Financial Preparedness and Early Economic Outcomes of Youth Transitioning from Foster Care: Year 1 Findings from a Longitudinal Study

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Introduction

The purpose of the present study is to examine financial outcomes of youth who are transitioning from foster care to adulthood, with particular attention to perceived preparedness in relation to meeting educational and job training goals; securing and maintaining employment; securing and maintaining housing; managing finances and making financial decisions; and living independently. Additionally, current living situation, educational attainment, employment status, and utilization of available benefits were examined. This study aims to identify practical strategies to support financial self-sufficiency, highlight areas of unmet need, and inform programmatic and policy development that can improve economic outcomes for transition-aged foster youth. These findings are intended to provide consumer-relevant insights that can inform professionals, policymakers, and youth-serving programs.

Youth transitioning from foster care face a unique constellation of risks that significantly impact their financial self-sufficiency. Prior research has documented disproportionately poor outcomes across multiple domains, including education, housing, employment, health, and social relationships (Courtney, 2009; Courtney et al., 2011), but relatively few studies have centered on financial well-being as a primary outcome for this population. These challenges are deeply interconnected with financial stability, as instability in one area often compounds hardship in others. Unlike their peers who may continue to receive familial and financial support into their mid-20s, foster care alumni are often expected to achieve full financial independence at age 18 or 21, without adequate scaffolding. This structural reality underscores the critical importance of examining financial outcomes directly, rather than as secondary markers of self-sufficiency.

From a developmental perspective, Arnett's theory of emerging adulthood frames the late teens through twenties as a period of exploration, instability, and gradual independence (Arnett, 2000). Foster youth, however, are forced to accelerate this process due to the abrupt termination of formal support systems at the point of "aging out" (Arnett, 2007). Self-determination theory (Deci et al., 1991) further suggests that autonomy, competence, and relatedness are essential for motivation and well-being. For youth aging out of foster care, autonomy often manifests as forced independence, competence is undermined by disruptions in education and employment, and relatedness is compromised by fractured social networks. In this context, financial instability is not merely an outcome but a reflection of systemic barriers to meeting developmental needs.

Despite the availability of tuition and fee waivers, extended foster care, and independent living programs that provide partial scaffolding for financial stability, empirical evidence on how well these interventions translate into meaningful improvements in financial outcomes over time is limited. Much of the literature operationalizes success narrowly through employment and housing benchmarks (Cook, 1994; Thompson et al., 2018), overlooking broader financial realities such as debt, savings, credit access, and financial literacy. There is also limited understanding of gaps in equitable access and program implementation at the state level, including whether supports like stipends, tuition and fee waivers, or independent living programs effectively promote long-term economic well-being.

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This study addresses these gaps by examining both perceived preparedness and tangible indicators of financial outcomes, including employment, educational attainment, housing, and engagement with supportive programs. The findings have direct implications for consumer professionals, policymakers, and youth-serving organizations. By identifying domains where youth feel underprepared, such as managing money, securing housing, and completing education, this study provides actionable insights to design targeted interventions that enhance economic self-sufficiency. Highlighting subgroups at elevated risk, such as youth who have not completed high school and are not enrolled in any educational program, underscores the need for equity-focused policy and programming.

Financial well-being is foundational to the ability of youth to achieve stability in housing, education, and health. Aligning with the mission of consumer economics and the American Council on Consumer Interests (ACCI), this study contributes by directly examining the economic realities of youth transitioning from foster care to adulthood, thereby generating insights that can enhance consumer and family economic well-being through evidence-based policy and practice. In doing so, it translates empirical findings into practical strategies with immediate relevance for practitioners, policymakers, and consumer professionals committed to supporting the financial independence and long-term success of this vulnerable population.

Methods

This study is the first of its kind in Florida to examine the financial outcomes of youth aging out of foster care through a five-year longitudinal design. The study follows youth from ages 17 or 18 to 22 or 23, capturing their transition to adulthood and development of financial independence over time. Participants (n=47) were recruited from state-level independent living programs, extended foster care services, group homes, and community-based organizations to ensure diversity in gender, race/ethnicity, and geographic location.

The findings presented here are drawn from Year 1 of the study. In this first year, participants completed a single structured virtual interview, as well as three quarterly engagement surveys. The interview protocol assessed perceived preparedness in five key domains: education and job training, employment, housing, financial management, and independent living. Additionally, participants reported on their current living situation, educational attainment, employment status, and utilization of available benefits such as tuition and fee waivers and Pell Grants.

All interviews were conducted virtually to accommodate participants' locations and ensure confidentiality. Responses were systematically recorded and coded. Quantitative data from Year 1 interviews were analyzed descriptively to identify trends in preparedness, support utilization, and financial capability. Ethical procedures, including informed consent, voluntary participation, confidentiality protections, and IRB approval, were rigorously applied. This method provides a detailed baseline of financial preparedness and outcomes, establishing a foundation for longitudinal analysis over the next four years.

Results

The study sample included 47 youth who were in the process of transitioning from foster care to adulthood in Florida. Participants were 17 (*n*=31, 66%) and 18 (*n*=16, 34%) years old, with the majority being female (*n*=33, 70%). Eleven participants (23%) considered themselves to be Hispanic, 34 (72%) did not consider themselves to be Hispanic, and 2 (4%) did not know whether they were Hispanic. Nearly half (*n*=22, 47%) of participants categorized themselves as Black or African American, 13 (28%) categorized themselves as White, 11 (23%) categorized themselves as two or more races, and 1 (2%) categorized themselves as Native Hawaiian or Pacific Islander.

Participants were asked about their perceived preparation and amount of life skills training in several key areas, including education and job training, getting and keeping a job, finding and keeping a place to live, managing money and making good financial decisions, and living independently. Tables 1 and 2 summarize these findings.

Education and Job Training

When asked how prepared they felt to achieve their education or job training goals, including goals like earning a high school diploma or GED, completing a vocational training program, or going to

college, 34% (*n*=16) indicated they were very prepared, 28% (*n*=13) indicated they were prepared, 32% (*n*=15) indicated they were somewhat prepared, and 6% (*n*=3) indicated they were not prepared. When asked how much life skills preparation, support services, or training they received to prepare them to achieve their education or job training goals, 23% (*n*=11) indicated they received a lot, 51% (*n*=24) indicated they received some, 19% (*n*=9) indicated they received a little, and 6% (*n*=3) indicated they received none.

Getting and Keeping a Job

When asked how prepared they felt to get and keep a job, 38% (*n*=18) indicated they were very prepared, 36% (*n*=17) indicated they were prepared, and 25% (*n*=12) indicated they were somewhat prepared. No participants indicated they were not prepared. When asked how much life skills preparation, support services, or training they received to prepare them to get and keep a job, 21% (*n*=10) indicated they received a lot, 47% (*n*=22) indicated they received some, 21% (*n*=10) indicated they received a little, and 11% (*n*=5) indicated they received none.

Finding and Keeping a Place to Live

When asked how prepared they felt to find and keep a place to live, 23% (*n*=11) indicated they were very prepared, 17% (*n*=8) indicated they were prepared, 39% (*n*=18) indicated they were somewhat prepared, and 21% (*n*=10) indicated they were not prepared. When asked how much life skills preparation, support services, or training they received to prepare them to find and keep a place to live, 17% (*n*=8) indicated they received a lot, 19% (*n*=9) indicated they received some, 43% (*n*=20) indicated they received a little, and 21% (*n*=10) indicated they received none.

Managing Money and Making Good Financial Decisions

When asked how prepared they felt to manage money and make good financial decisions, 23% (*n*=11) indicated they were very prepared, 30% (*n*=14) indicated they were prepared, 40% (*n*=19) indicated they were somewhat prepared, and 6% (*n*=3) indicated they were not prepared. When asked how much life skills preparation, support services, or training they received to prepare them to manage money and make good financial decisions, 28% (*n*=13) indicated they received a lot, 34% (*n*=16) indicated they received some, 21% (*n*=10) indicated they received a little, and 17% (*n*=8) indicated they received none.

Living Independently

When asked how prepared they felt to live independently, including day-to-day responsibilities like keeping good hygiene, buying food and preparing meals, doing laundry, cleaning, and maintaining and repairing household items, 53% (*n*=25) indicated they were very prepared, 28% (*n*=13) indicated they were prepared, 17% (*n*=8) indicated they were somewhat prepared, and 2% (*n*=1) indicated they were not prepared. When asked how much life skills preparation, support services, or training they received to prepare them to live independently, 43% (*n*=20) indicated they received a lot, 40% (*n*=19) indicated they received some, 11% (*n*=5) indicated they received a little, and 6% (*n*=3) indicated they received none.

Current Living Situation

When asked to describe their current living situation, 26% (*n*=12) indicated they were living with foster parents, 9% (*n*=4) indicated they were living with adult relatives, 26% (*n*=12) indicated they were living in a group home, 32% (*n*=15) were living in an independent living arrangement supervised by their community based care organization, and 9% (*n*=4) were in some other housing situation, including military housing (*n*=1), Section 8 housing (*n*=1), and living with friends (*n*=2).

Highest Level of Education and Current School Enrollment

When asked about their highest level of education, 68% (*n*=32) had completed some high school but had not yet earned their diploma or GED, 23% (*n*=11) had completed high school or earned their GED, 6% (*n*=3) had completed some four-year college, and 2% (*n*=1) had completed some community college. When asked if they were currently enrolled in school, 87% (*n*=41) indicated they were currently enrolled in school, and 13% (*n*=6) indicated they were not. Of those enrolled in school (*n*=41), 42% (*n*=17) were currently enrolled in high school, 5% (*n*=2) were dual enrolled in high school and college classes, 15% (*n*=6) were enrolled in GED classes, 17% (*n*=7) were enrolled in community or 2 year

college, 10% (*n*=4) were enrolled in four year college, 2% (*n*=1) were enrolled in trade school, 6% (*n*=3) were enrolled in programs to finish their high school credits, and 2% (*n*=1) was earning college credit while in the military. It is important to note that 9% (*n*=4) of participants had not finished high school and were also not enrolled in any sort of program to do so.

Educational Funding

Those who were enrolled in college or vocational training (*n*=12) were asked which of several potential options they were using to fund their education. Of those 12, 8% (*n*=1) had earned a scholarship, 50% (*n*=6) were utilizing Pell Grants, and 100% (*n*=12) were utilizing their tuition and fee waiver provided by the state due to their foster care status.

Employment

When asked to provide their current employment status, 43% (*n*=20) indicated they were employed part-time, 4% (*n*=2) indicated they were employed full-time, and 53% (*n*=25) indicated they were not currently employed.

Independent Living Programs

When asked how much information they had received about independent living programs designed to support youth as they age out of care, 66% (*n*=31) indicated they had received a lot of information, 21% (*n*=10) indicated they had received some information, 11% (*n*=5) indicated they had received a little information, and 2% (*n*=1) indicated they had received no information.

Discussion

The Year 1 findings of this study parallel and extend prior large-scale longitudinal studies, including the Midwest Study and the CalYOUTH Study. Similar to reports from the Midwest Study, many participants in the present sample had not yet completed high school at age 17 or 18, and a subgroup (9%) was neither enrolled in school nor had completed a diploma or GED, highlighting a particularly vulnerable population at heightened risk of poor long-term outcomes (Courtney et al., 2011).

In alignment with CalYOUTH findings, high levels of school enrollment among participants in this study suggest that extended supports may help sustain educational engagement (Courtney et al., 2018). Employment rates in the current study, with most youth not employed full-time but many working part-time while in school, also reflect patterns observed nationally, where employment tends to increase gradually into the early twenties (Courtney et al., 2005; Courtney et al., 2010). Housing and financial preparedness emerged as weaker domains in the present study, echoing evidence from both the Midwest and CalYOUTH that youth exiting care face disproportionate risks of homelessness, financial hardship, and unmet needs for training and support in these areas.

This study contributes new insights in its emphasis on perceived preparedness and reported levels of support or training, offering early indicators of risk that precede the objective outcomes captured in other studies. By contextualizing these findings within established national research, the present study strengthens the evidence base for targeted, consumer-focused interventions that enhance financial literacy, housing readiness, and educational persistence for transition-age foster youth.

Conclusion

Findings from the Year 1 interviews reveal a complex picture of preparedness and financial outcomes among youth transitioning from foster care. Participants reported the highest perceived preparedness in independent living and employment, with more than half indicating they were very prepared to manage daily responsibilities such as hygiene, cooking, cleaning, and household management, and nearly three-quarters feeling prepared to secure and maintain a job. This suggests that current programs and supports may be effectively fostering practical skills and employment readiness for many youth.

However, participants expressed lower confidence in managing finances and securing stable housing. Less than one-quarter felt very prepared to manage money or to find and maintain a place to live, with substantial proportions reporting minimal life skills training in these areas. These gaps highlight

critical vulnerabilities in financial literacy, housing stability, and self-sufficiency domains that are essential for long-term economic independence.

Educational outcomes were mixed: most participants were enrolled in school, yet the majority had not yet earned a high school diploma or GED. This is unsurprising given that many participants were still enrolled in high school or GED programs, however a concerning subset of participants had not completed high school or their GED and were not enrolled in any program to do so. This indicates a small but significant portion of youth may be at high risk for long-term economic instability due to barriers in completing foundational education. Among those pursuing postsecondary education, state tuition waivers were universally utilized, underscoring the importance of policy-level financial supports, while scholarships and Pell Grants were less frequently accessed.

Employment status largely reflects developmental priorities rather than economic risk. Most participants were still enrolled in school, which aligns with typical emerging adulthood trajectories where full-time employment is often secondary to education. Of the sample, 43% were employed part-time, 4% full-time, and 53% were not employed. These findings highlight that while employment is a critical pathway to financial independence, for many youth still in school, part-time work or temporary non-employment is normative and consistent with their educational engagement.

Current living arrangements were diverse, with a third in supervised independent living, but a notable proportion remained in group homes or foster placements, suggesting varying degrees of exposure to independence. Again, this is unsurprising given that the majority of participants were still in high school. Awareness of independent living programs was high, but gaps in exposure persisted, with 13% of the study sample receiving little to no information about the independent living services available to them.

These findings align with national patterns documented in both the Midwest Study and CalYOUTH, which also found that most youth remained enrolled in education through age 17–18, that employment was often part-time and secondary to school, and that housing and financial stability were areas of persistent vulnerability (Courtney et al., 2005; Courtney et al., 2010; Courtney et al., 2018). Consistent with those studies, this research underscores that educational persistence is not the primary concern; rather, the critical risk lies in the small group of youth disengaged from both school and work. Where this study extends the literature is in capturing the youth's own perceptions of preparedness across domains. Unlike Midwest and CalYOUTH, which emphasized objective outcomes, this research documents how confident youth feel in their ability to manage finances, secure housing, and live independently. These subjective measures are essential early indicators: youth who self-assess as "not prepared" may be at heightened risk before poor outcomes manifest.

From a consumer economics perspective, this research translates directly into actionable strategies for practitioners, policymakers, and youth-serving organizations. First, life skills and financial literacy programs should be strengthened and specifically targeted to youth with lower levels of educational completion or enrollment. Second, independent living programs and services should engage youth voice while expanding supports that bridge gaps in housing, money management, and education. Finally, longitudinal tracking is essential to evaluate which interventions most effectively enhance financial resilience and overall economic independence for youth transitioning out of foster care.

By centering youth-reported preparedness and experiences, this study offers actionable insights for program design, policy development, and research focused on enhancing financial outcomes and overall economic well-being for youth transitioning out of foster care. These insights are immediately relevant to professionals seeking to enhance consumer economic well-being for this vulnerable population. These findings provide a baseline for understanding Year 1 outcomes and inform strategies to promote long-term financial stability, resilience, and interdependent support systems as youth move into adulthood.

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Table 1

Youth Perceived Preparedness by Category

Variable	*n*	%
Education & Job Training		
Very Prepared	16	34
Prepared	13	28
Somewhat Prepared	15	32
Not Prepared	3	6
Getting and Keeping a Job		
Very Prepared	18	38
Prepared	17	26
Somewhat Prepared	12	25
Not Prepared	0	0
Finding and Keeping a Place to Live		
Very Prepared	11	23
Prepared	8	17
Somewhat Prepared	18	39
Not Prepared	10	21
Managing Money and Making Good Financial Decisions		
Very Prepared	11	23
Prepared	14	30
Somewhat Prepared	19	40
Not Prepared	3	7
Living Independently		
Very Prepared	25	53
Prepared	13	28
Somewhat Prepared	8	17
Not Prepared	1	2

Table 2
Youth Perceived Level of Life Skills Training by Category

Variable	*n*	%
Education & Job Training		
A Lot	11	23
Some	24	51
A Little	9	19
None	3	6
Getting and Keeping of Job		
A Lot	10	21
Some	22	47
A Little	10	21
None	5	11
Finding and Keeping a Place to Live		
A Lot	8	17
Some	9	19
A Little	20	43
None	10	21
Managing Money and Making Good Financial Decisions		
A Lot	13	28
Some	16	34
A Little	10	21
None	8	17
Living Independently		
A Lot	20	43
Some	19	40
A Little	5	11
None	3	6

