



# BUDGET CHALLENGE®

ROAD TEST FOR PERSONAL FINANCE®

FOR IMMEDIATE RELEASE March 11, 2020

## **First in the nation state-wide financial literacy grant pays off big for over 5000 Michigan students**

Today's young adults face a challenging financial future unimaginable a generation ago. The average four-year college graduate will have \$37,000 in student loan debt along with their diploma. With the end of defined benefit pension plans and changes in Social Security inevitable, they will have to take responsibility for their own retirement. They will have access to a dizzying array of complex financial products while fending off phishing schemes, fraud and identity theft.

Many attempts to promote financial literacy and prepare students for this new financial future have had disappointing results. This is part of what makes the first-in-the-nation effort by the Michigan Council of Economic Education (MCEE) and the Michigan Department of Licensing and Regulatory Affairs (LARA), Corporations, Securities & Commercial Licensing (CSCL) efforts to create the next generation of financially capable young adults so significant. The two entities partnered to provide the Budget Challenge Financial Literacy program to every high school in the state of Michigan at no charge.

So, what is Budget Challenge? It is a live, real-time on-line financial simulation where students manage their budget like that of a working adult, making important decisions and trying to accomplish key financial goals such as setting up an emergency fund, maximizing an employer 401(k) match, and paying down debt. Competitive scoring tracks performance while students attempt to earn trophies for accomplishing those key goals. Students "learn by doing", where they learn from their mistakes without the consequences of a poor credit score and costly fees. Budget Challenge has patented technology that sends simulated bills and reconciles payments, making it the only program where students actually practice managing finance like adults. Over 750,000 students and over 10,000 teachers in all 50 states have used the program.

During the simulation, students create online accounts, select vendors for an apartment, banking, cell phone service, auto and renter's insurance, housing, utilities, and more. They receive a simulated paycheck, set aside some of their income into a 401K account as savings for retirement, and write e-checks to pay household bills. Budget Challenge helps instill financial behaviors needed in real life, like routine checking of bills and account status, managing cash flow, and balancing near-term and longer-term financial goals. Budget Challenge was just named the recipient of the 2020 Excellence in Financial Literacy Education (EIFLE) Award for Education Product of the Year.

So how has it worked? Students complete a survey after finishing the simulation. What do they think about the experience? Here are some of their comments:

- *There were many things I didn't know about until doing the stimulation. Now I know a lot more about bills and making payments and how important it is to have emergency savings because accidents are more than likely to happen.*
- *Compared to after doing this, I feel a lot more educated how to manage my money in a smart way. I am able to understand that you need to be sure to read to fine print and understand the type of company you are choosing.*
- *Before participating in Budget Challenge, I didn't know how to effectively manage my money and what to do for certain situations. After participating in Budget Challenge, I learned a lot more about managing your money and striving for financial success.*
- *Before the stimulation, I didn't know anything about credit cards or paying bills on time. After the stimulation, life hit me pretty hard about how difficult it is going to be for me in the future.*
- *I knew nothing about paying bills and now I know how to pay my bills on time.*

In response to specific questions about their experience in the simulation, 86.6% of Michigan students said they were more likely to check account balances before writing checks and 85% said they are more able to avoid financial pitfalls and mistakes than at the beginning of the simulation. 71.2% said they were more interested in about managing money as a result of the simulation and 81.4% said that all high school students should participate in a simulation like this.

Budget Challenge also provides report cards to schools showing multiple measures of student achievement: not only financial knowledge, but whether students have demonstrated important financial behaviors and if they've developed positive financial habits like regularly checking account balances. Report cards from the first semester have been very promising. Two case studies provide specific insights into what and how students are learning.

Amanda Volz teaches an elective class entitled Financial Management at St. Clair High School in St. Clair, Michigan. She currently teaches five sections of the year-long course and has approximately 150 students per year. One way that Budget Challenge assesses students is through an engagement score. Engagement is a metric that determines if students are actively participating in the simulation, checking account balances, paying bills, etc. The reasoning goes, the more time students spend reviewing their finances, the better they will get at managing them. 70% is considered an excellent class engagement score. Her students demonstrated average engagement of 96% for the ten weeks of the simulation. Students are given pre and post-tests to assess the extent their financial knowledge improved. Amanda's students improved by an astounding 71%. One of Budget Challenge's innovative features is that students can earn trophies for demonstrating key financial behaviors like setting up an emergency fund, paying down debt, maxing out an employer's 401k match and paying down debt. Like in the

real world, these are challenging. It is difficult to pay down debt and also set up an emergency fund. Trophies aren't something a student can "cram" to earn. It requires considering trade-offs, timing, impact on other goals, and projecting future cash-flow. Three trophies are considered excellent student level financial capability. Five is considered excellent adult financial capability. Her students on average earned 5.3 of the 6 possible trophies.

As one might predict, a class that teaches such important lessons is extremely popular. "I seriously think some of my students take my course because of Budget Challenge", noted Volz "They like that it is real world and directly applies to their financial lives. I always survey my students at the end of the simulation and 100% of them find the simulation to be beneficial to their learning and recommend that future students participate."

One hundred fifty miles away in rural Mid-Michigan, Linda VanDeWeghe uses Budget Challenge in Civic and Financial Literacy at Ithaca High School, a class required for all seniors in order to graduate. With an average engagement score of 90%, a 51% improvement in learned and applied knowledge and an average of 4.3 trophies earned, her scores are equally impressive when one considers all students at Ithaca take the class. "Budget Challenge has been an important part of the Financial and Civic Literacy course at Ithaca High School", notes Linda. "Having students plan for their expenses, "pay" bills, and see the consequences of their actions is extremely valuable. The new version this year has students think about the competing interests of saving for emergencies, investing for retirement, and paying down debt at the same time as paying all their bills on time shows the real-life decisions that people make every day. It is a truly engaging experience for our students!"

Tim Lambrecht, Director of Education at Budget Challenge knows this success firsthand. He used the program for four years himself as a classroom teacher. "Teaching financial literacy effectively is very difficult for most teachers because they lack the right tools to do the job. Unlike reading, math or social studies where content has been spiraled all through their education, financial literacy is typically taught once, if at all. If it is taught using traditional readings, worksheets and videos, it can easily become just more facts to memorize and spit out on the test, no different than math formulas, chemical equations or history dates. Even when the information is presented in an engaging way, it is impossible for teachers to help students use that information to actually practice the complex skills that real financial management requires. Budget Challenge is really a game-changer in that regards. It is the only program that provides students opportunities to practice these real-like skills but also gives them immediate feedback that they can use to improve their skills. That in turn helps students develop the positive financial behaviors that will help them throughout their life."

Media inquiries can be directed to Tim Lambrecht at [tlambrecht@bcsim.com](mailto:tlambrecht@bcsim.com). For more information about Budget Challenge go to [www.budgetchallenge.com](http://www.budgetchallenge.com). For more information about the Michigan Council of Economic Education go to <https://michiganecon.org/>

