

## Cause for Alarm

### Financial Literacy Skills Must Improve

Jim is one click away from booking a weeklong vacation. He knows he can't afford it, but reasons, "I'll just use my credit card."

Meanwhile, standing in line at the grocery store, Angela realizes she forgot her wallet. Accustomed to using her debit card, she struggles to write a personal check.

These are two fictional examples of poor financial literacy skills, but the problem is all too real throughout the United States. Many people struggle with money management, investing, saving and planning for the future.

The *National Financial Capability Study*, released by the FINRA Investor Education Foundation in 2009 (the most recent year data are available), revealed how Hoosier participants stacked up against the rest of the nation. A few highlights (or lowlights):

- 18% shared that their household spent more than their income. National rate: 20%
- 64% lack a "rainy day" fund to cover expenses for three months in case of emergencies such as sickness, job loss or economic downturn. National rate: 60%



Students at Mayflower Mill Elementary School in Lafayette get a head start learning the basics of financial literacy. Workshops presented by the Indiana Council for Economic Education assist teachers like Gina Boyd in bringing money matters to the classroom.

- 28% reported using one or more non-bank borrowing methods in the past five years. National rate: 24%

In addition, the *2012 Consumer Financial Literacy Survey* of U.S. adults prepared for the National Foundation for Credit Counseling and the Network Branded Prepaid Card Association found similar unsettling statistics, including the following:

- 56% don't have a budget
- 39% don't have non-retirement savings
- 42% gave themselves a grade of a C, D or F on their knowledge of personal finance

Jeff Sanson, executive director of the Indiana Council for Economic Education (ICEE), shared his insights on financial literacy challenges in the January-February 2005 issue of *BizVoice*®.

"I think that financial literacy is still a major issue with Hoosiers (and nationally)," he asserts today. "We still have a lot of work to do. The important thing is we need to take advantage

of all the opportunities we have to improve Hoosier literacy across the board."

#### Prepare. Prepare. Prepare.

The ICEE, located at Purdue University, is affiliated with a network of 11 university centers for economic education statewide. It provides professional development for K-12 teachers revolving around personal finance concepts. The goal is to help them incorporate those ideas into state-required curriculum (a difficult task during the busy school day).

Challenging students with hands-on activities is a primary focus. Activities include the Indiana Stock Market Game™ (designed for grades four through 12, teams manage \$100,000) and Gen i Revolution (sixth graders through high school seniors tackle online personal finance missions).

In 2009, a law requiring personal finance instruction at Indiana middle schools and high schools was passed. There is no single course students must take, however, and individual school corporations choose how they integrate the curriculum.

"There's no guarantee a student would graduate with a comprehensive experience in personal finance," Sanson points out.

But technology advances are making financial literacy concepts more accessible – and engaging. Schools often provide wireless devices to students (or allow them to use their own). In addition, web-based learning tools are becoming more prominent.

Sanson acknowledges that there's no "perfect strategy for teaching personal finance," but says the key is to make the lessons relevant.

"When the student has the opportunity to make decisions, it will resonate. Even as adults make financial decisions when it comes time to apply for a mortgage or buy a car, that's when we get more interested in learning the ins and outs of, 'What's this loan I'm taking on and what do all of these terms mean?'"

Sanson emphasizes that keen financial literacy skills can help reduce the magnitude of distress caused by unexpected events.

"The recession obviously put people at a greater risk of having more financial distress in their own world," he states. "But the hope is, if we have more people who are financially literate, when those types of emergencies or circumstances pop up, they're better equipped to weather them."

#### INFORMATION LINK

**Resources:** *2012 Consumer Financial Literacy Survey* at [www.nfcc.org](http://www.nfcc.org) or [www.nbpc.com](http://www.nbpc.com)

*National Financial Capability Study* at [www.usfinancialcapability.org](http://www.usfinancialcapability.org)

Jeff Sanson, Indiana Council for Economic Education, at [www.econed-in.org](http://www.econed-in.org)



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