



# Evidence in Action

## *A K20 Center Research Brief*

### **Financial Simulation Activity: The Short-Term Effectiveness of a College-Based Financial Reality Simulation in Building Financial Awareness**

*Jennifer L. Hunter & Martie Gillen*  
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#### **Introduction**

This intervention brief explores the research article titled "The Short-Term Effectiveness of a College-Based Financial Reality Simulation in Building Financial Awareness" (2015). The article addresses the economic challenges faced by recent college graduates, including wage stagnation, significant student loan debt, and high rates of unemployment and underemployment. These factors underscore the need for financial education in college settings. The authors examine the impact of a financial reality life skills simulation on college students' financial knowledge and intended changes in financial behaviors. The literature review highlights the importance of financial literacy for young adults and the potential long-term consequences of poor financial decisions made during college.

#### **Methodology**

##### **Research Design:**

The study employs a program evaluation framework known as the Five-Tiered Approach to assess the effectiveness of the financial reality life skills simulation. This approach includes pre-implementation, accountability, program clarification, progress toward objectives, and program impact.

##### **Sample:**

The sample consists of 970 undergraduate students, from a state flagship land grant institution, who participated in the financial reality simulation. The participants were diverse in terms of grade classification and financial background.

##### **Data Analysis:**

Data were collected using a retrospective pretest (RPT) survey administered at the exit point of the simulation event. The survey measured self-reported understanding of financial practices and intended behavior changes. Paired sample t-tests were conducted to compare pretest and posttest scores.



## Results

The study found that participation in the financial reality simulation significantly improved students' financial understanding across various indicators. Key findings include:

- **Costs to Maintain a Household:** Students showed a significant increase in understanding the costs associated with maintaining a household.
- **Costs to Raise a Child:** There was a notable improvement in students' knowledge of the costs involved in raising a child.
- **Financial Decision-Making:** Participants reported better understanding of budgeting, the link between career choice and lifestyle, and the impact of student loan and credit card debt on their future.

The results indicate that the simulation effectively increased financial awareness and prompted positive changes in intended financial behaviors, such as considering the impact of purchase decisions on future finances and limiting the use of credit cards.

## Application into Practice

To replicate the financial reality simulation in a school context, follow these steps:

1. **Form a Planning Team:**
  - Assemble a team of educators, administrators, and community members to design and implement the simulation.
2. **Develop the Simulation:**
  - Create a realistic financial simulation that includes various "stores" representing different financial decisions (e.g., housing, transportation, insurance).
  - Use volunteers to staff the stores and provide realistic scenarios for students.
3. **Implement the Simulation:**
  - Schedule the simulation during high-traffic times on campus to maximize participation.
  - Provide students with a simulated monthly salary based on their major and allow them to make financial decisions.
4. **Collect and Analyze Data:**
  - Administer a retrospective pretest survey to measure students' financial understanding before and after the simulation.
  - Use the data to assess the effectiveness of the simulation and identify areas for improvement.
5. **Reflect and Iterate:**
  - Conduct debriefing sessions with the planning team and participants to gather feedback.
  - Make necessary adjustments to the simulation based on feedback and data analysis.



## Work Cited

Hunter, J. L., & Gillen, M. (2015). The short-term effectiveness of a college-based financial reality simulation in building financial awareness. *NACTA Journal*, 59(4), 293-299.

<https://www.jstor.org/stable/nactajournal.59.4.293>