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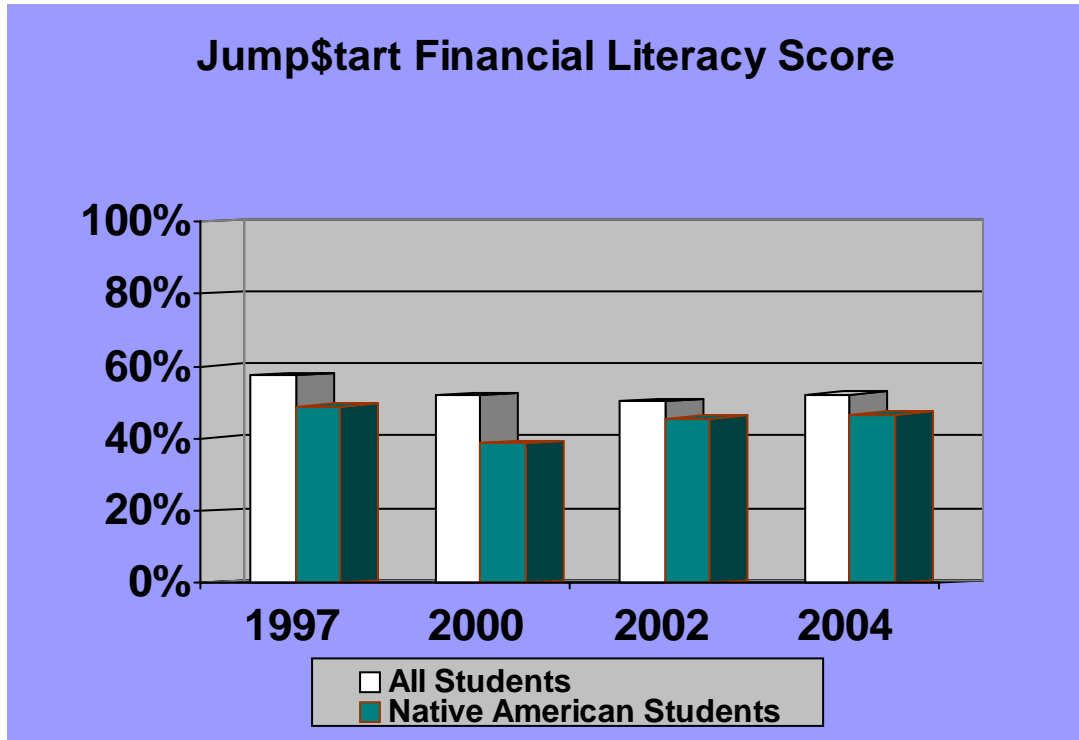


# Closing the Financial Literacy Gap Among Native American Youth<sup>\*</sup>

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**Summary:** Native American youth are less prepared to make informed financial choices than their peers, according to tests of high school seniors conducted by the **Jump\$Tart Coalition for Personal Financial Literacy** (Jump\$Tart). Jump\$Tart and its national partners, notably the **Native Financial Education Coalition**, are working to close this gap and bring Native youth to a high standard of financial knowledge.



<sup>\*</sup> Jump\$Tart Coalition for Personal Financial Literacy and State University of New York at Buffalo. This report is based upon a survey sponsored by Merrill Lynch.

## Introduction

Since 1997, the **Jump\$tart Coalition for Personal Financial Literacy** (Jump\$tart) has been measuring the financial literacy of young adults in their last year of high school. The results have been troubling — few high school seniors are capable of passing a multiple choice examination which measures their ability to make informed financial choices in matters that are critical to persons of their age. To compound this problem, scores have declined significantly since the test was first administered in 1997.

The **Native Financial Education Coalition** comprises local, regional and national organizations and government agencies working together to promote financial education in Native communities. (See [www.nfec.info](http://www.nfec.info).) To better understand the need for financial education of Native youth, the Native Financial Education Coalition, one of Jump\$tart’s national partner organizations, requested this analysis of the financial literacy of Native Americans who were included in the overall Jump\$tart survey.<sup>1</sup>

## Native Americans Lag Whites in Financial Literacy

Table 1 summarizes financial literacy scores, overall and by race/ethnicity, in the four national surveys taken since 1997. No racial/ethnic group achieves a passing grade in financial literacy, but scores for Native American students averaged only about 89 percent of the overall national average (or mean) score in 2004. This ratio is about the same as in 2002 but has improved since 1997 and 2000. However, while 6 percent of all students scored a grade of “C” or better (75 percent correct), only 2 percent of Native American students did. Furthermore, 80 percent of Native American students got a “failing” score (less than 60 percent correct), compared to 66 percent of all students.

**Table 1**  
**Overall Financial Literacy Scores, by Year and Race/Ethnicity**

	1997 Mean Score	2000 Mean Score	2002 Mean Score	2004 Mean Score	2004 Proportion of Students	2004 Percent C or Better	2004 Percent “Failing”
<u>All Students</u>	57.3%	51.9%	50.2%	52.3%	100.0%	6.1%	65.5%
<u>By Race</u>							
White	60.9	54.5	53.7	55.5	62.2	8.0	57.8
African-American	50.4	47.0	42.1	44.0	14.3	0.7	86.4
Hispanic American	55.1	45.3	44.8	48.3	9.5	1.1	75.6
Asian-American	55.8	53.5	50.6	48.3	2.8	8.3	75.0
Native American	48.8	38.6	45.5	46.7	1.4	2.0	80.4
<i>Native American as Percent of Mean</i>	<i>85.2</i>	<i>74.4</i>	<i>90.6</i>	<i>89.3</i>			
<i>Gap (pct. points)</i>	<i>8.5</i>	<i>13.3</i>	<i>4.7</i>	<i>5.6</i>			

<sup>1</sup> Of the 4,074 students who took the national survey in 2004, 1.4 percent identified themselves as Native American, enough to provide meaningful results. Please note that the survey omits those who drop out before their senior year. Thus it probably *overstates* the financial literacy of Native American youth, who are disproportionately represented among those not completing high school.

The financial literacy gap among Native American youth limits the economic potential of Native communities. For individuals and their communities, financial well-being and advancement depend both on the level of financial resources available and on how effectively those resources are used. Effective use of financial resources is, in fact, the essence of financial literacy. If a Native community with a low level of financial resources also has a low level of financial literacy, its overall financial well-being and economic advancement will be even lower than implied by its resources alone. To prevent financial knowledge gaps from compounding resource limitations in Native communities, Jump\$tart and the Native Financial Education Coalition encourage the development of programs to help Native youth acquire the knowledge and skills needed to manage their personal finances effectively. Personal financial skills also provide a foundation for wise management of community and tribal resources and the development of successful Native leaders and entrepreneurs.

### Native Americans Lag in Four Dimensions of Financial Literacy

Table 2 divides the survey questions into the four Jump\$tart standards areas — Income, Money Management, Saving, and Spending — to assess relative strengths of Native American students’ financial literacy. The Income standard assesses understanding of the sources of income, how career choices and education and skills affect income, and how taxes, transfer payments, and benefits affect disposable income. The Money Management standard assesses ability to analyze financial choices and use financial tools like budgets and insurance. The Saving standard assesses understanding of the reasons to save and the ways to select and implement good investment plans. The Spending standard assesses ability to weigh the costs and benefits of spending alternatives and make effective choices among payment and credit options.

Like other American youth, Native Americans score highest in Income and Spending and lowest in Money Management and Saving. However, measured as a percent of the scores of all students (in the last row of the table), Native Americans have relatively large disadvantages in Income and in Money Management, where they score, respectively, 83.0 percent and 84.1 percent as high as the national average. Native American youth lag least in Saving, scoring 97.1 percent of the national average in 2004, but on this topic all groups score poorly.

**Table 2**  
**Results in Four Subject Areas, By Race**

	<u>Income Score</u>	<u>Money Management Score</u>	<u>Saving Score</u>	<u>Spending Score</u>
<u>All Students</u>	62.9%	45.4%	41.0%	55.4%
<u>By Race</u>				
White	66.7	47.9	43.5	56.4
African-American	52.1	37.5	33.0	47.4
Hispanic American	57.4	42.5	37.6	51.3
Asian-American	56.6	39.3	40.4	51.1
Native American	52.2	38.2	39.8	49.0
<i>Native American as Percent of All</i>	<i>83.0</i>	<i>84.1</i>	<i>97.1</i>	<i>88.4</i>

## **Closing the Gap**

The Jump\$start survey does not allow firm conclusions as to why Native American youth lag the national average in financial knowledge, but it suggests potential causes. For example, the survey shows that students' financial knowledge tends to be lower when their parents have lower levels of income or education. Census 2000 data show that these conditions are more prevalent among Native parents than among parents generally. The survey also shows that students who have their own checking and savings accounts tend to be more financially literate, but banking relationships are also relatively uncommon in many Native communities.

The survey points to the critical role that parents and schools play in improving the financial knowledge of American youth. Surveyed students of all backgrounds say that they get most of their financial knowledge at home, at school, or through personal experiences (which are also influenced by home and school).

To help close the financial literacy gap among Native youth, Jump\$start and partner organizations like the Native Financial Education Coalition are working to promote the availability of culturally appropriate financial education and mentoring for Native youth in classroom, community, and family settings. For more information on these and other Jump\$start and Native Financial Education Coalition initiatives, please feel free to contact:

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