

University of Kentucky

Gatton College of Business and Economics

Institute for the Study of Free Enterprise



INSTITUTE FOR THE
STUDY OF
FREE
ENTERPRISE

Study finds no relationship between mandated financial literacy education and use of Supplemental Nutrition Assistance Program (SNAP) and Medicaid

- **By 2019, 42 states had mandated financial literacy programs in their high school curriculum as a policy tool to help increase financial well-being**
- **While those with financial literacy levels in the top quintile are less likely to use SNAP and Medicaid, there is no evidence that financial literacy education leads to reductions in social program participation.**

Given the increased complexity of today's financial tools and mounting evidence of the correlation between financial literacy and positive financial behaviors, a movement has developed to incorporate financial literacy coursework into high school curricula. Jamie Weathers of Western Michigan University, Abdullah Al-Bahrani of Northern Kentucky University, and Darshak Patel, ISFE Affiliate and Senior Lecturer at the University of Kentucky, authored a study recently published in *Financial Services Review* that studies the relationship between participation in this financial literacy education and their future participation in social safety net programs.

The trio's study differs from past analyses of the effect of financial literacy programs on later financial outcomes in notable ways. They use non-public use survey data from the National Financial Capability Study which enables them to control both for actual financial literacy, as measured by performance on the "Big Five" financial literacy questionnaire, as well as mandatory participation in high school financial literacy programs, as opposed to financial literacy education that students chose to undertake themselves.

The trio find no statistical relationship between mandated financial literacy programming and later participation in SNAP and Medicaid compared to students with no formal financial education at the high school level. They did, however, uncover a link between greater actual financial literacy and a reduction in participation in these social safety net programs. This result suggests that mandating the inclusion of financial coursework is not enough, states must also devise methods to ensure the quality of the coursework and students' retention of the financial literacy information they are taught.

The authors note, "while those who score higher on financial literacy assessment are less likely to participate in social programs, it is important to note that their financial knowledge may be derived from places other than high school, including life experiences and informal education. The limitation of our research is that we rely on self-reported identification of class requirements."

They continue, "scoring four or five out of five on the Big Five questions is associated with reduced participation in social programs. However, our results find no evidence that mandated financial literacy education is related to reduced social program participation. Given the expectation that financial literacy programs would prove a worthwhile investment, we encourage more research into the curriculum design, bias, timing, scope, and delivery method of financial education."