Ingredients for Achieving Financial Literacy Demonstrated Through the Dave Ramsey Passionate Affinity Group

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IST 5703

March 27, 2011

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The recent economic meltdown pushed millions of Americans to bankruptcy. In 2010 alone, more than 1.5 million filed for bankruptcy, up eight percent from 2009 (MacBeth, 2011). At the root of many of those bankruptcy filings was excessive spending (Zhu, 2008), likely due to an inability to make smart money management choices. Those who didn't walk away from their mounting debt have sought financial re-balancing through knowledge and advice. A passionate group of them have found the guidance they sought in Dave Ramsey, a one-time millionaire who turned his own bankruptcy experience into a debt-counseling empire and money management community. Passionate Ramsey followers memorize specific debt reduction strategies and, after applying them to their own lives, share details of their own finances in online financial communities and on Ramsey's radio and television shows in order to teach others. This paper explores how the passionate affinity group of Dave Ramsey followers uses their community's shared knowledge and experiences to become financially literate and systematically eliminate their own personal debt.

Defining Financial Literacy and its Importance

For the purposes of this paper, financial literacy is defined as "the ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security" (Jump$tart Coalition, 2007). The high number of personal bankruptcy filings suggests that many Americans are not financially literate, which may be due in part to the fact that fewer than half of the United States require some form of economics or personal finance education in high school (Council for Economic Education, 2010). Of course, teaching money management skills in schools is no guarantee that students will achieve financial literacy. This is especially true for learners who cannot apply the concepts. Without practice, the learning may not stick.

As Lave and Wenger (1991) point out, “Knowing is … located in relations among practitioners, their practice, and the artifacts of that practice” (p. 122). Many Americans do not experience communities of practice to learn financial literacy. Instead they attempt to achieve literacy as adults through trial-and-error practice, using readily available tools while lacking the material knowledge to discern good tools (e.g., debit cards without fees) from bad (e.g., high-interest credit cards and payday loans). Individuals who do not have community support must rely on their own knowledge and skills to learn, and not every individual is equally motivated to learn financial literacy independently or is successful in that endeavor. Unfortunately, without financial literacy, individuals risk negative effects on their long-term financial stability because they are more apt to file for personal bankruptcy (Jump$tart Coalition, 1998).

The First Ingredient of Financial Literacy: Material Knowledge

diSessa (2000) argues that literacy is “achieved cooperatively with external materials” (p. 5), which include language. He continues that these “external forms become in a very real sense part of [the] thinking, remembering, and communicating” (p. 6) of that literacy. The material knowledge of financial literacy includes such concepts as *credit rating, debit, credit, fixed mortgage rate* and *variable interest rate*. Studies have show that many Americans don’t possess that material knowledge. For instance, in one study by economists, 30 percent of responders thought they had a fixed-rate mortgage when in fact they had an adjustable-rate one (Surowiecki, 2010).

Ramsey followers begin the journey to financial literacy by learning two primary money management concepts: 1) Debt Snowball Reduction, which focuses on prioritization of debt from smallest to largest payoff balance, and 2) Seven Baby Steps, which focuses on saving. Ramsey, a self-appointed expert, has created a prioritized list designed to eliminate existing debt, to avoid future debt, to save for the short-term, and eventually to save for long-term and to donate to charity. Through his books, Web site, radio and television programs, and face-to-face events, Ramsey and other experts who've mastered the Total Money Makeover Plan explain the concepts that constitute the materials. In online forums, participants reiterate the Ramsey concepts (e.g., Russ). Additional material learning takes the form of participants' posting signatures that contain evidence of their progress on the Dave Ramsey program (e.g., tpals), reinforcing understanding of the financial literacy terms and thereby encouraging the shared goal of the group: to systematically eliminate debt by following the plan.

The Second Ingredient of Financial Literacy:

Peer-to-Peer Learning in a Passionate Affinity Group Community

According to Jenkins (2011), "participatory culture communities and practices actively support the learning of their members." Examples of peer-to-peer learning abound in the communities of Dave Ramsey followers. The following evidence illustrates that Ramsey followers are so committed to a shared interest of financial literacy that they meet several of the qualifications of a passionate affinity group (Gee & Hayes, 2010).

Ramsey followers are encouraged to use a variety of tools to participate and disperse knowledge (Gee & Hays, p. 110), including online forums, face-to-face events, call-in radio and television programs, social media, and more. In addition, "newbies, masters, and everyone else share common space" (p. 108) in the Ramsey community, with experts who've climbed out of debt seeking advice but also guiding novices as apprentices (e.g., annakat). Much like the nondrinking alcoholics described by Lave and Wenger (1991), who learn from more experienced community participants how to adapt to their new identity without alcohol, experts in Ramsey's strategies share stories of their adaptation from debt to a new financially stable and literate lifestyle. Elevation to moderator status and thousands of posts establish their status in the community as experts (e.g., Greebo).

Ramsey followers from all age ranges (Gee & Hayes, p. 108) ask and answer questions (e.g., Ashley01 and responders), are openly passionate about their acquisition of financial literacy (e.g., Tickled), provide and receive encouragement (e.g., spoiledwife, NewLeaf), and promote responsibility (e.g., twinzplus3, Living Like No One Else, MomToTwoBoys) about their shared passion for the cause to which they are committed (e.g., Terms of Service to which all users must agree): financial literacy that will allow them to systematically eliminate debt.

Ramsey's followers thrive on witnessing their fellow participants' "I'm debt free" proclamations (e.g., sample "I'm debt free" radio calls, "I'm debt-free" video) and the accompanying physical destruction of the credit cards that once bound them to debt (e.g., video of Skydiving Plastectomy). They also eagerly anticipate the day when they can tell their success stories and make their own proclamations (e.g., Fabian). This is a critical, coveted step in the Ramsey followers' journey toward financial literacy because before the proclamation, Dave and the follower discuss the steps of the systematic approach to achievement, an approach that reinforces the material learning and provides tangible evidence to participants in the community that the debt-free goal is reachable.

The Third Ingredient of Financial Literacy: Lifelong Learning through Application

America's capitalistic society presents no shortage of opportunities for individuals to practice financial skills in daily life. However Ramsey followers have learned through personal experience that without a foundation of knowledge, misapplication of money management tools can produce disastrous financial results. To survive in today's capitalist-driven society, an individual must develop financial literacy — the ability to understand, analyze, and make smart choices about money management. Financial literacy encompasses short- and long-term stability, requiring basic math skills to pay bills and transact on a daily basis, but also the critical-thinking ability necessary to manage debt and execute personal investment decisions for the future.

Collins and Halverson (2009) propose that our society no longer blindly accepts that formal education is the only way to learn. The new era, they argue, focuses on lifelong learning, characterized by "people interested in advancing their own learning … and [taking] back responsibility for education" (p. 104). The passionate affinity group of Ramsey followers is a good example of lifelong learning because participants are motivated through their own circumstances to wrestle control of their finances. Then they work toward the desired state of financial literacy by sharing knowledge with other participants, supporting each other through the community of practice, and applying the knowledge to their own lives today and the future.

Conclusion

Experts in the Ramsey community practice their learning long after the initial intake. By applying the Dave Ramsey's primary principles, they inch toward their community's shared goal of financial literacy: "an evolving state of competency that enables each individual to respond effectively to ever-changing personal and economic circumstances" (Jump$tart Coalition, 2007). Their knowledge and emerging financial literacy allows them to safely and systematically eliminate their personal debt, and to encourage the practice among other community participants. Within his community of followers, Ramsey's instruction through multiple media channels provides the materials, online communities provide the social engagement and support, and day-to-day financial decision-making and transactions provide the application and situated learning.

All these ingredients help participants systematically eliminate personal debt to create and curate their own financial literacy.

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