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Building financial capability in youth transitioning from foster care to adulthood

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Abstract
Financial capability is crucial for youth in foster care to develop prior to transitioning to independence. However, little is known about how these youth fare regarding financial capability. This study assesses whether youth in foster care in the United States who are over age 18 have better financial capability and related supports compared with younger youth and whether there are associations between supports and financial capability. Survey data from 97 youth aged 14 to 20 in foster care were analysed. Participants aged 18 and older had more advanced financial capability than younger youth on several indicators. Older youth were more likely to check in with caring adults about financial-related issues and to have been enrolled in an independent living programme, both of which were associated with better financial capability. However, many youth over 18 were found to not have achieved financial capability in many areas. Older youth in care do appear to be making meaningful gains towards financial capability; however, more policy and practice enhancements are needed to fully prepare youth for independence.

KEYWORDS
financial capability, foster care, independent living, transition to adulthood

1 | INTRODUCTION

Financial capability is important for emerging adults to develop as they transition from dependence on caregivers to becoming responsible for making their own life decisions and meeting their own needs. The National Resource Center for Youth Development (NRCYD) defines financial capability as 'the combination of the financial knowledge needed to make good choices, the ability to apply that knowledge in day to day life, and the necessary access to financial products and services' (NRCYD, 2014, p. 3). While financial capability is important for all emerging adults, it is especially important for youth transitioning from foster care to adulthood. Often youth and young adults learn about financial processes, products, services and skills from their biological families (Sorgente & Lanz, 2017) and have an extended time period over which they become self-reliant—often, many years into legal adulthood (Fry, 2016). However, this is not the case for many youth ageing out of foster care, as often they no longer have connections with their biological parents (although some do receive support from foster parents and various service providers). Furthermore, they exit the foster care system, and its accompanying services and supports, abruptly and are typically immediately responsible for meeting all of their own needs. In addition, this abrupt exit from the system occurs between ages 18 and 21, much earlier than the age at which most youth stop receiving financial supports from their families (Barroso et al., 2019).

Although developing financial capability is crucially important for youth ageing out of foster care given their lack of connection with traditional supports, very little research has been conducted to clarify the financial situations, challenges and skills of these youth beyond documentation of their employment, lower incomes and higher use of public assistance (e.g., U.S. Children's Bureau, 2019; Courtney et al., 2011). Much more research is needed on this topic. However, the following does summarize the quite limited research in this area, as well as some common policies and practices that might support the development of financial capability.

2 | FINANCIAL CHALLENGES FACED BY YOUTH WITH FOSTER CARE EXPERIENCE IN THE UNITED STATES

The crucial importance of youth transitioning from foster care to adulthood developing financial capability is highlighted by the wide range of finance-related challenges that many face as they leave care. One challenge is lacking opportunities to own and use high-quality, low-cost financial products and services. The Midwest Evaluation of the Adult Functioning of Former Foster Youth, one of the largest studies of youth ageing out of foster care in the United States ever completed, found that at age 21, 52% of former foster youth had a checking or savings account compared with 81% of similarly aged general population youth (Courtney et al., 2007). Access to checking and savings accounts while youth are under 18 can be particularly challenging, especially in child welfare systems that have not worked out manageable co-signing procedures for doing so (NRCYD, 2014). Youth in congregate care often have even fewer opportunities for accessing financial products due to restrictive rules and requirements in those facilities (NRCYD, 2014).

Some youth with foster care experience also exhibit a lack of trust of and/or comfort with mainstream financial products and services such as banks and checking/savings accounts, due to factors such as unexpected fees, experiences or perceptions of bank employees being rude or condescending and stories they have heard from trusted others about negative banking experiences (Peters et al., 2016). Using banks with limited branches may also be problematic for youth who frequently change placements (Peters et al., 2016).

Another challenge for youth with foster care experience related to financial capability is lacking supportive adults from which to learn about financial processes and skills. The Children's Bureau identifies a variety of barriers that youth in foster care face when trying to develop financial capability, many of which centre on a lack of supportive caregivers. These include frequent placement changes that lead to inconsistent financial role models and foster parents being unwilling to talk to youth about financial information and decision-making, among others (NRCYD, 2014). A recent study by the Jim Casey Opportunities Initiative found that youth with foster care experience who do not have permanent adults in their lives were less likely to be financially capable, which they defined as being able to cover monthly expenses and having savings (Jim Casey Youth Opportunities Initiative, 2019b). In addition, youth leaving care often do not have anyone to co-sign leases, loan applications or other financial opportunities that would help them achieve their goals, as youth with traditional caregivers often do. Due to a lack of education and support about good financial practices, as well as limited access to the use of traditional financial products, youth with foster care experience are at high risk of using 'fringe banking' services like payday loans, check cashers and pawnbrokers—services with much higher interest rates and associated risks than more traditional banking services (Caskey, 2005).

An additional notable challenge for youth with foster care experience is the heightened risk of stolen identity and credit problems developing before youth have even had the opportunity to access financial products. Youth in care are at high risk of identity theft due to the large number of people that have access to their confidential records during their time in the child welfare system (e.g., bio families, case workers, doctors, therapists, foster families and residential facilities). A 2010–2011 pilot project in Los Angeles, California, that checked the credit reports of foster youth for identity theft found 5% of the youths' credit reports to have accounts open in their names (with an average account balance of $1811) that were a sign of errors or identity theft, while an additional 12% of youth had erroneous records linked to them by their social security number (California Office of Privacy Protection, 2011). For youth who do not have knowledge about how to access and review their credit report, this fraud could go undetected and unaddressed for quite some time and could ultimately interfere with youth being able to secure an apartment lease or access credit or reasonable interest rates for auto loans, higher education, mortgages and other asset-building activities (California Office of Privacy Protection, 2011).

3 | EFFORTS TO HELP YOUTH WITH FOSTER CARE EXPERIENCE BUILD FINANCIAL CAPABILITY

A variety of policies and practices have been developed to help build financial capability for youth with foster care experience. The largest, most widespread version of this in the United States is the John H. Chafee Foster Care Independence Program, which was created in 1999. The Chafee Program provides funding to all states to provide independent living preparation services such as education support, employment training, financial skill development, housing services and connections to caring adults to youth transitioning out of foster care. Independent living programmes provide a variety of financial capability support services, including financial literacy training, budget counselling, credit report/identity theft protection, assistance opening bank accounts and matched savings accounts for asset purchases (Fryar et al., 2017). However, a 2015 study of older youth in foster care aged 16 to 21 found that only 23.4% of youth received some type of budgeting or financial management service through an independent living programme in fiscal years 2011–2012 (Okpych, 2015). This may be due to a variety of factors, including limited support service availability and the fact that receipt of these services is not mandatory, among others.

Many other financial capability building efforts targeting youth with foster care experience and other marginalized populations have also been developed (some of which are delivered through independent living programmes). Edelstein and Lowenstein (2014) provided an organization of these efforts into three main types: financial education, financial access and asset building.

3.1 | Financial education

Financial education programmes focus on building knowledge and skills related to financial products, services and processes. Topics covered include things like how to open and use a checking and savings account, budgeting and money management, building and monitoring credit, choosing financial products, predatory lending and investing in assets. One example of a financial education programme is the Youth Financial Empowerment Initiative in New York City (Center for Economic Opportunity, 2007). In this programme, youth transitioning from foster care to adulthood are given the opportunity to learn about managing and saving money, purchasing assets, using a debit account and building a career (Edelstein & Lowenstein, 2014). Another example is Jim Casey Youth Opportunity Initiative's ‘Keys to your Financial Future’ financial education curriculum. This curriculum is organized around eight ‘keys’ to financial capability (e.g., getting the loans and credit you need and understanding your income; Jim Casey Youth Opportunities Initiative, 2019a).

3.2 | Financial access

Financial access policies and programmes focus on building financial skills through expanding access to a variety of financial products and services, such as checking and savings accounts or credit reports. An example of a programme that combines financial education and access to financial services is the Bank On Initiative, which utilizes collaborative partnerships between private and public organizations to provide unbanked and underbanked populations with financial education and access to free or low-cost banking (Edelstein & Lowenstein, 2014; USDT, 2011). Another example is the Workforce Innovation and Opportunity Act (WIOA) youth programme, which integrates financial education and access with youth employment programming (Goldberg et al., 2016). Under the WIOA, youth entering the workforce for the first time receive job readiness training and career counselling and coaching as well as access to banking and credit union services (Fryar et al., 2017; Goldberg et al., 2016).

Another important element of financial access for youth with foster care experience is access to information about their credit. The Child and Family Services Improvement and Innovation Act of 2011 states that ‘each child in foster care under the responsibility of the State who has attained 16 years of age receives without cost a copy of any consumer report … each year until the child is discharged from care, and receives assistance … in interpreting and resolving any inaccuracies in the report’. The Preventing Sex Trafficking and Strengthening Families Act of 2014 expanded this to youth in care age 14 and older. Providing youth access to and understanding of their credit report helps monitor possible identity theft and supports building and repairing of credit (Edelstein & Lowenstein, 2014), which are problems commonly faced by youth with foster care experience (California Office of Privacy Protection, 2011). $tand By Me is an example of a financial empowerment programme used by youth in foster care in Delaware that incorporates credit report access, reviews, and corrections as part of its financial coaching process (Goldberg Belle & Chenven, 2013).

3.3 | Asset building

The final category of financial capability support programmes is asset building programmes, which ‘directly help participants accumulate wealth or assets, often through matching deposits for savers' contributions to an account’. (Edelstein & Lowenstein, 2014). Asset building is especially important for youth with foster experience, as studies have confirmed that these youth face daunting challenges to securing and building assets. For example, the Midwest Evaluation of the Adult Functioning of Former Foster Youth found that at age 21, 3% of former foster youth owned their residence compared with 9% of same-age youth in the general population, and 39% of former foster youth owned a vehicle compared with 73% of general population youth (Courtney et al., 2007). Common terms for asset building programmes are matched savings accounts or individual development accounts (IDAs). Although less common than financial education and access programmes (Fryar et al., 2017), asset building programmes have grown in popularity over the last several years.

One example of an asset building programme combined with other financial education elements is the Opportunity Passport®, a matched savings programme from the Jim Casey Youth Opportunities Initiative at the Annie E. Casey Foundation. As part of the Opportunity Passport, youth transitioning from foster care are provided financial education classes, a financial stipend and other financial incentives along with a 1:1 matched savings for qualifying asset purchases such as vehicles, education and housing (Jim Casey Youth Opportunities Initiative, 2014). The Youth Financial Empowerment Initiative mentioned earlier also has an asset building component in the form of a 2:1 matched savings programme where youth can contribute up to $1000 to their IDAs (Center for Economic Opportunity, 2007).

Despite the growth in policy and practice efforts aimed at helping youth with foster care experience build financial capability, very little is still known about how youth with foster care experience are faring in relation to financial capability and whether and to what extent these policies and programmes are making a meaningful difference in their lives.

4 | THE FIVE CORE CONCEPTS OF FINANCIAL CAPABILITY

There are many frameworks for conceptualizing financial capability in adolescence and early adulthood (e.g., Keys to Your Financial Future; Jim Casey Youth Opportunities Initiative, 2019a; The Credit Path® at Alternatives Federal Credit Union). One framework that the United States Children's Bureau has identified as particularly fitting for youth ageing out of foster care is the set of five financial capability core competencies identified by the United States Financial Literacy and Education Commission (NRCYD, 2014). In 2003, in an effort to increase financial capability and access to financial services for all Americans, a collaboration of 20 federal entities founded the Financial Literacy and Education Commission (FLEC) under the Fair and Accurate Credit Transactions Act. To support this goal, FLEC established the Financial Education Core Competencies, a financial capability framework based on the five core concepts of Earn, Spend, Save & Invest, Borrow and Protect. Each core competency is made up of several types of knowledge, actions/behaviours and opportunities needed for youth to obtain these specialized skills. The Children's Bureau created the Financial Empowerment Toolkit based on the five core competencies to help young adults in foster care who do not have consistent adult support and may lack the financial socialization needed to understand how to manage and make decisions about finances (NRCYD, 2014). Below are descriptions of the five core concepts.

4.1 | Earn

The Earn competency involves knowledge, actions and opportunities related to earning money. These include things such as having the opportunity to earn money through employment, learning about employer benefits packages and how to prepare taxes, participating in higher education to expand earning potential and learning about various career paths that will allow youth to obtain employment that provides a living wage.

4.2 | Spend

The Spend competency involves developing an understanding of the implications of spending money and the financial tools that can help with this. Key knowledge and skills include being able to set financial goals, create budgets, track spending habits and use financial products, in particular free or reduced-cost checking accounts, that facilitate these behaviours.

4.3 | Save & Invest

The Save & Invest competency encompasses knowledge and skills related to saving and growing financial resources. This includes, for example, developing an understanding of how savings can earn interest that grows over time; opening a savings account; saving for emergencies, short-term, and long-term goals; investing in various financial products; and comparing various savings and investing options.

4.4 | Borrow

The Borrow competency is about learning how to use and build credit responsibly and effectively. Applicable knowledge and skills include things such as understanding interest and other costs associated with borrowing, understanding how borrowing effects the credit and interest rates available to someone, meeting loan payment obligations and tracking borrowing habits.

4.5 | Protect

Finally, the Protect competency is about developing knowledge and skills regarding how to protect one's assets. This includes things like learning how to access and interpret credit reports and scores, understanding when and how to get insurance, building an emergency fund, protecting one's identity, avoiding fraud and scams and making long-term investments that build and protect assets.

The current study uses this framework as a guide to assess financial capability in a sample of older youth in foster care.

5 | CURRENT STUDY

Despite growing recognition of the importance of financial capability of youth transitioning from foster care to adulthood in the United States, very little is still known about how these youth are faring in relation to financial capability, whether they are making gains as they approach legal adulthood, and to what extent various types of support are contributing to their development of financial capability. Thus, this exploratory study has three goals: (1) to provide information on a subset of youth in foster care in relation to their achievement of financial capability and receipt of financial skill-related supports, (2) to assess whether youth in care who have reached legal adulthood (i.e., age 18) are doing better on indicators of financial capability and financial skill-related supports compared with youth under age 18 and (3) to assess whether there are associations between financial skill-related supports (supportive adults, independent living programming) and financial capability in youth in foster care. Given that youth in foster care are supposed to be building financial capability as they approach their transition to adulthood, and should be receiving supports in order to do so, it is hypothesized that (a) older youth in care will have better financial capability than younger youth in care and that (b) better financial capability will be associated with receipt of financial skill-related supports.

6 | METHOD

6.1 | Participants and data collection

This research was reviewed and approved by the Institutional Review Board of a large university in the Northeastern United States. Data used in the current study are from a larger cross-sectional study of older youth with foster care experience in one urban county in the Northeastern United States. Eligibility criteria included being between the ages of 14 and 22 and being in the foster care system for at least 6 months (although not necessarily in care at the time of the survey), in order to have sufficient foster care system experience on which to give feedback. Eligible youth were identified by the local child welfare system, which gave permission for all youth to participate in the study. Youth were free to choose whether or not they wanted to participate.

A total of 330 youth were contacted for the original study. Of those with valid contact information who were able to be reached (n = 124), 84% (n = 104) consented to participate in the study. Surveys were conducted between January and December 2014. Surveys were conducted by trained research staff and took approximately 1.5 h to complete. Youth were given $100 for their participation. Of the 104 youth who participated in the survey, the vast majority (n = 97) were currently in the foster care system. This paper only includes these 97 youth, in order to have a clearer population for which these findings may more generally apply. Table 1 includes participant demographics.

TABLE 1 Participant demographics (N = 97)

Demographic	Categories	N (%)
Gender	Female	50 (50.5%)
	Male	49 (49.5%)
Race	Black	60 (61.9%)
	White	20 (20.6%)
	Multiple races	13 (13.4%)
	None reported	4 (4.1%)
Ethnicity	Hispanic	3 (3.1%)
	Not Hispanic	88 (90.7%)
	Do not know/declined	6 (6.2%)
Age (mean = 17.1)	14	7 (7.2%)
	15	12 (12.4%)
	16	19 (19.6%)
	17	20 (20.6%)
	18	16 (16.5%)
	19	16 (16.5%)
	20	7 (7.2%)
Sexual orientation	Heterosexual	84 (86.6%)
	Gay/lesbian/bisexual	9 (9.3%)
	Other	1 (1%)
	Did not respond	3 (3.1%)
Do you have any living children?	Yes	5 (5.2%)
	No	92 (94.8%)

6.2 | Measures

The survey items used in the current study were developed by the research team based on reviews of various conceptualizations of financial capability. Survey items were mapped onto the Financial Education Core Competencies based on their descriptions in the Children's Bureau's Financial Empowerment Toolkit (NRCYD, 2014). Multiple items mapped onto the first four competencies; however, there were no items available to be indicators of the fifth competency, Protect. The survey items used as indicators of each core competency and their answer choices can be found in Table 2. The survey items used for assessing financial skill-related supports can be found in Table 3.

6.3 | Analysis approach

First, descriptive statistics were run to provide an overview of how youth were faring in relation to each indicator of financial capability and each financial skill-related support type, by age group (those under age 18 [N = 58], and those age 18 and older [N = 39]). Next, statistical comparisons (chi-squares for binary dependent variables, t-tests for continuous dependent variables) were run to assess whether the indicators and support types differed significantly by age group.

Next, a subset of the financial capability indicators was chosen for multivariate regression analyses. These four indicators were chosen by the researchers based on which seemed to best represent the core competency for which it was an indicator. One indicator was chosen for the Earning core competency: ‘Number of months out of the past year you were employed’. Two indicators were chosen for the Spending core competency: ‘Having a personal checking account’ and ‘How often you run out of money by the end of the month’. Finally, one indicator was chosen for the Saving & Investing core competency: ‘In the past year, how often you have saved money’. No indicator of the Borrowing core competency was chosen because (a) such a small number of youth endorsed having a credit card and (b) questions regarding utilization of other financial products were only asked to older youth.

Each of the four regression analyses contained three demographic variables (gender, race and age) and two types of financial skill-related supports (having someone who helps you learn about your finances and make good financial decisions, and ever being enrolled in an independent living programme) as independent variables. Three of the regressions were multiple linear regressions, and one was a binary logistic regression.

TABLE 2 Youth status in relation to financial capability core concepts, by age group

Financial Capabilitiy Core Concept		Youth under age 18 N = 58	Youth age 18 and older N = 39	Statistical comparison
Financial capability core concept 1: Earning		***N* (%)**	***N* (%)**	
How many months out of the past year were you employed?		2.7 (3.8)	6.0 (3.9)	$t(94) = -4.122^{***}$
Current school status:				
Not enrolled in school, did not graduate high school/GED		3 (5.2%)	0 (0%)	N/A
Enrolled in middle school, high school, GED, or other form of secondary school		54 (93.1%)	17 (43.6%)	
Graduated from high school/GED, not enrolled in or completed postsecondary programme		0 (0%)	11 (28.2%)	
Enrolled in postsecondary programme		1 (1.7%)	10 (25.6%)	
Graduated from postsecondary programme		0 (0%)	1 (2.6%)	
Financial capability core concept 2: Spending		***N* (%)**	***N* (%)**	**Statistical comparison**
Do you have a personal checking account?	Yes	12 (20.7%)	22 (56.4%)	$X^2(1) = 13.07^{***}$
	No	46 (79.3%)	17 (43.6%)	
Are you responsible for paying any monthly bills?	Yes	12 (20.7%)	23 (59.0%)	$X^2(1) = 14.82^{***}$
	No	46 (79.3%)	16 (41.0%)	
Do you have a monthly budget?	Yes	7 (12.1%)	15 (38.5%)	$X^2(1) = 9.76^{**}$
	No	51 (87.9%)	23 (59.0%)	
		Mean (SD)	**Mean (SD)**	**Statistical comparison**
How often do you run out of money before the end of the month? (1 = *Never* to 4 = *Pretty much every month*)		2.0 (1.2)	2.0 (1.1)	$t(85) = 0.27$
Financial capability core concept 3: Saving & Investing		**Mean (SD)**	**Mean (SD)**	**Statistical comparison**
In the past year, how often have you saved money? (1 = *Never* to 4 = *Frequently - once a month or more*)		2.9 (1.1)	3.0 (1.1)	$t(92) = -0.75$
		***N* (%)**	***N* (%)**	**Statistical comparison**
About how much money do you have saved at this point? Less than $100		27 (46.6%)	12 (30.8%)	Chi square compared two groups: (a) less than $100 or (b) $100 or more. $X^2(1) = 3.96^{*}$
$100—$499		13 (22.4%)	8 (20.5%)	
$500—$999		4 (6.9%)	9 (23.1%)	
$1000—$2999		3 (5.2%)	5 (12.8%)	
$3000—$4999		0 (0%)	0 (0%)	
$5000 or above		2 (3.4%)	2 (5.1%)	
Do not know or missing		9 (15.5%)	3 (7.7%)	
Do you have a monthly savings goal?	Yes	18 (31%)	17 (44.7%)	$X^2(1) = 1.86$
	No	40 (69%)	21 (55.3%)	
Do you have a personal savings account?	Yes	11 (19.0%)	22 (56.4%)	$X^2(1) = 14.57^{***}$
	No or do not know	47 (81%)	17 (43.6%)	

TABLE 2 (Continued)

Financial Capabilitiy Core Concept		Youth under age 18 *N* = 58	Youth age 18 and older *N* = 39	Statistical comparison
Financial capability core concept 4: Borrowing		***N* (%)**	***N* (%)**	**Statistical comparison**
Do you have one or more credit cards in your name?	Yes	2 (3.4%)	5 (12.8%)	N/A
	No	56 (96.6%)	34 (87.2%)	
How often do you use the following financial products …[a]		N/A—These items were only asked to youth aged 18 and older		
Payday lenders			2 (5.1%)	
Check cashers (i.e., businesses or stores other than your bank who will cash your check for a fee)			6 (15.4%)	
Loans from family or friends			5 (12.8%)	

[a]Percentages include participants who responded rarely (about once a year), occasionally (once every few months), or Frequently (once a month or more) as opposed to Never.

Note:

†$P < 0.10$.

*$P < 0.05$. **$P < 0.01$. ***$P < 0.001$.

TABLE 3 Youth receipt of financial skill-related supports, by age group

Financial Skill-Related Support	Youth under age 18 *N* = 58	Youth age 18 and older *N* = 39	Statistical comparison
	N (%)	*N* (%)	
Is there someone who helps you learn about your finances and make good financial decisions?			
Yes	33 (56.9%)	29 (74.4%)	$X^2(1) = 3.08^{\dagger}$
No or do not know	25 (43.1%)	10 (25.6%)	
Of those who said yes, who is this person? (check all that apply):			N/A
Case worker or independent living worker	14 (42.4%)	19 (65.5%)	
Foster parent	13 (39.4%)	10 (34.5%)	
Bio family member	10 (30.3%)	8 (27.6%)	
Mentor	5 (15.2%)	8 (27.6%)	
Peer	3 (9.1%)	3 (10.3%)	
Financial counsellor or financial expert	1 (3.0%)	3 (10.3%)	
Teacher	1 (3.0%)	2 (6.9%)	
Other	2 (6.1%)	2 (6.9%)	
How often do you check in with this person/these people about your finances?			
Rarely (about once a year)	12 (36.4%)	4 (13.8%)	$X^2(2) = 7.25^{*}$
Occasionally (once every few months)	11 (33.3%)	7 (24.1%)	
Frequently (once a month or more)	10 (30.3%)	18 (62.1%)	
Have you ever been enrolled in an independent living programme?			
Yes	19 (32.8%)	28 (71.8%)	$X^2(1) = 14.23^{***}$
No or do not know	39 (67.2%)	11 (28.2%)	
	M (SD)	**M (SD)**	**Statistical comparison**
How prepared are you to meet your budgeting and financial goals? (1 = *Not at all prepared* to 4 = *Very prepared*)	3.0 (0.9)	3.0 (0.8)	$t(89) = 0.14$

†$P < 0.10$.

*$P < 0.05$. **$P < 0.01$. ***$P < 0.001$.

7 | RESULTS

7.1 | Financial capability core concepts by age group

Table 2 contains descriptive data on the status of youth in relation to various indicators of four financial capability core concepts, by age group (under the age of 18 versus age 18 and older). In relation to the Earning core concept, older youth were employed for more months in the past year (mean = 6.0, SD = 3.9) than younger youth (mean = 2.7, SD = 3.8; $t(94) = -4.122$, $P = 0.000$). Very few youth in the study ($n = 3$) were neither enrolled in school nor had earned a high school completion credential. Regarding the Spending core concept, older youth were more than twice as likely to have a personal checking account ($X^2(1) = 13.07$, $P = 0.000$), be responsible for paying monthly bills ($X^2(1) = 14.82$, $P = 0.000$), and have a monthly budget ($X^2(1) = 9.76$, $P = 0.002$) compared with younger youth. However, there was no difference between older and younger youth in relation to how often they ran out of money before the end of the month ($t(85) = 0.27$, $P = 0.751$).

Looking at indicators of the Saving and Investing core concept, there was no difference between younger and older youth in relation to whether they had a monthly savings goal ($X^2(1) = 1.86$, $P = 0.173$) or how often they saved money in the past year ($t(92) = -0.75$, $P = 0.455$). However, older youth were more likely than younger youth to have a personal savings account ($X^2(1) = 14.57$, $P = 0.000$) and to have \$100 or more in savings ($X^2(1) = 3.96$, $P = 0.047$).

Finally, in relation to the Borrowing core concept, few youth in the study (3.4% of younger youth, 12.8% of older youth) had a credit card. Younger youth were not asked about the use of other high-cost financial products such as payday lenders or check cashers, but a small number of older youth did report having used these.

7.2 | Financial skill-related supports by age group

Next, youth connections with financial skill-related supports were assessed. Findings are reported in Table 3. A little over half of younger youth reported having someone to help them learn about their finances and make good financial decisions, compared with approximately three quarters of older youth; this difference approached but did not reach statistical significance ($X^2(1) = 3.08$, $P = 0.079$). Both groups were similar in terms of who their most common sources of financial skill-related supports were, with the most common being case workers or independent living workers (reported by 42.4% of younger youth and 65.5% of older youth), followed by foster parents and bio family members. Interestingly, approximately 10% of youth reported receiving financial skill-related support from peers. While the difference in the percentages of older versus younger youth having someone to help learn about finances approached but did not reach statistical significance, the frequency of these youth checking in with their supports did. Older youth were twice as likely as younger youth to check in with their supports 'frequently (once a month or more)' (62.1% versus 30.3%, $X^2(2) = 7.25$, $P = 0.027$). In additional, older youth were over twice as likely to have ever been enrolled in an independent living programme ($X^2(1) = 14.23$, $P = 0.000$). However, despite increased connection with and frequency of support from financial skill-related supports, there was no difference in how prepared older versus younger youth felt to meet their budgeting and financial goals ($t(89) = 0.14$, $P = 0.889$).

7.3 | Factors associated with indicators of financial capability

For this portion of the analysis, four indicators of financial capability were selected for more in-depth analyses of potential factors associated with their achievement. The four indicators represented the first three core concepts; core concept 4 was not included in this portion of the analysis because there was limited variability in the items and/or the items were not asked to younger youth. No correlations between independent and dependent variables were above $r = 0.41$, ruling out multicollinearity as a potential problem for the following regression analyses. The four regression analyses described in the following text can be found in Table 4.

7.3.1 | Core concept 1: Earning

The item chosen to be the best indicator for the Earning core concept was number of months out of the past year that a youth was employed. The multiple regression analysis found one demographic, age, to have a trend-level association with number of months of employment ($B = 1.63$, $\beta = 0.20$, $P = 0.062$). In addition, both having someone to help learn about finances and ever being enrolled in an independent living programme were associated with a higher number of months employed ($B = 1.66$, $\beta = 0.20$, $P = 0.042$ and $B = 2.79$, $\beta = 0.34$, $P = 0.001$, respectively).

7.3.2 | Core concept 2: Spending

Two items were chosen as the best indicators for the Spending core concept: (a) whether or not youth had a personal checking account and (b) how often youth ran out of money before the end of the month. A separate regression model was run for each. The binary logistic regression analysis for whether or not youth had a personal checking account found older age (OR = 2.70, 95% CI = 0.94 to 7.80, $P = 0.066$) to have a trend-level association with having a personal checking account. In addition, having someone to help learn about finances (OR = 3.24, 95% CI = 1.03 to 10.23, $P = 0.045$) and ever being enrolled in an independent living programme (OR = 3.59, 95% CI = 1.24 to 10.45, $P = 0.019$) were both statistically significantly associated with a higher likelihood of having a personal checking account. The multiple regression for running out of money by the end of the month found only one factor, having someone to help learn

TABLE 4 Regression analyses examining factors potentially associated with selected indicators of financial capability

	Regression model 1				Regression model 2	Regression model 3				Regression model 4			
	Core concept 1: Earning				Core concept 2: Spending	Core concept 2: Spending				Core concept 3: Saving and investing			
	Number of months out of the past year you were employed				Have a personal checking account (0 = *No*, 1 = *Yes*)	How often you run out of money before the end of the month (1 = *Never* to 4 = *Pretty much every month*)				In the past year, how often you have saved money (1 = *Never* to 4 = *Frequently - once a month or more*)			
Independent variables	*B*	SE *B*	95% CI	*β*	OR (95% CI)	*B*	SE *B*	95% CI	*β*	*B*	SE *B*	95% CI	*β*
Demographics													
Gender	−0.48	0.78	−2.03, 1.06	−0.06	1.10 (0.39–3.06)	0.15	0.26	−0.36, 0.66	0.06	−0.57	0.23	−1.03, −0.11	−0.27*
Race/ethnicity:	--				--	--				--			
Black non-Hispanic (ref group)													
White non-Hispanic	−0.35	1.01	−2.36, 1.67	−0.03	0.57 (0.15–2.16)	−0.32	0.32	−0.96, 0.32	−0.12	0.17	0.30	−0.42, 0.76	0.07
Other	−0.49	0.94	−2.35, 1.37	−0.05	0.57 (0.16–2.07)	−0.18	0.31	−0.80, 0.45	−0.06	0.16	0.28	−0.41, 0.72	0.06
Age	1.63	0.86	−0.09, 3.35	0.20†	2.70 (0.94–7.80)†	−0.07	0.28	−0.63, 0.50	−0.03	−0.19	0.26	−0.71, 0.33	−0.09
Financial skill-related supports													
Have someone who helps you learn about your finances and make good financial decisions	1.66	0.80	0.06, 3.25	0.20*	3.24 (1.03–10.23)*	−0.60	0.27	−1.13, −0.08	−0.25*	0.05	0.24	−0.43, 0.53	0.02
Ever been enrolled in an independent living programme	2.79	0.84	1.13, 4.45	0.34**	3.59 (1.24–10.45)*	0.35	0.28	−0.20, 0.91	0.15	0.42	0.26	−0.09, 0.93	0.20

†*P* < 0.10.
**P* < 0.05. ***P* < 0.01. ****P* < 0.001.

about finances, to be associated with a lower likelihood of running out of money by the end of the month (B = −0.6, β = −0.25, P = 0.026).

7.3.3 | Core concept 3: Saving and Investing

The item chosen to represent the Saving and Investing core concept was how often youth had saved money in the past year. In this multiple regression, only one factor, gender, was found to be associated with saving in the money in the past year: being male was associated with a higher likelihood of saving money in the past year (B = −0.57, β = −0.27, P = 0.015). Neither having someone to help learn about finances nor ever being enrolled in an independent living programme was associate with a higher likelihood of having saved money in the past year.

8 | DISCUSSION

This study provides valuable insight into the financial capability situations of a subset of older youth in foster care in the United States. It was encouraging to find that youth aged 18 and older had more advanced financial capability than younger youth on a number of indicators including increased employment experience, ownership of checking and savings accounts, likelihood of having a monthly budget and money put away in savings. The percentage of older youth still in care reporting to have a checking and/or savings account (72%) was higher than the percentage of youth who had left care in the Midwest Evaluation of the Adult Functioning of Former Foster Youth study at age 21 (52%; Courtney et al., 2007). Furthermore, older youth were more likely to check in with caring adults about finance-related issues, as well as more likely to have been enrolled in an independent living programme. This all suggests that as a group, these youth are making progress in their financial capability as they move towards the transition to adulthood. Furthermore, the majority of participants in both age groups had connections to caring adults that helped them learn about finances and make good financial decisions, and the majority of older youth had experience with an independent living programme, both of which were found to be associated with a number of indicators of increased financial capability. These findings support those reviewed earlier from the Jim Casey Youth Opportunities Initiative that found that youth with permanent adults in their lives were more likely to be financially capable (Jim Casey Youth Opportunities Initiative, 2019b).

This study's findings mirrored the qualitative findings from Peters et al. (2016), who found that caseworkers play an important role in helping youth build their financial capability. It is worth noting that many of the more frequently identified finance-related supports that youth identified are those likely to disappear at the time of exit from the foster care system (i.e., case workers and independent living providers). A goal for future studies could be to examine what finance-related supports look like for youth who have already transitioned out of the foster care system, whether most youth are able to maintain finance-related supports across this transition and what new supports may (or may not) emerge at that time.

It is also notable that, although older youth in care seem to be progressing in relation to their financial capability, their feelings of preparation to meet their financial goals were not significantly higher than those of younger youth. Both the older and younger youth in the current study had a mean preparedness rating of 3.0, on a scale from 1 (*not at all prepared*) to 4 (*very prepared*), which was also quite similar to youth who were age 21 in the Midwest study of former foster youth who were asked a very similar question (mean = 3.12; Courtney et al., 2007). This could be due to the fact that older youth are getting to a place where they are actually starting to need to put their financial skills to use, in addition to being aware of the reality that their transition to independence will happen sooner than it will for many younger youth. However, neither group had a particularly low mean preparedness score, so it may be that perceived preparedness is not particularly distressing to either group. This could be good for general mental health and well-being but could also be problematic if youth feel more prepared than they actually are.

8.1 | Implications for policy and practice

Only 72% of youth aged 18 and older in the current study reported having a checking or savings account, which was noticeably higher than the earlier Courtney et al. (2007) study mentioned above, but still lacking. Furthermore, over half of participants aged 18 and older had less than $500 in savings. These are both concerning findings given the fact that these youth will very soon no longer be receiving support from the child welfare system. A review of research on children's savings by Friedline and Nam (2014) found that young adults who owned savings accounts in childhood were much more likely to have savings accounts and/or saving accumulation in young adulthood. Although some child welfare systems and independent living services may support youth in opening checking or savings accounts (Fryar et al., 2017), this is not a current policy focus/priority in the same way that getting access to credit reports is. Based on this study's findings and others that document the challenges that youth with foster care experience face in obtaining savings accounts and other traditional banking products (e.g., Peters et al., 2016), it may be prudent for future policy efforts to focus on setting explicit expectations and procedures for helping youth in foster care access and establish key financial products such as checking and savings accounts—and doing this earlier in a child's transition period so they have time to build skills for utilizing them. It will be especially valuable to help clarify procedures that child welfare agencies can go about doing this, given challenges such as caregiver co-signing for new accounts, ensuring that youth in congregate care are afforded the same opportunities and so forth (NRCYD, 2014).

Relatedly, the current study found that some older youth did have experience using 'fringe banking' products (Caskey, 2005) such as check cashers (15.4% of older youth) and payday lenders (5.1% of older youth). Given the notable percentage of youth who still did not have a checking or savings account, it is not surprising to find some youth using these products. However, bolstered efforts to help youth established no-cost checking and savings accounts will likely help youth avoid these higher cost, higher risk financial products.

This study found that most participants had a caring adult that they could turn to for finance-related advice and support. Although it is encouraging that the majority of youth in care have caring adults to turn to, the nature and quality of this advice and support is still unclear. In this study, the most commonly identified finance-related supports in youths' lives were case workers and independent living providers. Another potential practice implication could thus be to ensure that these providers have access to high-quality finance-related information to share with youth and are aware of and have connections with financial education, access and asset building opportunities (Edelstein & Lowenstein, 2014). Furthermore, although the majority of youth reported having a caring adult support for finance-related issues, there remained a substantial percentage who did not report having this type of support. Ensuring that youth are explicitly thinking about and identifying these types of supports as part of their transition plan could also be a valuable step.

The current study found that very few participants had credit cards. Although this may be good in terms of helping ensure youth do not get into debt, there are also challenges. Having a credit card and using it responsibly is one of the primary, and most accessible, ways for young adults to begin building credit (Brevoort & Kambara, 2017). Finding ways to help youth build credit is another important step that the child welfare system could provide more extensive guidance on, as well as expectations for. Helping youth obtain a low-limit credit card or other financial products that allow them to build credit could also provide a more meaningful segue into efforts currently underway to help them understand their credit report and risk for identity theft (e.g., California Office of Privacy Protection, 2011).

In addition to the areas that could benefit from additional research noted above, another area that could benefit greatly from future research is conducting rigorous evaluations of financial education, access and asset building programmes that serve youth with foster care experience. The need for these services is clear, and is supported by policy. Asset building programmes could be particularly valuable for youth with foster care experience who often do not have built-in opportunities for amassing resources that contribute to their financial well-being over time (e.g., lower asset ownership found in Courtney et al., 2007), and there is some initial evidence to suggest this as a promising practice (e.g., Jim Casey Youth Opportunities Initiative, 2014). However, the evidence for what makes a meaningful difference in the financial capability of youth transitioning from foster care to adulthood is still very limited. This type of evidence could provide leverage for organizations and systems aiming to bolster the availability of these programmes, especially asset building programmes that require a higher level of investment.

8.2 | Limitations

Several limitations of the current study should be noted. First, the study data are cross-sectional so they not appropriate for assessing causality or change over time. Second, the data are from youth within one child welfare system in one location, so findings may vary for youth within different child welfare systems or different parts of the country. Future studies could build on the current study by examining how programmes, supports and outcomes vary across the United States. Third, data were not available for fully assessing all five financial capability core components as outlined by the National Resource Center for Youth Development, especially Borrowing and Protecting. Additional studies are needed to more fully explore these, especially in relation to how often youth are accessing credit reports and how well they are protecting their identities and assets.

9 | CONCLUSION

Financial capability is a crucial milestone for youth transitioning from foster care to adulthood to achieve prior to being on their own. Older youth in care in the current study did appear to be making meaningful gains towards financial capability, using supports such as caring adults and independent living services. However, more research, policy and practice enhancements are needed in order for youth to be confident and prepared for their transition to financial independence.

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CONFLICT OF INTEREST

The authors declare that they have no conflict of interest.

ETHICS APPROVAL STATEMENT

All procedures performed in this study were in accordance with the ethical standards of the institutional research committee.

PARTICIPANT CONSENT STATEMENT

All participants gave their consent (or, in the case of youth under age 18, assent accompanied by consent from the child welfare system) to participate in this study as part of an IRB-approved informed assent/consent process.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study may be available on request from the corresponding author. The data are not publicly available due to restrictions related to the vulnerable nature of the participants with child welfare system involvement.

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