Making the Case for Building the Financial Capabilities of Community College Students

This piece is intended to help community college personnel and stakeholders determine if a financial capability strategy makes sense for their institution. In addition to providing the underlying logic for building financial capabilities, it offers insight on how to do this work effectively.

Because no single approach will be right for every community college, we offer a framework for assessing a financial capability strategy rather than recommending a specific intervention or program. This framework is traditionally used to guide the exploration of interventions according to how well they meet a set of criteria likely to be relevant to a particular decision-making process. The six criteria are need, fit, expected outcomes, readiness, capacity, and resources.[1]

Here we will make the argument for why a commitment to helping students manage their financial lives aligns with the needs of many students who attend community college, and in many cases, fits with what institutions are already doing. Student needs are not limited to financial constraints and short-term emergencies. They extend to the need to make financial decisions today that will (1) help with the management of unforeseen but inevitable expenses and (2) have positive consequences for financial stability. It's also possible that empowering students to manage their financial lives—a newer approach for many institutions that have focused solely on acute needs—could reduce time spent by institutional staff addressing students' financial crises.

We hope that by framing a financial capability strategy in this way, it will help generate dialogue among community college personnel interested in helping their students manage their financial lives. Our aim is to provide decision makers with the rationale for adopting a financial capability strategy or strengthening commitments already in place, and, ultimately, to provide information that might aid in the decision-making process required to achieve these goals.

Background

Financial challenges are just one obstacle facing community college students. Many students also carry additional risk factors including academic unpreparedness, simultaneous full-time work, single parenthood, being the first generation to go to college, or being financially independent. These factors too often interfere with their capacity to commit fully to higher education, as reflected by the low completion rates that range from 12–22% for first-time, full-time community college students.[2] Empowering students with the skills to manage financial challenges could instill confidence and increase the likelihood they will be able to effectively manage their personal finances beyond a specific challenge.

Evidence suggests that community college students make financial decisions without adequate information, guidance, and support. Often students don't know where to look for or how to access help. Lacking the guidance of informed adults, many students are unfamiliar with financial aid processes, such as how to access or complete a Free Application for Federal Student Aid (FAFSA). Some fall victim to the dangers of using high-interest credit to finance school, which could present barriers to paying for school in the short-term and could lead to crippling debt burdens in the long-term.

The demographics of community college students—many of whom are racially and ethnically from minority groups, immigrants, female, and lower-income—are associated with lower levels of financial literacy.[3] As a result, community college students may be more prone to vulnerability when it comes to making financial decisions while in school. Increasing their capacity to manage their financial lives—whether by using money management and savings strategies on a daily basis or by leveraging more flexible student loans responsibly over the course of their education—greatly improves the prospects for financial security later in their lives.

The need for improved levels of financial capabilities among students is real. Concerted efforts to promote financial competency accrue potential benefits to both students and educational institutions seeking strategies that contribute to student success by removing some of the barriers to students' ongoing investment of resources in their education. These barriers include lack of resiliency in the face of unforeseen expenses, the inability to balance competing financial demands, and a disregard for setting financial goals.

The concern for longer-term financial competency distinguishes college-based programs that help to integrate financial capabilities into daily life from approaches designed only to address in isolation, for example, a particular student's financial challenge or crisis. Integrating the tools of proactive financial management into daily life stands a real chance of ensuring that the student is better prepared for future challenges.

So, what we're advocating is an approach that doesn't replace basic financial aid or assistance but rather complements traditional efforts to address need.

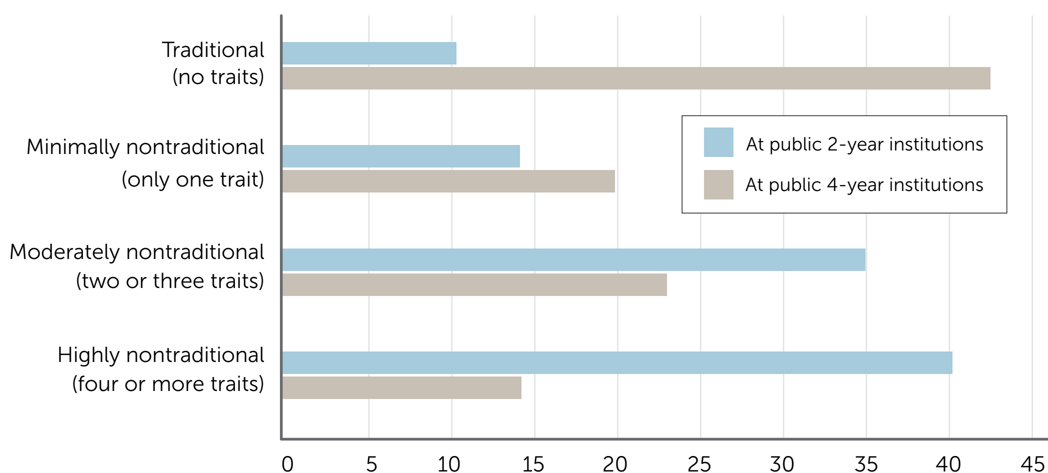
A Framework for Assessing a Financial Capability Strategy

Our goal is to clearly justify why it makes sense for community colleges to commit to helping students manage their financial lives effectively. We do this by showing how well such a strategy aligns with the needs of many students who attend community college, how it fits with what institutions are already doing in many cases, and by describing the types of outcomes that can be expected when efforts are well-informed and sufficiently evaluated. A number of field-tested options have been implemented already, so institutions just beginning to consider how to build financial capabilities among their students are not venturing into uncharted terrain, as emphasized by the eight case studies included in this *Handbook*. The unique contexts of community colleges are also considered since constraints on resources and capacity can pose real or perceived barriers to moving forward with a strategy. Here we offer language to help justify a financial capability strategy along with decision-making tools intended to help institutions navigate these issues.

Needs of Community College Students

Relative to four-year institutions, public two-year institutions serve more students who are first-generation college attendees, from disadvantaged backgrounds, single parents, non-native English speakers, pursuing GEDs, financially independent, and displaced workers. A study examining the prevalence of nontraditional characteristics (in this particular case, defined as financial independence, attending school part-time, delayed enrollment, working full-time, having dependents, being a single parent, having a GED or no high school diploma) found double the percentage of students presenting at least four of these characteristics at public two-year institutions relative to public four-year ones (see Figure 1).[4] The inverse was true for the percentage of students characterized as traditional; more than double the percentage attended four-year institutions than two-year institutions.

Figure 1
Percentage of Undergraduates With Nontraditional Characteristics



Nontraditional students are more likely to leave post-secondary education without a degree or certificate and are at greater risk of dropping out during their first year than traditional students.[5] The priority of students having multiple nontraditional characteristics tends to be work. That is, they perceive themselves to be working at a job and simultaneously enrolled in classes; they may not characterize themselves foremost as a student who needs to have a job. In fact, the most common reason students drop out of college is to focus on work.[6] However, studies have shown that the effect of work on persisting at schooling is indirect and that it operates through delayed enrollment and enrolling part-time. A factor directly related to persistence is financial independence.[7] By definition, financial independence involves financial decision making on one's own and therefore may require learning by doing; but if decisions are uninformed, or even worse, based on poor advice, the student runs the risk of encountering pitfalls such as ensnaring debt (particularly of the magnitude required to finance an education) and financial fragility.

Some institutions also describe a student population having overlapping social service needs, such as domestic violence and homelessness (see the Mesa Community College case study). Combine such factors with the more common financial constraints found even among more traditional students of four-year institutions and the barriers to completion can be overwhelming. As noted earlier, this is reflected in the low completion rates for first-time, full-time community college students that range from 12–22%, depending on the time frame used (two years or three years, respectively).[8] Enrollment decisions may be influenced by academic, emotional, familial, or relationship factors, but, inevitably, it is a financial decision. It may not be possible to address all of the circumstances complicating students' ability to complete their higher educational goals, but it is possible to address financial choices, which also play a role.[9]

To date, no research has rigorously demonstrated that community college students make ineffective financial decisions or have extremely low levels of financial capabilities. Yes, there have been attempts to assess community college students' fact-based knowledge of specific financial facts using the National Financial Capability Survey (discussed below). But there have been no rigorous attempts to assess student use of healthy financial management techniques

and practices. Nevertheless, we do continue to see distressing patterns of financial behaviors and outcomes among the demographic groups served by community colleges. As stated earlier, community colleges typically enroll disproportionate numbers of low-income youth, women, legal immigrants seeking skills to expand their employment opportunities, and students from low-income, minority backgrounds. Research indicates that financial literacy levels are lowest among these demographic groups.[10]

Descriptive data from the Financial Industry Regulatory Authority (FINRA) 2012 National Financial Capability Study reveal significant distinctions between two-year and four-year students demographically and on indicators of financial need and financial behaviors.[11]

- Relative to four-year institutions, in 2012 larger portions of community college students were female, minority, supported dependents, and/or were classified as lower-income.
- Higher portions of community college students reported engaging in more risky financial behaviors, such as borrowing from payday lenders, relative to those at four-year institutions.
- A lower percentage of community college students report having student loans. This aligns with observations that community college students underutilize financial aid, for reasons thought to include a lack of basic understanding of financial planning, difficulty accessing financial aid services, distrust of government, or reluctance to take on debt.[12]

Financial literacy levels, financial fragility (defined as confidence in one's ability to come up with $2,000 if an unexpected need arose within the next month), and lack of emergency savings did not differ significantly between the two groups. That the percentages were high in both groups may seem like cause for immediate concern. But more nuanced consideration of the data may suggest the following: In an emergency, two-year community college students, who are more likely to be financially independent than four-year students, may not have access to financial resources of family members. Whereas four-year students, who are more likely to be dependents, may report a lack of financial resources but, if needed, could access familial resources.[13]

Community college students have low levels of financial knowledge across a variety of topics, as numerous reports document. Young adults (usually defined as people between the ages of 18 and 30) display low levels of knowledge about savings, investments, credit cards, and student loans. Studies of high school students and working-age young adults also reveal poor understanding of fundamental economic concepts.[14] Community college students in particular have lower level mathematics preparation, which is highly correlated with objective measures of financial knowledge.[15] In the 1990s, 44% of those who started in community colleges did not reach algebra I in high school, compared with 11% of those who entered four-year colleges.[16] Moreover, financial choices may be particularly consequential depending on where community college students are in their life course.[17]

For students, unforeseen financial events such as unexpected increases in tuition or living expenses, car repairs, or medical bills may interfere with their ability to meet their financial obligations. Researchers have argued that these "unforeseen events" are due to poor planning. Although most students come to college with an academic plan, few come with a well-defined financial plan.[18]

Table 1
Descriptive Characteristics of Participants in the FINRA 2012 National Financial Capability Study by Type of Educational Institution

	Community College (*N* =552)	Four-year Institution (*N* =972)
Demographic characteristic		
Female	53%	46%
Minority	55%	48%
Has dependent(s)	41%	31%
Household received state/federal benefits (e.g., Supplemental Security Income, Temporary Assistance for Needy Families, unemployment benefits) in the last 12 months	23%	16%
Lives with parents, family, friends, or roommates	42%	50%
Lives with spouse/partner	39%	28%
Financial indicators		
Student loans	44%	62%
Difficulty covering monthly expenses	70%	61%
No emergency savings (i.e., funds set aside to cover three months of expenses)	61%	55% (NS)
Financially fragile (inability to come up with $2,000 in a month, if the need arose)	49%	46% (NS)
Low financial literacy (score based on five-item financial literacy quiz[19])	77%	74% (NS)
Non-bank borrowing	46%	39%

NS = not a significant difference

The good news is that while young adults have measurably low levels of financial literacy, they have professed an interest in increasing their knowledge in this area. A Sallie Mae survey on credit card use among undergraduate students revealed that 84% of students said they needed more education on financial management topics.[20]

Studies also show that while community college students are less likely to utilize conventional financial aid such as federal grants and loans, they're more likely to take on risky debt than their four-year counterparts. According to a study examining the use of private loans taken out by community college students, more than half did not first exhaust options for more affordable and flexible federal aid options.[21] Among those eligible for a Federal Pell Grant (aid that does not need to be paid back), significantly more students pursued this type of aid in the 2007–2008 academic year at four-year colleges (77%) than two-year colleges (58%), despite higher eligibility levels among community college students.[22]

Students who are eligible and do apply for a Federal Pell Grant can receive no more than six maximum awards over their lifetime.[23] Currently, one group left vulnerable by the limitations placed on Pell awards are students required to complete remedial coursework before they're able to take college-level classes. Remedial courses in math and reading, for instance, cost money but do not earn college-level credits. So students in financial need who are required to take remedial classes—about a quarter of community college students in 2007–2008—are consuming a finite resource when they use Pell Grant awards to cover the costs of remedial coursework.[24]

Among community college students, those who take out student loans borrow significantly lower amounts than student borrowers at four-year institutions due to the difference in tuition costs. However, on average, the default rates are higher among community college students who borrow.[25] According to the U.S. Department of Education, the two-year default rate (defined as the percentage of students who default within two years of entering repayment) ranged from 12% in 2009 to 15% in 2011 among borrowers who attended public two-year institutions, whereas the rate ranged from 5% to 7% for the same years among borrowers who attended public four-year institutions.[26] Reasons for default could be tied to job placement and income level once borrowers enter repayment. However, it's also likely that a student's financial capabilities play a role. Knowledgeable about seeking help to avoid credit harm, a financially capable borrower might be aware of the flexible repayment options for federally backed student loans and so might take advantage of those options to protect the borrower's credit.

Why are community college students so deficient in financial capabilities? Financial socialization may be a relevant factor. Results from a longitudinal study of students at a public four-year institution have revealed three patterns of financial identity that are associated with financial behavior. Although the study was not completed among community college students the patterns may still offer insight. Researchers identified three groups including students who followed their parents' financial management style, students who engaged in more communication with their parents about finances and sought ways to enhance their knowledge and skills in managing their personal finances, and students who distanced themselves from their parents' style and were not committed to a particular financial management style.[27]

Differing degrees of "financial parenting"—the extent to which financial direction and knowledge sharing had been provided by parents or guardians—were reflected in these identities along with their associated financial capabilities. The second group of students who developed their own financial management style reported engaging in more positive financial practices than the other two groups. The students who neither modeled their parents nor developed a financial management style of their own reported engaging in the least number of positive financial behaviors. This study speaks to the critical role of financial socialization in shaping financial behaviors. The demographic characteristics discussed previously that typify many community college students may be associated with less routinized, skills-based "financial parenting" taking place during adolescence and early adulthood. Efforts by community colleges to build financial capability programs could provide the missing skills and mentoring these young people need to achieve financial competence.

Community colleges have traditionally worked to address students' financial needs, such as dealing with financial crises that immediately threaten the student's ability to stay in school. But often this work does not build financial capabilities. Key to building financial capabilities is getting students to plan for the future and connect the dots between their actions today and their financial health tomorrow.

For example, a more financially capable student…

- is aware of how her spending decisions today will affect her ability to weather an emergency, such as a car repair, tomorrow;
- is more likely to avoid over-borrowing on credit cards or student loans and thinks about the consequences of how she decides to make payments;

- is confident in her ability to seek help from trustworthy sources when needed and to avoid predatory ones;
- is aware of the importance of setting financial goals in order to achieve future financial wellness;
- and, of greatest relevance, acts accordingly.

This sort of behavior doesn't fully eliminate financial challenges from a student's life, but it does change the role they will play. While it may seem self-evident that students could benefit from strengthened capabilities to manage their financial lives, how exactly to go about doing this work and how the benefits play out in a community college context are less obvious.

Evidence for a Financial Capability Strategy and Expected Outcomes

The evidence on financial capability efforts is mixed, so we don't know yet what works.[28] However, it's likely that interventions capable of changing behavior *will* work. Part of what we're encouraging is to attempt interventions that are aimed at changing behavior. At the same time, it is necessary to carefully measure outcomes as part of program design so that we can all determine *what works*. Here we share examples of mixed findings and offer explanations and implications for efforts moving forward.

Results have been mixed for a number of reasons. First, the field of financial capabilities is new, and efforts continue to be refined and improved through the use of evaluation techniques and the application of research and theory. Second, the outcomes that are regarded as unsupportive of financial capability efforts were, in many instances, based on a different paradigm. That stream of work made use of financial education to transmit knowledge in hopes of increasing levels of financial literacy thought to be associated with positive financial behaviors. The shift to building financial capabilities and what that means in terms of program design and outcomes has been deployed for less time in the field. Findings from longitudinal studies about factors influencing positive financial behaviors, applications of theory to enhance program design, and the use of evaluation techniques to improve programs and demonstrate outcomes hold promise for the field of financial capabilities.[29]

Before summarizing findings and areas of opportunity for the field of study, we ask readers to consider an underlying question: What are the expected outcomes of being a financially capable student? The question assumes that the student has already become a financially capable person regardless of how this came about. Because we are assessing a strategy rather than any single intervention, it is important to examine this fundamental question.

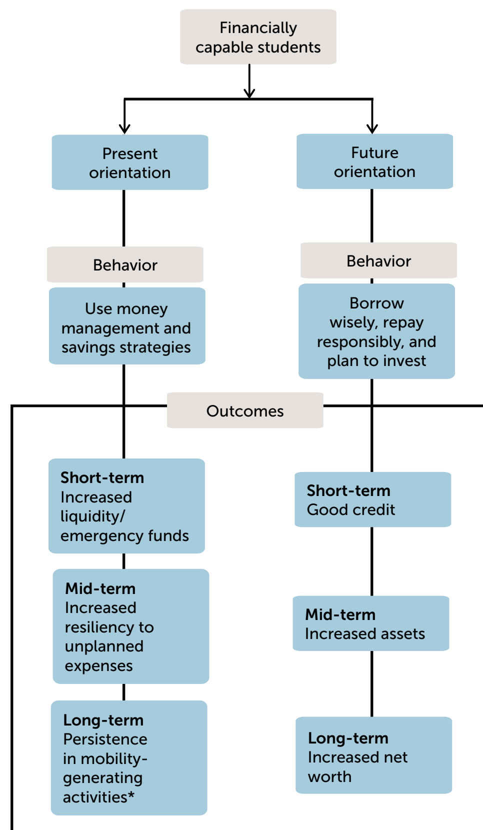
Underlying Logic of Financial Capabilities

Managing personal finances is necessary to participate in society independently. The level of effectiveness of managing personal finances separates a financially capable person from a less capable one. This can lead to vastly different outcomes both on a daily basis as well as into the future. Quality financial decision making on a daily basis is indicated in Figure 2 as the use of money management techniques and savings strategies. These daily habits are categorized as present-oriented in Figure 2, since there are likely to be opportunities every day to behave this way. Opportunities to spend less and save more occur daily by distinguishing between needs versus wants, sticking to a specified budget, and by saving even small amounts. This has the potential to yield a growing reserve of

emergency savings, which builds resiliency to unforeseen expenses, allowing for continued persistence in activities likely to foster economic mobility.[30] For community college students struggling to make ends meet financially, the ability to weather unplanned expenses may serve as at least one protective factor against educational and even occupational disruptions. Quality decisions likely to be made on a less frequent basis but having consequences of greater magnitude appear in Figure 2 as borrowing wisely, repaying responsibly, and planning to invest. These are categorized as future-oriented because of their significance to one's future ability to accumulate assets. Responsible borrowing and repayment directly affects credit that enables asset purchases, which a financially capable person aspires to make in order to build his or her future net worth. While the outcomes shown in Figure 2 are applicable beyond community college students, especially given the increased emphasis on individual responsibility in the new post-2008 economy, they are relevant to challenges faced by both students and institutions.[31]

Benefits are likely to accrue to both students and the institutions that serve them when students are better able to manage financial challenges and the institutions can spend less time in crisis management mode. Furthermore, the more often student loan borrowers are responsible in their repayment of debt, the greater the likelihood that institutions can avoid the threat of sanctions for student loan borrowers who go into default.[32]

Figure 2
Potential Outcomes of Effectively Building Financial Capabilities Among LMI Students



*Activities such as completing coursework, being on-time and focused in the workplace, and engaging with mainstream institutions and systems (e.g., financial, educational, healthcare, etc.).

Review of the Literature

While consumer protections from predatory financial practices and access to safe financial products are important safeguards, decision making is a consumer's first line of defense. As such, there are benefits to optimizing the quality of our decisions in an ever changing financial marketplace and regulatory context. The question we now turn to is whether effective management of personal finances can be cultivated. Can it be taught and, if so, how? Research on the effectiveness of financial education has been mixed, but the reasons for this have important implications for the improvement of efforts.

Multiple studies have shown that exposure to financial education does not yield sustainable changes in financial behavior.[33] Some studies have shown that numeracy and math skills have a greater influence on financial behaviors than financial education.[34] Even measured financial literacy has been shown to have only modest effects on financial behaviors, which might suggest that efforts designed to increase financial literacy levels may be targeting the wrong factor.[35] Compelling questions raised by these studies are whether the programs were designed or implemented poorly, whether measurement of the efforts was insufficient (i.e., were they measuring the wrong things), or whether it's just not possible to change financial behaviors.[36]

Different explanations of why it is so difficult to influence financial behaviors exist. One view is contextual, with a focus on the circumstances of poverty, including education, health, living conditions, political representation, and numerous demographic and geographic variables.[37] According to this view, low-income people live in sociological, political, and economic conditions that lead to suboptimal consumer financial outcomes. Limited financial literacy is one of many contributing factors in environments where suboptimal financial behaviors are prevalent.

The second view focuses on personality traits, where, for instance, factors such as impulsiveness may be associated with inefficient information processing, and lower self-control may affect one's ability to cope with ambiguity.[38] IQ is also relevant insofar as it affects one's ability to envision the future consequences of decisions and actions.[39]

A third view focuses on institutional factors: Financial behavior can only improve to the degree that financially knowledgeable people can access financial institutions and instruments. In the financial realm, if one cannot apply knowledge, it becomes worthless. Research has shown that experience transforms knowledge into aptitude.[40] For this reason, some propose that by definition, financial capabilities include access to both the knowledge and the tools to make better financial decisions.

This is concerning for all members of society but particularly lower-income persons who are likely to be left more vulnerable by poor quality financial decisions than less constrained persons. For instance, while all segments of the population are better off making quality financial decisions rather than uninformed and potentially harmful ones, the concern for low-income segments of the population is that poor financial decision making can be particularly catastrophic when already facing financial constraints that tend to signal the absence of a protective buffer from mistakes.

An alternative explanation surrounding the uncertainty of "what works" in the financial capability space relates to the measurement of efforts. Many evaluation studies on the effectiveness of financial education have lacked sufficient detail about the different elements that make up

the program model being delivered. It's common for studies to exclude what would be valuable detail on the instructor, the instructed, and the instructing. Such details would yield useful information to the field of study in terms of why certain efforts have been ineffective and where the greatest gains have been made.[41] Furthermore, the ways in which financial knowledge and financial behaviors are measured vary and may not always be applicable or theory-based. Measures of objective forms of financial knowledge have made a significant contribution to the field dedicated to the effective management of personal finances. Questions about compound interest, inflation, interest rates, mortgage payments, and stocks and mutual funds have enabled a consistent measure of financial knowledge that has allowed for benchmarking by national entities such as FINRA and studies examining the role of financial knowledge in behavior change.[42] There is value to assessing knowledge levels in this way, but it has led to a practice problem whereby practitioners might teach the content related to similar measures of objective or fact-based knowledge even if it's not suitable for their particular audience. For youth and low- to moderate-income audiences who might not be in a position to save regularly or might not practice budgeting that would enable them to save regularly, learning about compound interest and inflation might not help them to engage in the more basic practices that are likely to be relevant to those just starting to earn and those who may be starting to take a more active role in their finances. Consequently, efforts may be designed to cultivate unrealistic behaviors in a given audience. They may be evaluated in relation to unrealistic standards rather than the basic behaviors that are prerequisites for more sophisticated financial practices.

We do not know whether individuals who are not practicing money management and savings strategies or who may be engaging in risky financial practices, such as over-borrowing at suboptimal rates, would even benefit from learning about compound interest, inflation, and stocks and mutual funds. Is this relevant content to them? Would this address their most pressing needs? In any event, these tend to be included in definitions of a financially literate person. As a result, efforts have, in part, been assessed on the basis of related knowledge gains rather than on the basis of knowledge of practical rules-of-thumb and the ability and propensity to apply what is learned.

This is a definitional problem that has, in many instances, resulted in a mismatch of information delivered, the standards by which efforts are assessed, and the information actually needed. This is demonstrated by studies finding stronger outcomes for more practical forms of training than those emphasizing underlying principles. For instance, a rigorous study using random assignment of business owners into two types of financial training classes found that those who received a rules-of-thumb–style training that emphasized easily implemented decision-making rules managed their business' finances more effectively than those who received training on the fundamentals of business accounting.[43] There is a continued role for research and theory in the development and design of practice so that what is found to influence financial behavior continues to be incorporated into and used to refine efforts.

In response to claims that financial education is ineffective, within the last few years, the approach has changed. Initially, there was more emphasis on increasing levels of financial literacy through financial education. Financial literacy tends to be used synonymously with knowledge although there have been multiple definitions offered that bring in skills and abilities and the application of those skills and abilities to varying extents.[44] The shift to financial capabilities expands upon knowledge building to include skills building and the application of knowledge and skills through access to opportunities to apply them.

Without opportunities to apply knowledge and skills, it's unlikely that behavior change will result. The mechanisms that are most likely to give way to behavior change are receiving increased attention, and the extent to which they are directly applied to financial capability efforts should yield improved outcomes.

Scholars argue that knowledge is unlikely to lead to behavior unless one has the confidence to complete an action.[45] To fully understand the influence of different mechanisms on behavior change, it's necessary to conduct longitudinal studies. A longitudinal study of a cohort of University of Arizona students has revealed certain factors to be relevant to positive financial behaviors, defined as tracking monthly expenses, spending within a budget, paying off credit cards in full each month, saving money each month, investing for long-term financial goals, and learning about money management.[46] The study found that attitudes, efficacy (perceived ability), and control (perceived control over one's finances) were predictive of positive financial behaviors and that certain types of knowledge were more predictive of attitudes, efficacy, and control than others. Research suggests that the presence of these factors relates to socialization and financial parenting, which is useful for thinking about ways to cultivate them in individuals who have not been exposed to role models or communication about managing personal finances.[47] For instance, efforts must include opportunities to directly apply knowledge and skills gains in order to produce confidence and greater perceived control. The experience gained may serve as a feedback mechanism that simulates feedback received through socialization processes.[48]

Subjective knowledge—based on participants' beliefs of their knowledge level—was more predictive than objective knowledge—as measured by a 15-item true/false financial quiz. This is not to say that objective knowledge isn't important, since it has been shown to be associated with positive financial behaviors, as indicated by a study of college students' objective knowledge of credit that was associated with reductions in risky paying and borrowing behaviors.[49] But efforts that neither strive to build levels of subjective knowledge nor measure changes in subjective knowledge may be missing an opportunity to increase their effectiveness. Similarly, as the role of confidence and financial self-efficacy in promoting positive financial behaviors is gaining clarity, ensuring that practitioners are aware of this and have a tool for measuring it may lead to increased effectiveness of their efforts.[50]

Some noteworthy theoretical perspectives with implications for practice and interpretation of effectiveness studies include what is termed a "stages of change" approach and a socialization perspective.

The stages of change approach has been applied to behavior change models in other fields such as substance abuse treatment and criminal justice.[51] Scholars have recommended applying the stages of change approach to efforts designed to elicit behavior change surrounding the management of personal finances.[52] The benefits of a stages of change approach, which assesses participants on the basis of their readiness to change, is that it can provide practitioners with a guide to matching the appropriate level of service intensity and content to a participant's readiness level. A student who takes part in an effort to learn how to manage his personal finances more effectively but who refuses to stop eating out with friends every night of the week might require a different approach than a student who is working to save but still admits to feeling tempted to buy things she doesn't need on occasion. A socialization perspective acknowledges that we not only continue to change developmentally throughout life but also our life circumstances often change, which can affect the financial decisions we make and the type of guidance we're giving and receiving when

it comes to financial practices.[53] A couple may start off with moderate financial capabilities. But after years of one partner managing the finances, in the event that the couple separates, one partner may become much less confident in managing her finances with her newfound independence than when she first entered the relationship.

Both theoretical perspectives offer a lens through which to interpret effectiveness studies (e.g., was the effort a "one-size-fits-all" approach or was readiness level considered?) and to potentially improve efforts.

Another way to achieve effectiveness of efforts is to use of tools of evaluation. These tools are intended not just for assessing effectiveness and identifying features that are working well but also to aid in continuous program improvement. These tools can help grow the field of financial capabilities and cultivate increasingly effective methods for promoting positive financial behaviors.

The need for students to be engaging in positive financial behaviors and the expected outcomes of financial capability efforts are compelling reasons to adopt a strategy or to strengthen existing efforts. But it's also useful to put this work into an institutional context since priorities, resources, and capacity vary from one institution to the next.

Fit, Resource Availability, and Capacity to Implement

Each of these three areas is specific to an institution or organizational entity. Here we're referring to the fit of a financial capability strategy with an institution along with the availability of resources and capacity to implement efforts at the institutional level. The other three criteria—needs, expected outcomes, and readiness of efforts—refer to characteristics of the audience and the efforts as opposed to those of the organizational entity.

A financial capability strategy fits with community colleges for a number of reasons beyond just need. These institutions are already serving a captive audience engaged in the learning process and, in many instances, providing nonacademic supports to these students, often in an ad hoc manner.[54] Community colleges are under increased scrutiny to produce better outcomes despite constrained resources. Therefore they are likely to benefit from strategies designed to help students mitigate at least some of the challenges interfering with their continued pursuit of higher education. The reality of constrained institutional resources may seem like a reason not to adopt a new strategy or expand efforts already in place. However, clear evidence exists from other institutions that have implemented and even scaled up efforts institutionally. If the work is considered to be a high priority, there are ways to overcome resource constraints.

The case study section of this *Handbook* includes an example of an institution that held a particular financial stability center model as such a high priority that staff spent more than a year learning as much as they could about the model prior to securing funds required for implementation (see the SparkPoint Center at Skyline College). Another case study describes a financial aid advisor who was so concerned by the lack of guidance student loan borrowers were receiving surrounding their refund checks that she began an ad hoc peer mentoring program with just three work study students. The effort later received funding and grew to include a more robust effort consisting of six mentors at each of the college's five campuses with physical space dedicated by the college (see Valencia's Financial Learning Ambassadors Program). There are also instances of shifting from heavy reliance on grant funding to institutionalized models, enabled by demonstrating the gains achieved, as in the case

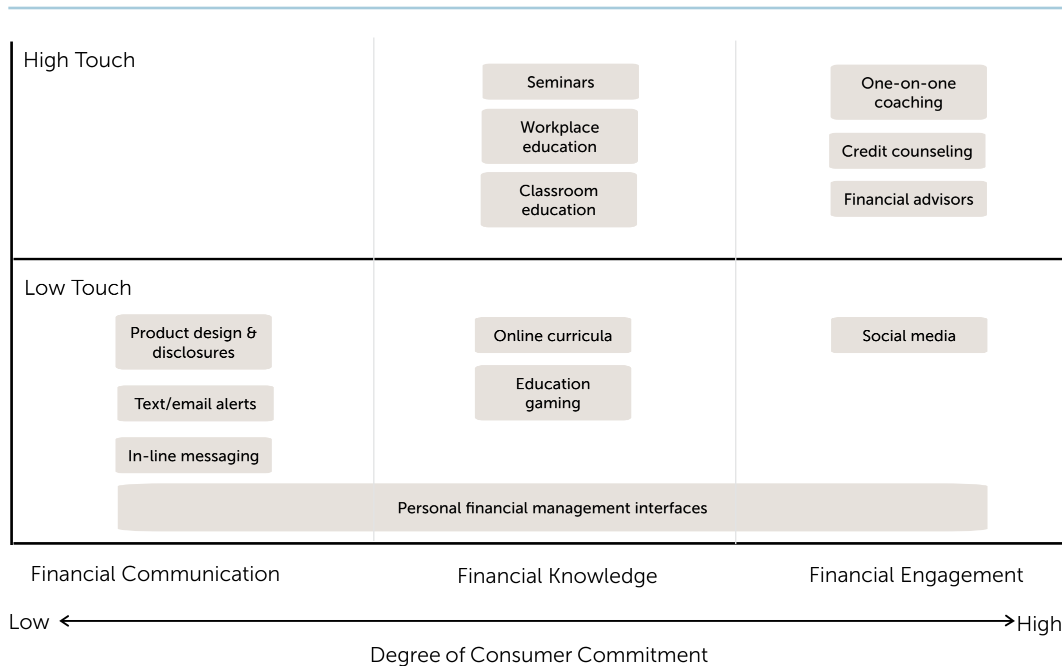
of Central New Mexico's Connect program. Distinct from but related to resource availability is capacity to implement, which addresses the extent to which an institution can commit to quality implementation.

Quality implementation sounds like an obvious aim, yet it's not always simple to achieve. It's possible to deviate from the plan—to serve individuals who don't quite meet stated eligibility criteria, to deliver a smaller dosage than recommended by a model, or to share information that departs from the intended content. These could be but are not necessarily related to resource availability. There are ways to support quality implementation, such as through data tracking and careful monitoring of processes, through careful consideration of staff or partner selection and cultivation of staff through training, and by gathering feedback from individuals served, staff/partners, and other key stakeholders.

The important takeaway when considering fit, resources, and capacity at the institutional level is to be mindful of how aligned a strategy may be with each of these at the present time. But it is also essential to be mindful of where potential may exist, given that the ability to demonstrate a strong fit with mission and priorities may serve as a catalyst to find needed resources and to support quality implementation.

This brings us to the sixth criterion that is related to what an institution is going to implement. A consideration of options that exist and have been field-tested with some success is a good place to start. This is generally referred to as the readiness of options.

Figure 3
A Framework for Financial Capability Innovation



Source: Joshua Sledge, Jennifer Tescher, and Sarah Gordon, *From Financial Education to Financial Capability: Opportunities for Innovation*, Center for Financial Services Innovation (an affiliate of BankShore Corp.), 2010.

Readiness of Options

Readiness of options as applied to the exploration of a financial capability strategy refers to the range of methods for building the financial capabilities of students and the extent to which field expertise exists to support the work. Specific interventions are continually being developed, so a list of actual efforts would only be representative of a snapshot in time. But a useful framework for describing efforts places them along continuums of delivery intensity and consumer commitment, as shown in Figure 3.[55]

The effectiveness of delivery methods offered in Figure 3 is subject to the design and implementation of specific efforts. The delivery method is closely tied to resource availability, and there are likely to be tradeoffs between intensity and consumer commitment. The more intense the effort, such as one-on-one financial coaching, the greater the hypothesized impact but the lower the extent of outreach to students, given the amount of resources per student needed. In contrast, the less intense the effort, such as using text alerts to encourage savings, the greater the number of students who can be reached but with potentially less impact. Tradeoffs occur in either instance, but there is a certain utility to thinking about efforts in this way, since institutions differ and may weight options on the basis of the perceived benefits and alignment with the institution and the needs of its students.

As indicated in the case studies presented in the *Handbook*, some community colleges have put efforts in place and have achieved successful implementation, as indicated by an institutional willingness to continue, expand, or institutionalize the efforts. Implementation does not happen without field expertise, and, in many instances, partnerships with experts are a key component of the programs. The case studies describe two examples of educational, matched savings programs; two examples of Annie E. Casey Foundation Center for Working Families models; a peer-to-peer mentoring program; a multi-method financial literacy center; a financial coaching model; and an online financial education program. The efforts range in intensity of service delivery and reach of students as well as their reliance on partnerships.

Conclusion

Community colleges are under increased scrutiny to improve student outcomes despite the reality of constrained institutional budgets and challenging student needs. Building the financial capabilities of community college students is likely to benefit the institutions as well as the students served. Historically, community colleges have been responding to financial need, but, as evidenced by the high dropout rates and time spent responding to students' nonacademic needs, additional strategies are needed. A commitment to helping students manage their financial lives more effectively is likely to benefit students during their college days and beyond.

A financially capable student will be conscious of the consequences of her daily financial decision making and those with longer term consequences. She'll strive to put herself in a favorable position for the future, for instance, by ensuring that her borrowing and repayment behavior will lead her to good credit, which is required for accessing assets affordably. She'll also apply easily implemented tools, such as splitting her purchase decisions into the things she really needs versus those she wants since each dollar saved on a want could help weather the next unforeseen expense. In the event that unforeseen expenses no longer cause disruptive emergencies in her life, she'll be able to balance competing demands on her time and finances. These are essential elements for a financially stable life, especially among populations struggling to manage life's demands with fewer resources.

Moving from a historic focus on treating financial needs that may cause college disruption to empowering students to manage their financial lives more independently and effectively is new territory for many community colleges. Institutions already committed to these outcomes may be convinced of the value but uncertain about how best to proceed. As demonstrated in this assessment and illustrated by the eight case studies in the *Handbook*, there are multiple field-tested options for building financial capabilities, which means that resources exist for shared learning and informing approaches. And although "what works" has yet to be sufficiently determined, we do know that research and theory offer promising directions for financial capability work, as does the proper use of tools of evaluation. One size does not fit all. Although a widespread need exists for improved financial decision making across the LMI populations who are overrepresented in community college settings, how to go about building their financial capabilities is rooted in individual need and shaped by institutional resources and institutional capacity to do the work. Here we have attempted to provide justification for moving in this direction, to offer decision-making tools applicable to effort selection, and to share insights for achieving effectiveness in the delivery of efforts.

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