FiCycle Equity Standards for Personal Finance Education

[Draft document: Comments Welcome]

The need for equitable standards and curricula is well known in the education sphere generally and in mathematics education specifically. The FiCycle Equity Standards for Personal Finance Education were developed with equity as an important component.

Students come into the classroom with different backgrounds and may respond differently to the materials. Equitable education should be designed to be responsive to these different backgrounds, so all students have an equal opportunity to learn and be engaged. These considerations are particularly important when it comes to financial education, where issues of equity are particularly salient, given the wide range of economic circumstances of students as well as current and historical financial injustice in the US.

Learning from Math Education

In the 2018 NCTM Annual Perspectives in Mathematics Education, Rochelle Gutiérrez wrote, "Beyond being seen as a legitimate participant (a "doer" of mathematics), a student should be able to feel whole as a person - to draw upon all of their cultural and linguistic resources - while participating in school mathematics." We see a parallel: every student should be allowed to feel both like a legitimate participant in finance, while also feeling able to voice their full range of life experiences while they are learning about the discipline.

Examples show us that students who have been perceived as "weak" math students have been able to achieve much better results in environments better tailored to meeting their needs (Walker, 2012a; Milner, 2012).

Nasir & Hand (2008) describe three aspects that make environments rich for developing productive identities: access to the domain, students feeling like they play an integral role in the environment, and room for self-expression.

Equity in Financial Education

In applying the insights to financial education, we are guided by four key ideas:

1. Equitable language use: Do not use potentially derogatory language related to various financial outcomes.

2. Equitable background knowledge: Make sure the background knowledge and vocabulary assumed in materials fits with the student body, and is not specific to, e.g., white middle-class students.
3. Judgement free: Do not present scenarios in a judgmental manner, suggesting that people are to blame for negative financial outcomes. Acknowledge that many people face very difficult financial decisions, while facing hardships and unforeseen misfortunes in health and other circumstances, and "smart budgeting" does not guarantee prosperity.
4. Historical acknowledgement: Current distributions of wealth are strongly influenced by past injustice, and a young person's future financial opportunities are significantly impacted by their family's wealth.

If students feel that they or their family or community members are being judged or belittled for their financial situation, they may be unwilling to engage with the course or decide that finance is not relevant to them – when it is, in fact, relevant to everyone. If there is not an authentic acknowledgement of the inequities around them it may not feel relevant to their actual lives, and instead be just another artificial 'real world problem' they have to learn how to answer test questions about.

Creating an equitable course in personal finance is, therefore, highly context dependent as it requires responding to the needs of the specific students being taught. It's not something that can be addressed through a one-size-fits-all set of standards. Instead, it's something each educator must pay attention to. Though a significant undertaking, financial education that follows these considerations offers the potential to create more equitable financial outcomes for students.

In the rest of this document, we will outline some ideas for classroom discussion, along with how they link to the FiCycle Standards. The following discussion aligns with the four major components of the FiCycle Standards.

1. Equity and Wealth

A significant factor in a person's financial opportunities and experiences over their life is the financial situation they were born into. Though there are many exceptions, being born into a wealthy family can lead to a person receiving many financial advantages over their lifetime, from an early head start in building wealth, to a backstop if something goes wrong.

Though many people born into less advantageous situations are able become prosperous in adulthood, they may well face additional barriers and risks. Acknowledging this is essential to create an authentic financial education program that resonates with students' experiences.

Additionally, the distribution of family wealth in the US is related to a range of other factors, in particular race – a history of racial discrimination across the generations has had a cumulative effect, as white families have generally been more able to pass wealth from generation to generation than Black families. In addition, a Black person may face many additional financial barriers over their lifetime even compared to a white person born into a family in a comparable financial situation.[1] Other identity groups connected to race, immigration status, LGBTQ+ identity, among other factors, have also faced their own financial barriers.

2. Equity and Interest

A key aspect of building wealth is obtaining assets that appreciate in value or earn interest. Another is accessing credit on favorable terms. Considerations of equity play into both of these issues.

For most Americans, the key asset used to build wealth is a home. It is also often the most valuable aspect of a person's estate, so homeownership allows wealth to be passed down from generation to generation. For example, a person might receive inheritance from the sale of their grandparent's home, allowing them to buy a home themselves.

There has been much racial bias in homeownership in the US.

- Redlining: The FHA (Federal Housing Authority) refused to insure mortgages in Black neighborhoods so Black people were unable to buy houses.[2]
- Covenants: Neighborhood groups in white areas, with government assistance, refused to allow people in the neighborhood to sell or rent to Black people.[3]
- Zoning/Public projects: The government would deliberately classify Black neighborhoods as industrial so that unpleasant or polluting industrial sites were created within them, reducing their value and making life more difficult. They

[1] Patten (2016); Rothstein (2017)
[2] Federal Reserve History (2023); Gerken et al. (2023)
[3] Rothstein (2017)

also built projects such as highways through Black neighborhoods, destroying many homes, and isolating the rest from affluent parts of town.[4]

- Predatory lending: Black people were targeted by subprime and above market rate mortgages, even if they were well off, which in some cases led to foreclosure and the loss of their homes.[5]
- Violence: Black people in White neighborhoods were violently attacked and harassed by mobs, with police acquiescence, forcing them to move.[6]

In total these measures made it harder for Black people to buy homes, and for those that did succeed, the neighborhoods they lived in were systematically undermined, so their homes were much less likely to increase in value, thereby limiting the wealth accumulation normally associated with homeownership.

A key aspect of building wealth is taking out loans on favorable terms. Whether you get such a loan depends on the risk the loaning institution views you as posing. This depends on a. your income, b. collateral, c. your reliability. Today, a credit score is used by institutions to assess your reliability. From the point of view of equity, it is more objective than the previous system in which lenders performed a private assessment of your "character" – this allowed for a great deal of bias. The current system is not meant to discriminate on the basis of race or gender, but it appears to still have issues.[7]

3. Equity and Risk

A key aspect of financial wellness is managing risk. Equity may factor in here in a number of ways. Those with lower wealth may be less equipped to handle small financial shocks using their own savings and so have to take out costly insurance products or get stuck in a cycle of responding to short term emergencies so they are never able to build up a financial cushion.

In addition, Black people and other disenfranchised groups have often been labeled 'high risk' and so had to pay excessive amounts to purchase necessary insurance.[8]

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[4] *ibid*
[5] *ibid*
[6] *ibid*
[7] Trainor (2015)
[8] Stuart (2003)

4. Equity and the Stock Market

A key factor in building wealth and acquiring sufficient retirement income is stock market investment. There are significant inequities in level of investment, with a smaller percentage of Black people, in particular, investing in the market. One reason for this is that one needs to invest for a long period of time to reduce risk, which requires having money one is very unlikely to need to use in the short term. Another reason is that many people may have a justified lack of trust in a financial system that has historically treated people like them unethically.[9]

Equity Standards

Below are suggestions for specific equity focused standards that can be integrated with the FiCycle standards. These are by no means comprehensive and focus primarily on issues related to racial injustice. Depending on a class's demographic make-up, it may make sense to focus more on issues related to SES, gender, LGBTQ+ communities, indigenous people's experiences or those of particular immigrant groups. It may also require sensitivity to groups not listed or mentioned in this document.

E1a Discuss how wealth is passed on from generation to generation so that those with a wealthy family have some significant financial advantages.[10]

E1b Discuss how a history of racial discrimination has made it more difficult for families of racial minorities to pass wealth down and how this has led to an inequitable distribution of wealth across racial lines.[11]

E1c Discuss how the government has implemented a range of programs to help people struggling with expenses: food stamps, housing vouchers/public housing. Discuss how these programs may not always be sufficient and historically have systematically not been offered to minoritized people.[12]

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[9] Bennett and Chien (2022); Choe (2020); Singletary (2020)
[10] Benton & Keister (2017); Mazumder (2018)
[11] Mazumder (2022); Pfeffer & Killewald (2019)
[12] Farhang & Katznelson (2005); Rothstein (2017)

E1d Discuss biases related to income, including both the wage gap, how women and minoritized people are often paid less for doing the same work as white men, and denial of more desirable positions to well qualified candidates from these groups.[13]

E2a: Discuss how practices of racial discrimination in the housing market such as redlining have made it harder for minoritized consumers to purchase houses and depressed the value of houses they do own.[14]

E2b: Calculate how much value is gained over time by receiving a gift at an early age. Discuss how the cumulative effects of this process influence an individual's financial life cycle.

E2c: Discuss how the government introduced Social Security to supplement individual retirement savings and how historically Black people were systematically ineligible to receive it.[15]

E3a: Discuss how those in a fragile financial state may have limited ability to manage their risk.

E3b: Discuss the history of how providing insurance for minoritized customers has been viewed as "high risk".[16]

E3c: Discuss how the government provides assistance to help people access healthcare who might not otherwise be able to afford it, and how this assistance is not always sufficient.[17]

E4a: Note how a financial cushion is required to be able to invest over long-time horizon.

E4b: Note that Black people have a disproportionate lack of stock market participation and have missed out on historical stock market gains.[18]

E4c: Note how the government provides some tax-based assistance for stock market investing when saving for retirement with IRAs and 401ks

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[13] Kochhar (2023); Patten (2016)
[14] Federal Reserve History (2023); Gerken et al. (2023)
[15] Dublin (2023)
[16] Kimble (2007); Stuart (2003)
[17] Ohlson (2020)
[18] Bennett and Chien (2022); Choe (2020); Singletary (2020)

These suggestions are by no means exhaustive. Making financial education equitable is an ongoing and demanding project, and we encourage further discussion and research on best practices. We believe, however, that taking up this challenge promises to make financial education a tool for progress.

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