

The Path to Financial Capability



Financial education, coaching or guidance

High-quality financial product

**Financial Education + Knowledge +
Skill Utilization = Financial
Capabilities**

How Does Financial Capabilities Differ from Financial Education?

Financial Education:

- Are services focused on money and financial product knowledge building that individuals can apply to make informed decisions about how to handle their personal finances.
 - **Is measured by skill attainment and/or changes in knowledge**

Financial Capabilities:

- Are services focused on impacting financial behaviors that lead to tangible improvements in personal finances.
 - **Is measured terms whether an individual “gained and exercised financial knowledge” to changes behaviors, situations and/or circumstances**

If “financial literacy” is what you know.....

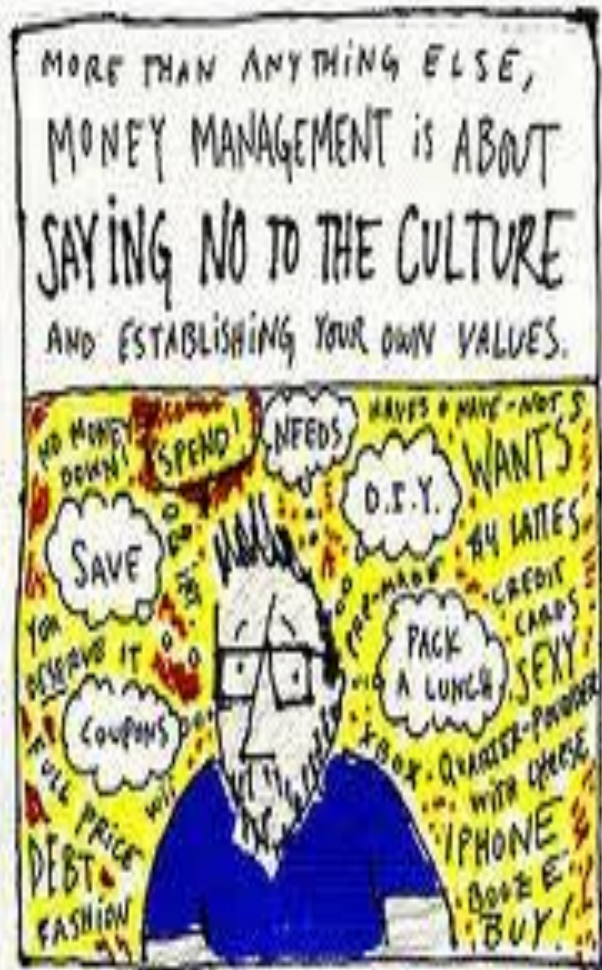
Financial capability is what you do with the financial literacy you know.....

Financial Education Is Necessary but Not Sufficient

- Conventional wisdom indicates that consumers would make better financial decisions if only they had more financial knowledge.
- The financial education field has worked hard to educate Americans about financial management.
- But based the financial situation of —relying on financial education alone to improve financial circumstances—needs to be revisited in order to see improved outcomes.



Behavioral Economics Explains Why Knowledge Isn't Enough



More knowledge does not always lead to better decisions. Behavioral economics research explains how impulses and tendencies override knowledge and impact our behavior. For instance, we:

- Feel and succumb to temptation;
- Have trouble delaying gratification;
- Underestimate the likelihood of bad events
- Overestimating the likelihood of good events or financial win falls.

Financial Capabilities Focuses on Behavior Change



- ## Behavior Change Requires:
- Financial Education
 - Consumer Motivation
 - Relevant Program Activities
 - Timely Introduction of Information and Resources
 - Actionable Guidance
 - Ongoing Support

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