

# Good-Better-Best: A Youth Welfare Approach to Financial Literacy

Financial literacy continues to be a challenge for youth transitioning out of foster care. This is important because youth transitioning out of foster care tend to face financial independence and its related responsibilities at a younger age than their peers not in foster care (Edelstein & Lowenstein, 2014). Research shows that youth in foster care gain less exposure to healthy financial behaviors and less familiarity with banks and other financial institutions as they age (Pergamit & Johnson, 2009). For example, only 50 percent of youth who transition from foster care have a bank account by age 21 (Edelstein & Lowenstein). In addition, a higher proportion use alternative financial services, such as check-cashing services compared to their peers not in foster care (Peters, Sherraden, & Kuchinski, 2012). Finally, only about 25 percent of youth formerly in foster care had obtained a credit card by age 19 (Pergamit, 2012), compared with 67 percent of all youth aged 18 to 24 (Gonzalez-Garcia, 2016).

Outlined below are suggestions agencies can use to provide service along the Good-Better-Best continuum to assist a youth in foster care to apply for and receive a credit card. This practice example is provided as suggestions only and does not reflect official guidance from the Center for States, the Children's Bureau, or any other federal agency.

**Service Need:** A 19-year-old youth in foster care wants to get a credit card.

## Good

### Required:

- ▶ Because the youth was in foster care, the agency has been receiving a copy of their credit report to ensure the information is correct and accurate. The agency has worked to resolve any inaccuracies. The agency has provided this information to the youth in an ongoing way.
- ▶ The caseworker ensures that the youth has copy of their original social security card.

### Additional:

- ▶ The caseworker provides the youth with printed and digital information on how to apply for a credit card.
- ▶ The caseworker follows up with the youth regarding his or her credit card application and offers to answer any questions the youth might have about the process.
- ▶ The caseworker enrolls the youth in life skills classes that include information on the meaning of credit, credit scores, credit reports, and credit remediation (if required), as well as the responsible use of a credit card.

## Better

### In addition to the above:

- ▶ Before the youth leaves foster care, the caseworker runs another credit check, as appropriate and applicable for him or her, to make sure that there have been no changes or issues that need to be addressed.
- ▶ The caseworker explains to the youth how the credit check requirement can support his or her ability to obtain a credit card and what credit is, as well as how a good credit score can make it easier for a person to obtain a credit card.
- ▶ The caseworker discusses information the youth has learned in the financial literacy class with the youth and answers any additional questions the youth may have about obtaining credit and using it responsibly.
- ▶ If the youth finds that he or she is experiencing difficulties managing credit card use—for example, getting into debt—he or she asks family members, mentors, or the caseworker for advice and assistance. In this case, the caseworker might refer the youth to additional financial literacy training to learn more financial management skills.

## Best

### In addition to the above:

- ▶ The youth is aware of the process for obtaining a credit card since he or she would naturally have received some exposure to the process through family members and peers or through schooling. To better understand the financial implications of using a credit card, the youth asks the caseworker about the process of obtaining his or her own credit report annually. The youth and his or her mentors (e.g., teachers, community mentors, foster family, or caseworker) discuss the meaning of the credit score and ways to build up the score to improve financial health to qualify for a credit card or a better credit limit, for example.
- ▶ The youth asks for and is open to receiving advice on building and using credit from mentors and peers, since his or her relationship with mentors is one of mutual trust that has been built over a number of years. As a result, the youth knows that he or she is able to rely on family members, community mentors, peers, and his or her caseworker to assist him or her as needed.
- ▶ The youth fills out the credit card application, asking for advice as needed. After the card has been received, the youth ensures that he or she understands how to use the card responsibly. If there is any confusion about how the card should be used, the youth is able and willing to consult foster family members or other mentors in his or her support network for advice.
- ▶ If the youth is unable to obtain a credit card or, after obtaining it, takes on an unsustainable level of debt (as is the case with many youth not in foster care), the youth is comfortable reaching out to mentors and his or her foster family for assistance and advice on how to resolve the problem.
- ▶ After the youth has successfully obtained a credit card, he or she uses his or her knowledge to assist peers in the credit card application process if and when asked, answering their questions and providing advice as needed.
- ▶ The youth is open to providing feedback and, if requested, chooses to do so without the need for incentive. The caseworker then uses that feedback, together with feedback from other youth, to improve the ways in which the agency provides services for youth in foster care in this area going forward.

## Where on the Good-Better-Best Continuum Do Your Agency's Services Fall?

Using the examples provided above, think about the services your agency provides related to credit card access for youth in foster care who are transitioning to adulthood. First, outline the local and federal policies or procedures your agency follows for services related to credit and other types of financial services. Then, consider your own work with youth and that of other caseworkers at your agency—where do the services you provide fall along the Good-Better-Best continuum? In what areas can you take service provision to the next level?

### *Federal policies/procedures:*

### *State, county, and agency policies/procedures:*

A **Good** level of service provision includes:

- ▶ Satisfying federal requirements
- ▶ Basing service provision on individualized planning
- ▶ Ensuring that service provision takes into account each youth's level of cognitive, social, physical, and emotional development
- ▶ Providing the youth with printed or digital information
- ▶ Meeting regularly with the youth and responding when the youth reaches out for advice or assistance
- ▶ Arranging for the youth to be referred to or signed up for life skills or similar classes
- ▶ Documenting work and services provided and making the youth's official records and documents readily accessible

A **Better** level of service provision includes:

- ▶ Beginning the transition planning process early in a youth's development, around age 13 or 14 (as appropriate)
- ▶ Following up with the young person, monitoring developmental progress, and providing assistance as needed
- ▶ Providing extensive printed and digital information, as well as opportunities to discuss it and ask questions
- ▶ Working with young people to develop their knowledge and skills
- ▶ Using the caseworker's deep understanding of life skills development to help the young person develop the capacity to benefit from the information acquired in life skills or other training classes
- ▶ Building a close relationship with the youth, which will form the foundation for all assessment, planning, and service provision
- ▶ Connecting young people with community partners and resources to help them creatively plan for the future and reach their goals

A **Best** level of service provision includes:

- ▶ Ensuring that service provision is transparent, equitable, and developmentally appropriate
- ▶ Framing available services in a developmentally appropriate way that is easily navigable for young people
- ▶ Ensuring that services provided add real value to the youth's life from the young person's point of view without the need for additional incentives
- ▶ Working with the youth to develop "soft skills" so that concrete skill development occurs in the context of community and peer relationships
- ▶ Evaluating services provided from the youth's perspective and providing many opportunities for youth feedback
- ▶ Framing peer advocacy within the child welfare system as normal healthy behavior, providing opportunities for this advocacy, and modifying programming, when possible, based on youth feedback
- ▶ Creating a culture of problem solving led by young people themselves

What barriers might your agency face in providing the **Best** level of service related to financial literacy for youth? How might these barriers be overcome? In what areas can you take service provision to the next level?

## References

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