BY SHANNON TAGGART

# KIDS AND CA$H

## FINANCIAL LITERACY STARTS AT HOME — OR DOES IT?

**ASK YOUR TEENAGER** to tell you how many gigs of hard drive you have or what an MP3 is, and the answers will likely leave your head spinning and have you questioning your own intelligence.

Try asking that same kid to explain compound interest. Chances are his face will go as blank as your monitor the last time you crashed your computer.

Statistics show that our ever-more-worldly and technically savvy teenagers are virtually illiterate when it comes to matters of personal finance. More than 68 percent of high school seniors failed a recent nationwide financial literacy quiz. The Jump$tart Coalition for Personal Finance tested more than 4,000 kids around the country, and the average score for 2002 was just over 50 percent — down more than 9 percent from 2001.

"The bottom line is they are not taught," says Dara Duguay, Executive Director of the Jump$tart Coalition, a group of 150 national organizations advocating K-12 financial education. Duguay says just 15 percent of all U.S. teens learn any personal finance at school. Only four states make it a required part of the curriculum, usually as part of a business or family and consumer science class.

Those statistics are even scarier when coupled with this one: One in three teenagers carry a credit card. And if they don't have one now, they'll have plenty of opportunity once they hit college. A typical freshman gets an average of eight credit card offers in his or her first week on campus — an invitation to add to the more than $1.6 trillion in existing U.S. consumer debt.

"We as a nation have come to accept indebtedness as almost a right," says Cate Williams of Money Management International, a credit counseling service. "Borrowing money used to be a shame. Today it's a status symbol."

Williams says most teens graduate from high school with no knowledge of how to manage their own finances. Mix in student loans, paying with plastic, and the generally poor decision-making that often accompanies young adults living on their own for the first time, and you've got all the ingredients for a new generation saddled with debilitating debt.

"On the one hand, we are pressing them to get the highest level of education, despite whatever student loans they have to take out," says Williams. "Yet we're ill-equipping them to manage the money they'll eventually be earning toward paying off those loans."

Williams lives in Illinois, one of a handful of states that requires high school students to take a semester of "consumer education," covering personal finance topics like saving, budgeting, and investing. Does that mean students in Illinois graduate prepared for the fiscal responsibilities of adulthood?

"Probably not," says Williams. Instead she believes a teenager's financial education should start at home—and early.

"Even when they are as young as six or seven, give your kids exposure to having their own money and making choices with it," says Williams. "It's a lot easier to rescue them and get them back on the right track when they've misspent a dollar than it is when they are 25, broke, and want to move back home."

She recommends having children contribute part of any money they earn or receive toward household expenses—even if you save it and eventually return it to them for a security deposit or another big expense.

"It's getting them used to the idea of living on net versus gross," says Williams. "That's a really difficult concept for kids."

She says the first step toward teaching your children about money is simply talking about it.

"There is this whole taboo around the subject," says Jump$tart's Duguay. Plus, she says, modern times have made personal finance very complicated.

"Parents didn't have to deal with the same financial decisions as their kids face today, so they feel uncomfortable trying to explain something they may not fully understand themselves."

"Most American adults don't have anywhere near the decision-making ability to protect themselves, so it's no great surprise that our young people, who really haven't gotten any type of education on this, are in far worse shape," says Lewis Mandell, Ph.D., the author of the Jump$tart study and the new book *Improving Financial Literacy: What Schools and Parents Can and Cannot Do.*

Mandell applauds parents who try to teach their kids about money, but, alas, he thinks their efforts are largely ineffective.

"There are literally hundreds of things that constitute personal finance that kids need to know, and they are constantly changing," says Mandell. "Even if a parent is extremely knowledgeable, just getting teenagers to sit down and pay attention and knowing how to teach it is another issue."

Mandell says the place for kids to learn money management is in the classroom. But as it stands right now, that's not working either.

"The latest study shows that kids who have taken a course in personal finance did no better on the test than students who haven't," says Mandell.

To turn things around, Mandell says, personal finance needs to be a required subject in high school, just like history or English—and the educators who teach it need to have special training themselves to teach it correctly.

"Children will learn if they have good materials and knowledgeable teachers in a compulsory setting," says Mandell. "Society has to recognize this as something essential for our kids."

The message is not entirely unheard. Last year, the U.S. Treasury Department created an Office of Financial Education to study the problem. You may have even seen Federal Reserve Chairman Alan Greenspan doing public service announcements on the topic. Jump$tart's Duguay says the next step is getting parents to become advocates for their children's financial literacy.

"Parents don't realize the power they have when it comes to schools," says Duguay. "It's really easy to get this on the agenda at a PTA meeting."

Both parents and teachers who are interested in personal finance have a growing amount of information available to them for free—and, literally, at their fingertips. The Jump$tart Coalition's web site (www.jumpstart.org) is a good starting point. It lists more than 500 different personal finance curriculums that have been developed, and it is searchable by age and topic. The National Endowment for Financial Education (www.nefe.org) is one example. It gives its High School Financial Planning Program materials to schools and community groups at no cost. The private foundation says more than 600,000 students in 7,000 schools will participate this year. It also offers web-based training for teachers. ▪

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