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Social Justice through Financial Literacy

Do you think the following statement is **true or false?**

"Buying a single company stock provides a *safer* return than a stock mutual fund."

This question was originally introduced in the 2004 Health and Retirement Study before being added to a number of other national surveys, and is now included in surveys ran by more than 11 other countries. Over one-third of respondents say that they don't know the answer... Do you? (The answer is False, putting all of your eggs in one basket is not safer than diversifying.) The internet has ushered us into an age where information is free and knowledge can be developed by anyone who has the drive to better themselves. Individuals are making decisions for themselves more and more often, especially when it comes to financial planning, saving, and setting themselves up for the future. However, despite this growing need, our education system still fails to adequately prepare us for these decisions. This consistently sets citizens up for failure at every turn, and those who are set back the most by these failures are those who are already the most vulnerable... The economically disadvantaged, the minorities, and especially the youth. Lack of financial literacy in American schools is bigger than a simple educational or financial failure, it's a systemic cause of economic inequality. By implementing direct and consistent education programs, we can empower individuals, challenge the narrative of debt culture in the United States, and begin to create a foundation for greater equality, and all of this begins in our own communities and education centers.

The framework for financial literacy has always been a place of opportunity for the privileged to step up higher, and make sure that there is no ground to step on for those beneath them. Over 200 years ago, black Americans were legally forbidden to own any property, work with banks, or even get paid for the work they were doing. Even after the human rights revolution of the time, changing the laws on paper one step closer to equality, decades (and now centuries) of wealth and financial experience was something that couldn't be fixed overnight. There were practices such as redlining, a method of spatial segregation that prevented minorities access to certain home loans and education opportunities, all the way up through the late 1960's. "By one analysis, **98 percent** of the loans approved by the federal government between 1934 and 1968 went to white applicants." (Fulwood) White families have centuries of experience owning property, managing equity, and improving credit that will take thoughtful systemic changes to even begin to turn around. This goes even a few layers deeper when you take a look at public school funding. School districts are primarily funded by local property taxes in their area, local property taxes are calculated by local property values, and these local property values are a reflection of the demand in the area. Underfunded schools consistently have weaker financial literacy education, becoming a cycle that perpetuates itself. Adamopolous highlights this, " ... studies illustrate that financial education requirements vary significantly from one state to another. But financial education also varies greatly across states that have similar education standards ... they do not always receive the same funding provisions for teachers and resources." (Adamopolous)

The United States has always found identity through its economy, and that economy has always been focused on consumerism. This culture of spending is built into every holiday and event that we celebrate, but there is no education on *proper* use of money to accompany it. In 1978 the IRS created the Revenue Act of 1978, allowing employees to have tax advantaged accounts funded directly through a payroll deduction. This was originally designed to be used by executives but a few years later, in 1981, the IRS made a ruling that these accounts could be used by anyone, and this was the birth of the 401(k) Retirement Plan as we know it. Over the next 10 years there was a massive shift from private pensions to this system that placed all of the responsibility on the employee... Without providing any financial literacy to understand and navigate it.

It's clear that financial literacy is more than just a buzz-word, but the depth and complexities of this systemic issue also are what make it so hard to properly provide solutions that are able to be implemented *and* while also showing measurable improvement. The Milken Institute talks about this stubborn resistance to progress, "According to the study the score for US students was statistically unchanged since the last time the financial literacy assessment was conducted in 2015 and since the first financial literacy assessment in 2012." This stubbornness comes from a plethora of factors, but most of them can be distilled down to the gap between knowledge and implementation. Eric Johnson and Margaret Sherraden target this gap in their paper, "From Financial Literacy to Financial Capability Among Youth". They believe it's important to, "... suggest an expanded definition of financial literacy towards financial capability. Our use of the term financial capability includes *both* financial knowledge and access to financial institutions and services." If we begin to change the language around financial literacy to a focus on financial literacy, we can plant the seeds needed to ultimately change the narrative around these inequalities. The language that is used around students, especially when they are younger, can completely change their perspective on what they're being asked to learn. Instead of adding another type of 'literacy' to the laundry list of standardized information that they will be tested on, teaching children that we want to make them financially *capable* puts a sense of achievement. Johnson expands on these ideas further, "One can imagine a policy where all children entering school would open a savings account and begin to receive age-appropriate financial education."

Putting further thought into this idea, if you were to provide every student with not just a savings account, but an 'allowance' that could be allocated into different vehicles for wealth-building based on what the child wanted to do. These could be different combinations of fiscally conservative options (similar to the different options that are allowed for 401(k) contributions with most employers)... While there would be some levels of inequalities in the class, they could be viewed with a perspective of education and growth instead of comparison and superiority. This would open avenues that bring potential and opportunity to every student in a classroom, and arm them with not just the knowledge but the *experience* of managing money over decades, long enough to learn that, "Compound interest is the eighth wonder of the world." (Albert Einstein)

Financial literacy empowers individuals by giving them confidence over their money, giving them the chance to have another angle for autonomy in their lives. Zhang and Chatterjee explore the impacts of financial literacy beyond just the impact on someone's net-worth in their article, "Financial Well-Being in the United States: The Roles of Financial Literacy and Financial Stress" published in the Health, Well-Being and Sustainability section of the journal *sustainability*. They conclude, "This article demonstrates the importance of financial education in fostering the development of a more financially resilient and economically sustainable community." When people understand how to budget, manage credit, and plan for the future, they no longer feel like their financial circumstances are something that happens to them. "Research has shown that individuals with higher levels of financial literacy manage their finances better during periods of economic uncertainty [ex. recessions, inflation, market volatility] and appear to be better equipped to sustain their well-being through periods of income uncertainty. [ex. job layoffs, divorce or loss of spousal income, transition periods like reintegration from incarceration or graduation]" (Zhang and Chatterjee) These examples are events that occur in everyone's lives at some point, and preparing youth with the literacy that is proven to moderate the intensity of these challenges gives them a sense that no matter what may happen in their lives, there are ways to financially manage their way through it. In the article, "Mapping Financial Literacy..." by Azra Zaimovic, a critical conclusion is drawn. "Our analysis shows that, in general, better financial literacy levels lead to more financial inclusion of an individual." (Zaimovic 22) If we are able to actively and *consistently*, provide sustained financial literacy education through an ongoing program that follows the students for more than just one year, it would allow the compounding of knowledge. This compounding, exponential growth would be an active reinforcement of the idea that small good decisions over time can completely change the trajectory of our lives with enough determination.

Personal responsibility and empowerment is a practical place to start, but when these are enforced consistently we can plant the seeds necessary to completely change the landscape of the United States financial culture. Adamopolous highlights the challenges facing consumers through citations of a report by the CFPB (Consumer Financial Protection Bureau). "The report points out the challenges facing consumers by stating that 'the current spending on financial education is very low compared to the amounts spent on *marketing* financial products'" (Adamopolous 37) Our consumer-focused culture has normalized this sort of disparity, and is an example how an entity can show a face that they are there to help while being financially invested in siphoning your wallet out from behind you. While it may be difficult to regulate, or change that sort of business perspective, if we are able to systemically educate and help develop new behaviors in our youth, as they grow into positions of power and influence, the culture they propagate will change as well.

Early financial literacy education does more than slow the widening wealth gap. It can actually begin to reverse it. Lusardi's research shows a strong link between financial literacy and long-term wealth building, including retirement planning. These are areas where low-income and minority communities continue to fall behind (Lusardi 2). Bringing financial education into public schools, especially in underfunded school districts, directly addresses this problem. The key is *starting early*, while students are still developing habits and mindsets that influence how they look at money as adults. Zaimovic continues to support this by connecting financial literacy to outcomes like homeownership, investment confidence, and the ability to pass financial knowledge to future generations, building generational wealth in a new way (Zaimovic 2). These changes are not short term and they are definitely not just quick-fixes. Teaching young people how to handle their finances helps build lifelong habits and a new culture around money. It also creates the possibility of generational wealth. That is how real progress toward equity begins—not just for individuals, but for families and communities.

Simple education on the importance of financial literacy isn't enough to make a difference. We've learned that even learning the ins-and-outs of financial theory isn't enough to make a meaningful impact in the actual outcomes of our youth, but giving kids the opportunity for hands-on experience with money and financial tools is the way to ensure that they are financially *capable*. Spending just a few minutes a day reading an article or two on finance, or watching a Youtube video can pay dividends (literally) over time, and once these newfound skills develop it opens the chance to share the word with someone who needs it. It is critical for people to educate themselves, but *especially* educate their children, and advocate for extensive financial competency programs to be mandated into K-12 education on a Federal level to ensure that there is equitable access to this empowerment and growth. By teaching our youth not just how money works, but how they can make it work for them, we make investments into a future where financial freedom is no longer a privilege, but a component of the human right of self-empowerment.

Reflection Questions

1. What are your fears about finances?
2. Have you ever opened a personal stock/investment account? Did you know you can do it for free, in less than 15 minutes, from your phone?
3. How much money do you spend on a monthly basis? How much money do you deposit on a monthly basis? Do you know how to develop a budget?
4. How would your life be different if you didn’t have to worry about your finances on a daily basis?

Annotated Bibliography

Adamopoulos, Eleni. *Financial Literacy in the United States*. Milken Institute, Aug. 2021, https://milkeninstitute.org/sites/default/files/2021-08/Financial%20Literacy%20in%20the%20United%20States.pdf Accessed 20 2025.

This is a comprehensive and expansive report designed to inform individuals on the shortcomings and importance of financial literacy. It begins by defining financial literacy to ensure common terminology and goals, and continues into current statistics on financial literacy in adults and the youth. It proceeds to compare the United States against other countries around the world, and moves onto a review and evaluation of the last 20 years' efforts to improve financial literacy. It also provides examples of surveys completed, and evaluation of data from many sources, especially breaking down federal, state, and local expenditures on education. There are many components of this report that are used and addressed in my paper, shocking statistics on budgets and current literacy rates, and some suggestions on how we can make systemic improvements.

Johnson, Eric J., and Margaret Sherraden. "From Financial Literacy to Financial Capability Among Youth." *The Journal of Sociology & Social Welfare*, vol. 34: iss. 3, article 7. https://doi.org/10.15453/0191-5096.3276 Accessed 20 2025.

This article (in title and in content) begins with a connection between financial *literacy* and financial *capability*, specifically in the youth of America. The call to actions in this article focus on directing societal and social change, arming our population with the actions needed to make the financial know-how practically useful. It talks about the importance of access to *experiential* learning when it comes to making systemic education, instead of surface level education. The conclusion wraps back to the

importance of addressing inequalities, and avoiding the risk of repeating early 20th century approaches. This paper will be cited for historical data, current disparities, and suggested solutions to this problem. They come up with a similar proposal to mine, the idea of savings accounts for children that they get access to as they continue through their prolonged financial *competence* education.

Lusardi, Annamaria. “Financial Literacy: Do People Know the ABCs of Finance?” *Annual Review of Sociology*, vol. 44, 2018, pp. 347–370, https://gflec.org/wp-content/uploads/2014/02/Financial-Literacy-Do-People-Know-the-ABCs-of-Finance-2015-Public-Understanding-of-Science.pdf Accessed 20 2025.

This article is a deeper and more focused look at financial literacy definitions. It asks the question, “Who is financially literate?” and “Does financial literacy matter?” It pairs well with Johnson’s article, providing a more focused look at the reality of simple financial literacy education and expands into some of the socioeconomic inequalities, suggesting that this education needs to be a systemic and cultural change. This article is included in my paper as a deeper look into financial literacy measurements, and how those measurements show not only a failure in education but a failure in even measuring the right metrics to measure this *critical* part of society.

Zaimovic, Azra, et al. "Mapping Financial Literacy: A Systematic Literature Review of Determinants and Recent Trends." *Sustainability*, vol. 15, no. 12, 2023, article 9358, https://doi.org/10.3390/su15129358 Accessed 20 2025.

This article includes not just additional data to supplement the other articles, but provides unique graphics and visualizations of financial literacy education. It includes high level analyses of authors in this space, practical measurements of what goes into

Financial Literacy education, and how financial outcomes and decisions result based on this information. It includes massive lists of determinants and effects, potentially allowing for deeper suggestions of action and analysis in my paper. Multiple sections on socioeconomic and geographic factors, financial regulation, and modern components of digital finance provide a deeper, and more modern data set for lifting vulnerable populations.

Zhang, Yu, and Swarn Chatterjee. "Financial Well-Being in the United States: The Roles of Financial Literacy and Financial Stress." *Sustainability,* vol. 15, no. 5, 2023, article 4505, https://doi.org/10.3390/su15054505 Accessed 20 2025.

This journal publication explores the association between financial literacy and financial well being. It includes extensive evaluation of financial stress, and how financial stress correlates to a lower level of financial well-being. It also has specific models and analyses that provide further and more detailed data on what sort of variables can be causative to financial stress and lower levels of financial wellbeing. This article provides data on the aspects of emotional (financial) stress to higher quality of life. This article calls to attention the need for further exploration similar to my suggestion of, ‘various delivery mechanisms of financial education.’