Improving Financial Literacy Education for College Students: The Flywheel Effect!

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A survey of incoming first-year students was conducted over 2 years and it is evident that financial capability is lacking, particularly for the traditional 18-19-year-old college student. These results are not unusual as demonstrated by several authors including Lusardi & Mitchell (Lusardi & Mitchell, 2011). The results of that survey have inspired the changes proposed in this study. It appears that many students do not feel they are smart spenders regularly and many do not understand compound interest and its ability to help reach future financial and life goals. The goal of this research project is to identify ways to help students be more motivated to learn and apply financial literacy knowledge and skills to improve their financial situations.

The flywheel effect is introduced in Jim Colin's book *Good to Great* (Collins, 2001). For this project, the flywheel effect is used to help improve financial literacy education. A flywheel requires some amount of force to get it truing but then conserves rotational energy. Many personal financial activities are the same. These activities often require effort to get going but the long-term return can be great. Some examples of financial literacy "flywheels" include, spending plans, investing early, appropriate insurance, and emergency fund, to name a few. Compound interest is an important flywheel that many college students do not seem to understand or appreciate. If individuals can learn to save early and often, they can put themselves in a better position to reach future financial and life goals.

References

Collins, J. (2001). *Good to Great*. Random House Business Books.

Lusardi, A., & Mitchell, O. S. (2011). Financial literacy around the world: an overview. *Journal of pension economics & finance*, *10*(4), 497-508.

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