom get by. So you have to incorporate how you can teach those kids how to manage their money going forward and their survival. I mean, it's a tough task because they are met with a lot of insurmountable odds along the way. But teaching them how to manage that money as they face these obstacles will make things a lot easier because they're never going to not face obstacles. Even us, in our careers and in our jobs, we face financial obstacles from time to time that we have to tackle. So we're in similar positions to them unless we're millionaires that have expendable cash.

So you have to teach those kids at a younger age: You're going to face these things for the rest of your life, so it's best to learn how to tackle them early so that you can continue to manage. Because I mean, the more money you make, the more problems you're going to incur because of the more assets you have. So you want to teach them more money, more problems, of course. You want to teach them early.

Alexandria Halmbacher: Thanks, Khaz. And I guess this leads a little bit into the next question that I want to ask, and Abdullah, I'm going to start with you. So I know we've been talking a lot, like Thea had just said, there is a sell for all of these programs for financial institutions and that ultimately, it's going to help them. So does the significant inequity and access to financial literacy education have an economic impact?

Dr. Abdullah Al-Bahrani: So I want to take a step back and mention what Thea has said. Financial literacy education and also identifying the structural issues within our economy are not substitutes. And I don't want to present them as financial literacy is going to solve all the issues in our economy. However, I believe that giving people the basic understanding of the economy allows them to identify where the structural issues are so they could be vocal about it. For instance, bank location, right? Where are banks located? We talk about overdraft fees, but we don't talk about access to banking as often and raising that awareness. So in our curriculum at Northern Kentucky University, we talk about racial wealth gaps, gender income gaps, because by making it or increasing awareness, adding the literacy component to it, you allow the citizens to vote to participate in social issues more informed and hopefully influence a change. So that was my response to ... I don't want to present them as substitutes. And sorry, your question again about the topic?

Alexandria Halmbacher: Yeah. So the question that I asked is, does the significant inequity and access to financial literacy education or just financial education have an economic impact?

Dr. Abdullah Al-Bahrani: Yeah. I mean, if we truly believe that people need to be informed to navigate the economy and make the best choices for them so well-being over here will be correlated with access to financial literacy education. So I believe that one of the reasons that we see the racial financial literacy gap is because of the access differences, which translates to other outcomes and is also correlated with some of the structural issues that we observe in our economy. So they're all intertwined. And overall, we want our citizens to all be, and residents, to be comfortable with the financial decisions that they make.

Alexandria Halmbacher: Thanks. Angela, I'll pose that question to you because you're doing a lot of work with your community. And so I'm just curious, have you seen any economic impact as a result of a lot of these programs that you're implementing?

Angela Lowery: I think that one is hard for us to quantify with data. And so I don't want to make broad assumptions about that. But I mean, anecdotally we know that personal financial health does impact community financial health. And so if we can have people more financially healthy individuals, they have more purchasing power, they may be more educated consumers as we were talking about, and may be able to advocate more effectively for themselves in certain areas. We know that they have more freedom to start small businesses and be entrepreneurs. We know that they have the ability to become homeowners. So there's so many things that with improving that personal financial health can do to improve our community health as kind of a broad statement. And I also just want to say one of the personal challenges that I always have with our work doing the one-on-one financial coaching is that we encounter so many diverse situations, and we are working with people on that very micro level.

And it can be very frustrating because you are running against the structural challenges but really trying to help people navigate that on an individual level. And my hope is that our work can do that on the micro level. But then also participate in forums like this and provide some of that data that can, hopefully, inform some of the policy changes that need to be implemented as well.

Alexandria Halmbacher: And I suppose that sort of ties into one of the questions that I had come through [which] is what can employers and policymakers do to address these disparities in financial health outcomes and financial literacy education? So I think I'm going to go to each of the panelists. But Angela, since you're up, if you want to go first and maybe if there's any recommendations you specifically have.

Angela Lowery: There are so many policy opportunities that it's even hard to tackle. I'm not sure that I'm going to tackle all of those. I did mention one, which is the earned income tax credit, which again, I feel very passionately about. And I really hope that that expansion can stay beyond 2021. Discriminatory lending practices would be another big area. But I will let some of my other panelists talk about that. I will talk about the employer portion because it is something that we are pursuing. As a United Way, we have a unique opportunity to have corporate partners and to be offering these services. And we really have been trying to tie that in together a little bit more by partnering with some of our corporate employers and offering financial wellness in the workplace, where we're really able to reach employees where they're at and provide again, relevant programming to where people are at maybe starting new jobs through their HR departments.

I think we've seen, not across the board, but employers in general, there's a kind of a standardized, you have a 401k match, maybe if you're lucky. But I think there's a lot of other kind of creative benefits that address some of these maybe more basic financial concepts. So one example would be an employer small-dollar loan program. And that's something we're looking into where it would be a loan and partnership between an employer and a credit union where you can offer a loan of under $500 or $1,000, which again addresses this issue where 40 percent of Americans don't have $400, or correct me on that statistic, but it's a large percentage that don't have $400. And having that access to a small-dollar loan, $500 to $1,000, low-interest rate, credit-building loan, paid back through payroll deduction, would be a huge benefit to offer employees.

Maybe even tying that with financial coaching, for example, or the opportunity to have that option. Creative benefits like student loan repayment assistance would be another example. So just, I think there's some really cool things that employers could be doing. And it's one thing that we're really looking to work on.

Alexandria Halmbacher: Thanks. And Thea, I'll let you go next if you'd like to comment on that.

Thea Garon: Sure. I'll also continue on the employer points that Angela was making. I said a couple minutes ago, I outlined the business case for financial service providers. But you can make the exact same argument. And indeed, we have. And research has shown that employers have a real opportunity to invest in the financial well-being, the financial health of their employees, because happy employees are productive employees. Employees who are not distracted by financial stress in the workplace are again more likely to be productive, more likely to be loyal, long-term employees of that organization. So, it's the same type of business case, if you will. And then when you think about what employers can actually do, I agree with Angela; they can do a lot. So I think of it in a few buckets, right? There are the table-stakes types of solutions and interventions and policies they can offer.

Paying a living wage adjusted to the costs of various areas. They can offer supportive, paid-leave policies in the event of illness or death or the arrival of a new child, not just for women, right, but for parents of all stripes. And then I think of those that really go beyond just the table stakes—ensuring decent pay, and that's more in the bucket of wealth-building benefits or those that help their employers…employees, excuse me…manage cashflow. So certainly, 401ks but ensuring that those 401ks or savings products have autoenrollment features, autoescalation features that have been shown again and again to encourage participation, offering additional products, emergency savings. I'm fortunate to work at an employer who, in addition to offering me a 401k, also allows me to pay into an emergency savings account and offers a match on my contributions, which is pretty innovative and really helpful, I might add.

I like the credit-building product that Angela mentioned. Advanced access to pay instead of forcing employees to get paid on a somewhat arbitrary, biweekly cadence, really allowing individuals to access their pay after they've earned it. I might add job-training programs to that mix as well. And then a couple of other, I would call them more next-generation policies, but those that we've started to see really gain traction among employers, are holding executives accountable. So tying executive compensation to progress against various metrics that ultimately reduce inequality amongst their employees and promote equity amongst the workplace. And I'll give a shout-out to MasterCard here, who I just learned really has a very robust equity compensation scheme tied to fairly ambitious diversity metrics around hiring and around equitable outcomes. So I think a whole host of exciting trends that we're starting to see employers adopt that I would really love to see more of in the coming years.

Alexandria Halmbacher: Thank you. And Abdullah, would you like to go next? And then, Khaz, I'll wrap that question up with you.

Dr. Abdullah Al-Bahrani: Yeah. I'll stay within my lane of expertise here, and that's with respect to financial literacy mandates and education. One thing I applaud policymakers for recognizing that financial literacy education is important. We're seeing more states implement some sort of expectation that financial literacy is taught at the K through 12 environment, specifically high school. Unfortunately, most of these policies or mandates are unfunded. So one thing that I would like to see is more funding to equip educators in skills development in teaching financial literacy, but also toward curriculum development. One thing that we're adamant about at Northern Kentucky University and [the] Center for Economic Education is a curriculum that takes in mind the local context, right? One size does not fit all. And you have to understand the student body, the geographic region, the cultural component. So and all of this requires more investment in curriculum. So without the funding, these financial literacy programs are not going to be impactful. So the policy recommendation is fund the programs.

Alexandria Halmbacher: Thank you. Khaz, would you like to add to that?

Khaz Finley: Sure. I'll just wrap up by reiterating really what Abdullah said and Angela and Thea kind of ... I think young people when they entered the workforce at age 22 and 24, if they haven't developed that foundation of understanding of financial literacy through the schools or through their educational process, then you find that understanding of retirement plan or understanding how to save, it goes right over their head. But you have 22- and 24-year-old graduates entering the workforce doing what they were supposed to do, get a job out of college, "I'm working well." Then they're still trying to figure out "Why am I struggling so much?" But it's because they haven't figured out how to budget. They don't know how to manage their money. They have to figure that portion out for the next five to 10 years. Some of them [are] living at home with mom.

I know in recent years you see a lot of people renting for decades. We don't live in New York, so I mean, it's not common. Housing is affordable in Ohio and in Cleveland in particular; it's affordable. But I see more people renting because they don't have the credit score built up, because they didn't understand how to do that at an earlier age when they graduated from school or when they joined the workforce. So I think that understanding and investing in that financial literacy at an early age, so that when individuals do become young adults, 18 to 24, they have that understanding to be able to navigate a bit more. So they're more prepared in the future.

Alexandria Halmbacher: Thanks, Khaz. I think at this point we have quite a few audience questions that have come in. And I have a few that are specifically targeted to our panelists. So I'm going to roll into those. The first question that came through is for you, Abdullah. It says, "Could you explain the following finding in your paper? 'However, we find the benefit of participation in financial literacy education is higher for whites than that of minorities.'"

Dr. Abdullah Al-Bahrani: Yeah. So first of all, thank you for reading my paper. I truly appreciate that. That's exactly where we're trying to spend more of our time. We don't understand why that difference would exist. The hypothesis and the work that we're doing right now is focused on the financial literacy courses. So in the research, financial literacy education is all considered equal. However, there's a lot of variation in financial literacy education. Some of the things that we talked about over here, for instance, are the people providing the financial literacy education trained to teach financial literacy? What does the curriculum look like? So when we just look at financial literacy education, as if it's a treatment or one thing, we're missing a lot of heterogeneity there. There's a lot of variation. So our future research is trying to look into the variation in the quality of financial literacy education and see if that is what determines this outcome that we're seeing.

Alexandria Halmbacher: Thank you. Our next question is for Angela. "What major financial institutions are you working with currently?"

Angela Lowery: Sure. Lucky to have several that have Bank On-certified accounts. We…Bank On not only though works with those that have Bank On-certified counts but also includes everybody in that umbrella because we want to meet institutions where they are and encourage that movement forward. But the ones that have Bank On-certified accounts that come to my mind in our area, KeyBank has a hassle-free account, Chase Bank, PNC just announced that they have an account, US Bank has an account, S&T Bank, which is a smaller account. I believe Dollar Bank has an account. So those are the ones that come to my mind immediately, but we have several others that are within our Bank On programs, such as Huntington Bank.

Again, the Bank On standards are really nice because at least the way that we produce it, it again just gives you some tools to measure accounts by. So even if an institution doesn't have a Bank On account, you can measure across these different standards to see, OK, well maybe it has an overdraft fee, but it's more accessible to me. And that's a decision that the consumer can make, and we are providing them with that information to make those decisions.

Alexandria Halmbacher: Thank you. Our next question, I'm actually going to direct at you, Thea. "So how critical is establishing a positive credit score for young adults as they try and encourage financial literacy?" So, I think it's asking about how important is this positive credit score for those young adults and progressing them, I'm assuming, into their future?

Thea Garon: Sure. I'm happy to take this one. I'm happy to let my copanelists chime in. But it's indeed incredibly important. Our financial services sector, for better or for worse, has many opportunities open to those with good credit scores, high credit scores. With low credit scores, many folks are shut out of access to affordable services. They may pay more to borrow, which I talked a little bit [about] in my presentation of the cascading effects of a high debt and of a debt trap. So it's incredibly important. Not just for access to financial services, I might add. I know a lot of employers often check credit scores. A number of states have moved to make that illegal, but at least over the last couple of years, that was a fairly common practice as well as access to housing, right? Landlords will track credit as well. So I don't think it can necessarily be overstated how important having positive credit scores indeed are.

Alexandria Halmbacher: Would any of the panelists [like] to comment on that question?

Khaz Finley: Sure. I'll comment. I think it's very vital going forward to understand that a credit score is essential to having the opportunity to have access to things. But also understanding the historical context from the underrepresented communities and why they don't trust banks. So I think that, that's what goes into some folks' building a credit score. Me and Zan have had conversations, and my mom, who is [a] highly educated professional, she doesn't have a credit card, and she's well into her adulthood. She's passed this young-adult stage. But one of her things is she does not trust it. I mean, I break my neck trying to make her understand, "In order to have access to things, Mom, you have to have that credit card to show you're in good standing."

Now, I mean, she's later in her years, so she doesn't have 30 years to build up a good credit score, but it has to start at some point; she has to start building that credit history rather than just having the funds in her account. It's worked so far, but it's people understanding that it's not a bad thing to have credit. Everybody has debt. You have to show that you're able to pay that debt. That's the key. Then that's when you become a trustworthy borrower. So having that understanding. That's part of our job to teach these individuals at a young age, in order to be a trustworthy borrower, you have to have these skills and understanding.

Dr. Abdullah Al-Bahrani: Zan, I'll jump in here to reiterate what's been said and add a little bit of context with respect to the financial literacy education. We often, especially when we talk about financial health, we talk as if debt is always bad. Knowing how to navigate and manage debt, especially with obtaining a credit score that later on helps you obtain lower-cost debt is important. Some of the curriculum out there, some of our advice is to avoid debt. I always tell my students, "Debt isn't bad. Mismanaging debt is the bad part." So that's the importance of financial literacy education to help change that language when it comes to what tools are available to you and what is necessary to navigate this economy. We have a lot of people that are avoiding all types of debt because they've been told that debt is bad and they're not developing credit. And later on, that impacts them with home ownership, which we've discussed is one of the vehicles to developing intergenerational wealth. So when we go back to talking about the importance of financial literacy education, this is exactly the conversation that we're talking about.

Alexandria Halmbacher: Thank you, Abdullah. So our next question, I think I'll direct it over to you, Angela. It's "If an immigrant is undocumented, how do you mitigate efforts at mainstream banking?"

Angela Lowery: That is a very good question. I have not personally had enough experience to talk about that fact. But I will say Bank On is a really great forum for bringing up, again, to financial institutions some of these different kind of structural barriers to people having access to accounts. I do think that some of the Bank On-certified ... I don't think it's a national standard, but one of the suggested recommendations of Bank On is to be able to accept alternative identification. So that's one potential workaround. But again, there's other barriers to that we've identified and tried to raise up in talking within the Bank On sphere. Foster youth is one area that we found again, of folks that are kind of unserved right now. A lot of times if you're under 18, you have to have a custodial account, which can be a barrier. So being able to open an account without a custodial adult has been a barrier that we've also encountered. So that's not a great answer, but I would recommend that they check out the Bank On kind of website because there's a lot of great resources and information around banking.

Alexandria Halmbacher: Thank you. So I think this next question, I think I'll open it up to everyone. Maybe Thea, I'll start with you. So it says, "Can you talk about how you change the conversation, say about saving, when you're teaching young adults who have ever only known living paycheck to paycheck?" Let's see, it says, "There might be a mindset there that there's no other way." So they're interested in understanding how you can use education at a young age to help kind of change that mindset or discussion.

Thea Garon: If it's OK, I may pass that to one of my three copanelists, who I think I have much more experience interacting one-on-one with folks than I do.

Alexandria Halmbacher: Yeah. Not a problem. How about Abdullah? Would you like to go first?

Dr. Abdullah Al-Bahrani: Yeah. The reality is for a large part of our population, living paycheck to paycheck is the reality. Some of it is that's all they know and that's the model of life that you know is present. But some of it also is understanding how to navigate labor markets. We often, when we talk about savings, we impose the expectation that you need to reduce your spending. Well, sometimes you can't reduce your spending. Well, sometimes you can't reduce your spending, but there's another lever there. That lever is increasing your income. That's a conversation in financial literacy education, when we talk about career guidance, career choices, employability, and being mobile from a labor standpoint. These are important conversations to highlight the possibilities for our students. For them to pick careers that have higher incomes, to look beyond their neighborhoods at times. My students, for instance in economics, most of them come to the university not knowing what their career is going to be or what the possibilities are.

So we need to invest in opening that up. Some of the programs that you have at the Federal Reserve Bank of Cleveland do exactly that by presenting the role-model effect. We need more of those programs to help nudge the income component up rather than always saying, "Oh, you're mismanaging your spending and therefore you need to cut your spending." Because that is a disheartening conversation, and sometimes it's not the reality.

Alexandria Halmbacher: Khaz, would you like to comment on that question?

Khaz Finley: I think Abdullah hit it on the head. We've had the opportunity to encounter this obstacle numerous times, actually, where we're teaching kids how to save and budget. Then the comment comes out of the crowd and someone [says] that "We don't have enough money to save. We have to spend our money every time we get it. So this doesn't apply to me," is what a lot of students say. Where my counter is, "Let's see how it may apply to you in the future." So you have to change the narrative. So teaching those skills to students at a younger age, especially access to careers, jobs. I always say, like putting numbers, especially salaries, in front of kids…that's how you make kids say, "OK, that might be a job I want to do." Because they see the money they can make. And it's like, "Oh, OK. Now I can probably save a couple dollars with that. Or I can change my family situation with that career." With a degree or without a degree.

You have to present all of those options to those students, so that they understand, all right, this is attainable. Now, once I attain it, then I get into, I can save a couple of dollars here and there. Because like, Abdullah said, it may not be real-world situations at the moment. But you have to say, "In the future, you have the opportunity to do this because the future is undetermined. You have to determine your future." So you give them those opportunities to actually understand that these opportunities that are out there.

Thea Garon: Zan, I think I will quickly just jump in on that question and I'll provide the theme that I've been hitting on, which I would agree with Abdullah is complementary, right? It's the communication on the front end. And then how do we set folks up for success from a structural standpoint. So saving frankly begins with having enough money, getting paid a decent wage that covers the incredibly high cost of living that—whether you're in Cleveland, or New York, or Kentucky, or wherever—that is really pervasive across the country. Then I think there's also levers to be pulled to make saving as seamless and easy for everyone. Frankly as invisible in some respects as it is for me to save in my 401k. Right? I don't think about it. I set it and I forget it, essentially. But we know that higher-income earners are far more likely to have access to many of these benefits, specifically, 401ks or other workplace retirement accounts.

We know that many of the folks that we've come to rely on this past year are frontline workers. Folks who have been on the front lines of the pandemic just simply don't have access to those types of vehicles that allow them to save seamlessly and invisibly. So I would encourage us to continue thinking about having the conversations on the front end and then investing in the systems and the structure that makes all of what we're discussing possible.

Alexandria Halmbacher: Thank you. So I do have one final question before we wrap up for all of our panelists. And Thea, let's start with you since you're front and center on my screen. So what is the best piece of financial advice you've ever received and how did [that] advice impact your life?

Thea Garon: Yeah, it's a good one. It's a good question. My father is a saver, and that's just always been the case from a very young age. I would say the importance of saving was drilled into me. Of course, that was made far easier for him and for my family because he was fortunate enough to have a steady, well-paying job. But the idea of saving what you earn as much as possible, it was never something that he took for granted. It was certainly a point of pride for him, right? How much he was able to save. But I think more than a point of pride, it was a part of his identity. So I don't know if that's one piece of advice really, but it's a lesson that I feel was ingrained in me from a very early age.

Alexandria Halmbacher: It's a really good piece. That is a good piece of advice. How about you, Khaz?

Khaz Finley: I'm similar to Thea. My dad is a financial guru in my eyes. So my mom had the degree, he didn't have the degree. But my dad, he's been retired for years. He retired really young and he didn't do anything but kick his feet up. I said, "Dad, how did you learn to save money at such a young age?" He said once he reached a certain threshold of making money, the rest was savings. Because he was like, "I didn't need it." So understanding what you need as you continue to move through life. While you do make it and it is yours, do you technically need to spend that money? It takes a lot of discipline, obviously, and a lot of restraint, and a lot of turning your kids away when they ask for stuff. Because that's what happened to me.

But in the end, the end result is, I can retire sooner. I don't have to worry about certain things that other folks worry about when they retire such as benefits, because I'm able to afford those things. I can pay for a car, pay for a house. So he planned things out at an earlier age to hit a certain threshold. Once he hit that threshold, that was it. I'm not spending over this, the rest I'm throwing up. I think whenever I reach that threshold, I will do the same. I'm trying to get there. But that's the best piece I got from him. I look at him as the guru because he didn't take the traditional, "Ah, went to college four years, graduated, and got a great career." No, he was part of that laborers' community years ago in the '70s and '80s. Which is got a job out of high school and just worked, except he didn't have to work until he was 70. He really figured out a way to work until he was 50. That's what I'm trying to learn from him.

Alexandria Halmbacher: Thanks, guys. How about you Abdullah?

Dr. Abdullah Al-Bahrani: The best advice that I received was from my father and that is, "With income/wealth you can influence change." When we look at our structural issues in the US or across the globe, there is a relationship between wealth accumulation and the ability to influence change or who is marginalized in our communities. That's really what influences the work that I do, is I want to make sure that people have the knowledge and the ability to navigate the economy so they could create the world that works for them, that equalizes the outcomes. So with wealth income, you can influence change. Or the other way to think of it is income and wealth are required to cause structural changes in the economy.

Alexandria Halmbacher: Thank you. Then finally, Angela.

Angela Lowery: I feel like we should end it with that one because that's more inspirational and philosophical. Mine is much less based … basically, my mom, very diverse, she always just said, "Don't spend more than you have." While that's a lot easier said than done, she really drilled that in from a young age. And I really try to live my life that way. That's helped me along my path.

Alexandria Halmbacher: Perfect. Well with that, we're at time. So I want to thank all of you for your responses and for the great discussion and presentation. I also want to thank all of our attendees for taking time out of their day. Please mark your calendars for our next FedTalk, which is COVID-19 and Supply Chains: A Year of Evolving Disruption. That will be on May 25. Once again, thank you everyone for joining us today. I think we had a really great discussion.