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It's elementary
Financial education is needed in schools

MEDIA PLANET

FINANCIAL LITERACY

3 TIPS
FOR INSPIRING A FINANCIAL SAVVY GENERATION

EDUCATION IS THE KEY

With the abundance of resources available, it's never too early or too late to learn money management skills

CHALLENGES

GET SMART
Students line up for a Banking on Our Future empowerment session.
PHOTO: OPERATION HOPE

1 TIP
ENCOURAGE YOUR SCHOOL TO ORGANIZE FINANCIAL EDUCATION PROGRAMS

An essential education

The need for financial education really isn't new. In fact, financial education itself isn't new—although early 20th century students may have obtained it in subjects such as arithmetic or home economics. Organizations like Junior Achievement, founded in 1919, and the Council for Economic Education, founded in 1949 as the Joint Council on Economic Education, have been including elements of financial education in their programs for decades.

What's new today is that consumers face an increasingly complex financial system, with more responsibility for making their own smart financial decisions, and obvious consequences for their missteps. And still feeling the effects of a depressed economy and financial services industry crisis, many Americans have a renewed interest in improving their knowledge of personal finance and their ability to manage their own money well—the information and skills commonly referred to as financial literacy or financial capability.

A failing grade

Unfortunately, despite an increased need to understand financial concepts, as well as growing attention to the matter, the financial literacy levels of American consumers remain disappointingly low. The 2009 nationwide study of financial knowledge, attitudes and behavior by the FINRA Investor Education Foundation found "a troubling picture of the current state of financial capability in the U.S. adult population." In the annual Consumer Financial Literacy Survey by the National Foundation for Credit Counseling, the number of consumers who give themselves a failing grade in financial knowledge is rising, while the number who give themselves an "A" or "B" has dropped.

Among young consumers and future consumers, levels of financial literacy are even more worrisome. The Jump$tart Coalition for Personal Financial Literacy surveyed high school student knowledge of personal finance from 1997 through 2008. Average scores on the test portion of the survey ranged from a high of 57 to a low, in the most recent survey, of 48. College students, surveyed in 2008, did better, but the average score of 62 was far from impressive. Similarly, participants in the Arizona Pathways to Life Success for University Students (APLUS) scored an average of 59 on their own test and the FINRA study showed young consumers, aged 18-29, to be less knowledgeable than older counterparts.

The unambiguous need to educate American consumers and, especially, future generations of American consumers about money matters has been recognized in the highest levels of leadership. In 2009, President Bush's Advisory Council on Financial Literacy made 15 recommendations to improve financial education and access in this country; the first five of which were directed at kindergarten through post-secondary students. According to preliminary recommendations from President Obama's Advisory Council on Financial Capability, students need to be provided with effective financial education before they enter into financial contracts.

Act now

The weakened state of our economy simply underscores the urgency for more, better, and earlier financial education. Reaching students while they are still forming their attitudes, beliefs, and monetary habits, and before they've had to learn through costly mistakes, will help prepare them to make smart financial decisions throughout their lives. And while education alone will not fix the financial problems faced by many, it simply must—along with access to services, a strong and fair financial system, and consumer protection—be part of the solution.

LAURA LEVINE
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> "Reaching students while they are still forming their attitudes, beliefs, and monetary habits, and before they've had to learn through costly mistakes, will help prepare them to make smart financial decisions throughout their lives."

Laura Levine
President and CEO, Jump$tart Coalition

Financial literacy in the classroom

I'm often dismayed when I hear debate about whether financial education is the responsibility of parents or whether it belongs in the classroom.

How—and why—would anyone make this an either/or proposition? Financial education for young people can and should take place in school, after school, and at home.

But it is important to remember that many parents aren't knowledgeable or experienced enough to be able to teach their own kids what they need to know about money. Financial education in school helps to "level the playing field" for those students whose parents may be un-banked or under-banked, may not understand finance well or have made financial mistakes of their own, or who may simply not have the confidence or inclination to teach their children about money at home. A standards-based financial education helps to ensure that all students get a balanced and complete introduction to all areas of personal finance.

Educator in chief

President Obama's Advisory Council on Financial Capability is developing recommendations around three themes—the first of which is that financial education should take its rightful place in American schools. Currently, however, only 13 states require that all students pass a one-semester course in personal finance in order to graduate from high school. Further, only nine states require the testing of student knowledge in personal finance. And while financial education is being taught, at least electively, in every state, we still need to reach more students, reach them earlier, and reach them with more comprehensive and effective financial education to prepare them sufficiently for their lives as adult consumers.

Fortunately, there is an abundance of financial education curricula and other resources provided by non-profit organizations, financial services companies, and agencies of the federal government, among others, that are helping schools deliver financial education to students. Many of these resources are offered at no cost to the educators, which helps to eliminate barriers to incorporating financial education into the school day.

A promising trend is a renewed focus on teacher training and support. A University of Wisconsin study showed that only 11.6 percent of teachers surveyed had taken a workshop on teaching personal finance and fewer than 20 percent felt sufficiently competent to teach personal finance topics. Answering this need, many organizations are now working to train and certify teachers in an effort to ensure quality in educator preparedness.

The training will help to ensure that all teachers of personal finance, regardless of background, license, experience, and location, will have consistent and sufficient preparation. Most importantly, this training will help our nation's wonderful teachers prepare students of all ages to make smart financial choices throughout their lives.

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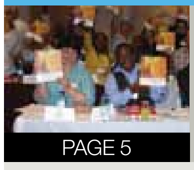
WE RECOMMEND



MEDIA PLANET

FINANCIAL LITERACY
1ST EDITION, AUGUST 2011

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Distributed within:
USA Today, August 2011
This section was created by Mediaplanet and did not involve USA Today or its Editorial Departments.

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TIPS

Decision-making

- Effective decision-making is central to enjoying a happy and prosperous life. And it is never too early to teach children about making good choices. By empowering young children to make decisions, even if they occasionally make mistakes, and by helping them identify the costs of these decisions, we prepare them for more complex choices later in life. Give children the opportunity to go through a formal decision making process when choosing a family pet, selecting a weekend activity, or making a menu choice in a restaurant. Learning how to make decisions is likely to bear fruit later in life.

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Numbers don't lie

More than 70 percent of teachers indicate they are willing to participate in formal financial education training.

- Eighty nine percent of teachers agree that students should either take a financial education course or pass a competency test for high school graduation.
- Fewer than 20 percent of teachers feel very competent to teach personal finance topics, such as credit and debt; saving and investing; financial responsibility and decision making; and risk management and insurance.

Source: Council for Economic Education 2009 Survey of the States

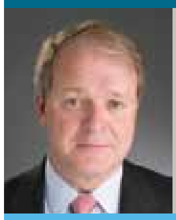
NEWS

FINANCIAL BUILDING BLOCKS FOR THE FUTURE

Question: There are so many financial topics to cover, where should I begin?

Answer: Start talking about basic financial concepts with your children early and progress as they age.

Having children, you know how impossible it is to go to the store without hearing begging for the latest toy, video game, etc. Children are constantly exposed to material goods and are watching mom and dad engage in financial transactions without any explanation of the value of money or how to use it. That's why it's never "too soon" to teach your kids money management.



Ted Beck
President and CEO, National Endowment for Financial Education

"Let your child learn from mistakes. If your child spends the entire allowance as soon as it's received, point out the mistake, but don't bail them out."

Ages two to four

Small children are capable of absorbing lots of information. Take advantage of their curiosity to instill basic financial lessons.

- Help your child sort coins and explain the concept of equivalency.
- Use a clear jar instead of a piggy bank, so he or she can see money accumulate and know it's still there.
- Play "store" with your child, using change from his or her jar, or your own wallet. Play the part of a customer while your child is the cashier; then switch roles.

Ages five to seven

As your children approach school age, let them handle money regularly so they become comfortable with cash. A small allowance is a good idea, but be consistent and set some ground rules.

- Establish a set amount and pay on the same day every week.
- Use allowance as a tool to teach money management, not as a method of punishment or reward.

Ages eight to 10

As your child gets older, he or she will become interested in where money comes from and where it goes.

- Explain how you earn money, and discuss how your child might generate his or her own.
- Review your family's monthly expenses and explain how much each costs.

Ages 11 to 13

Preteens often are pressured by their peers to keep up with the latest and greatest. Be a strong role model and demonstrate how to make smart spending decisions.

- Share your past spending mistakes and what you learned from them.
- Decrease the frequency of allowance (instead of weekly, give it out every two weeks and eventually once a month to encourage budgeting.)
- Introduce the concept of compound interest, long-range savings and investing.

Teenage years and beyond

High school is a great time for your child to practice what you have taught them over the years.

- Take your teen to a bank or credit union and open a savings account with no minimum balance and low or no fees.
- Consider adding a pre-paid or bank-secured credit card to help your child establish good credit practices while he or she is still under your roof.
- Encourage your teen to get a job, so he or she can start managing their own income.

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NEWS

2 TIP

TRAIN MORE TEACHERS IN FINANCIAL LITERACY

TEACHING FINANCE

Teach a child, start a movement

Operation HOPE (www.operationhope.org) is a global financial literacy and economic empowerment organization that helps youth and families take control of their financial future with respect and dignity. HOPE's Banking on Our Future program teaches youth the "language of money" with fun, relevant basic tools and services that youth and families can use immediately. HOPE helps the whole family by assisting check cashing customers to become banking customers, renters to become homeowners, entrepreneur dreamers to become small business owners, and also working to help families rise up and out of debt and financial crisis.

PHOTO: OPERATION HOPE

Parents: Their future is in your hands

Parents understand the importance of talking to kids about the dangers of sex, drinking and drugs, but they don't routinely discuss money. We now have evidence as to why it's essential for parents to break through this communication barrier.

Soyeon Shim, Ph.D.
Professor and director, Norton School of Family and Consumer Sciences at the University of Arizona

In 2007, my colleague and I began following more than 2,000 college students at the University of Arizona, tracking their financial knowledge, attitudes and behaviors from when they were freshmen until they graduated. What we identified is some young people manage money well, but nearly 73 percent of students had resorted to at least one "risky" financial behavior, such as maxing out credit cards or not paying bills on time. We learned that these behaviors lead to declining financial confidence, which spills over into illness, depression and other problems. We are witnessing the molding of the typical American consumer—living beyond our means, not saving and borrowing stress with every dollar.

But where do these financial behaviors come from? How can we change them?

The study provided a silver lining, proving that parents have the most influence over how their children will develop healthy financial habits. The students who were raised by parents who discussed financial matters intentionally and regularly saw their parents as role models and wanted to meet their expectations. Even more interesting is that students with positive financial behaviors do better in school and in general are happier.

By the time youngsters reach their teen years, they have seen how money is handled at home and have developed their own financial sense of values. Although many parents reason that their own past misjudgments disqualify them as positive advisors to their children, they can positively exercise their influence with even some basic principles.

Be a role model

Think of yourself as a coach, not a financial expert. Tell your kids what money-management skills you do well and where you could do better. If you've made past mistakes, share them and let your kids learn from both your successes and your missteps.

Understand the difference between needs and wants. "Needs" are the essentials of life, such as food, clothing and shelter. "Wants" are the items that make life easier.

Know your money personality. Some people are spenders, others are savers. Identify your teen's "money personality" so you can encourage them to avoid mistakes caused by their spending style.

By focusing on these fundamentals you will help your teen instill positive financial habits that will last a lifetime.

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SECURING YOUR FINANCIAL FUTURE

Financial fitness

Americans are routinely reminded of the importance of lifestyle choices in achieving physical fitness. A second form of fitness is too often ignored: financial fitness. Financial fitness involves using an economic way of thinking to make purposeful personal decisions in establishing budgets, managing credit, controlling debt, earning income, and making effective saving, spending and investment choices. Securing your financial future is attainable if you follow a few simple rules.

- **Budgeting:** Set financial goals and stick to them. Track your monthly spending and live within your means. Make a commitment to saving for your future.
- **Debt:** Do you know how much of your monthly income goes to mortgage, auto, and personal loans and lines of credit? Experts caution against spending more than 36 percent of your before-tax income on housing and consumer debt. Many Americans have paid down some of their debt obligations, but high unemployment, reduced work hours, and low income growth remain a challenge. Even if you are beginning to experience "frugality fatigue", it is vital to continue managing debt effectively.
- **Credit:** Credit is used to defer payment, but it can become costly to carry balances on credit cards. The Federal Reserve reports that in 2007, households that maintained credit card balances had an average balance of $7,300. The cost of maintaining these balances can add up to significant sums over time.

Just like personal health, financial fitness can be learned. By being vigilant in balancing income and expenses, you can save yourself a lot of money and frustration.

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INSPIRATION

Question: When should I start saving for my child's college tuition?
Answer: As early as possible—the first financial contribution you make toward your child's future should be a college savings fund.

3
TIP
INTRODUCE CHILDREN TO SAVING AT A YOUNG AGE

Milk money, crayons, bank account

While many students think next summer vacation seems impossibly far, San Francisco kindergartners find themselves already planning for college.

In its second year, the city's Kindergarten-to-College program, the nation's first universal college savings account program, starts preparing families for the financial challenges of higher education.

The program initiates individual student savings accounts and provides a $50 initial deposit. Additional funding opportunities include those for reduced-fee lunch students and families who make early contributions or set up direct deposits. This partnership between the city, the San Francisco United School District and private partners, was introduced to 25 percent of kindergarten students last year and expands to 50 percent this school year with the goal of total coverage by 2012.

"We know that there are a lot of low-income families that feel they either can't or don't know how to save," City Treasurer José Cisneros said. "Particularly, we thought about how kids could benefit by families learning how to put away some savings for their college education."

A goal and a plan

According to a Washington University study, 81 percent of youth with designated college savings felt they would attend college compared to 64 percent without an account.

Dr. Raymond Isola, principal at San Francisco's Sanchez Elementary School, strongly believes the program offers not only a financial but psychological boost.

"It is a very validating experience to say we're establishing this for you ... we believe in you and think that you have the capabilities of going to a college or university," Isola said. "It's very empowering for them."

A staggering 100 percent of eligible Sanchez students chose to participate in the program. Isola stresses the dramatic shift in thinking for many families.

"There are those day-to-day, crunching realities that our families have to face," Isola said. "But the one thing they do is make incredible sacrifices for their children when we talk about the opportunities of an education."

One of those planning ahead is Julissa Cruz, whose oldest daughter Ingrid received one of the first accounts. Cruz eagerly participated, involving grandparents, uncles and other extended family so they could help contribute.

"Clearly we're on the beginning of an exciting journey, and I'm so enthusiastic to think where this might take us."

José Cisneros
City Treasurer, San Francisco

"It's a good program because it also teaches parents to start saving more," Cruz said. "I never thought about it before this."

Although only starting first grade, Ingrid already talks about college and a future career—she wants to be a teacher. Her mother looks forward to beginning a similar savings path with Ingrid's younger sibling.

Banking on progress

The emphasis on planning doesn't stop with the bank balance. The school district developed on-going financial education curriculum so students understand the value and the mechanisms for a higher education goal.

"It's a school culture that you build. Over a period of time, you create this momentum and synergy and excitement about the possibilities of going to colleges and universities," Isola said, noting the collegiate pennants lining the school's cafeteria.

Cisneros also sees the program's early steps as an educational opportunity for those beyond San Francisco, hoping it sparks conversations in other districts, as well as the state and national level. While he noted the challenges of taking on a program of such financial magnitude, he stressed their success in finding partners who recognized the potential value.

"It's been a real involved effort, and we've had a lot of great partners along the way—community and foundation partners, Citi Community Development helping in the program implementation and account management, and first and foremost the school district, city and county of San Francisco," Cisneros said. "It's been great to see that kind of engagement and support. It gives me confidence that we're going to be able to deliver this program in an exceptional way and see really positive results."

"Clearly we're on the beginning of an exciting journey, and I'm so enthusiastic to think where this might take us," Cisneros said.

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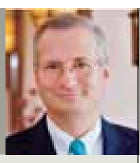
PANEL OF EXPERTS

Stuart L. Ritter, CFP
T. Rowe Price Financial Planner

Robert A. Annibale
Global Director, Citi Microfinance and Community Development



Patricia Nash Christel
Managing Director, Sallie Mae

Question 1: How can I turn a top-down lecture about money with my children into a conversation with them?

Stuart L. Ritter: **By deliberately not using** a lecture to talk about money - instead, take advantage of everyday "teachable moments." When you are in a store, pay a bill, or open an investment account statement, explain to your kids why you make the choices you do. For example, explain why saving for college is a priority and how that affects the vacations you take. Bite-sized chunks on topics related to your kids will make it easier for both of you.

Robert A. Annibale: **We have learned** from many of the community organizations working in this area that creating fun, engaging and hands-on experiences can help turn financial concepts into meaningful lessons that can really influence the future financial behavior and decision making of young people. For example, they use online games to teach basic concepts, like the difference between needs and wants, to help children understand how to spend wisely.

Patricia Nash Christel: **Make it part of your everyday actions.** On a family shopping trip, talk about how a debit card works. Or, when the credit card bill arrives, show your child that you check each expenditure and pay on time. At the grocery store, ask your kids to find the best priced items on your list. Be sure they see you set aside money for their college fund or for charity, and encourage them to get in on the act. Ask kids to help you research a major purchase.

Question 2: What are the three most important financial concepts my children should understand by the time they graduate high school?

Stuart L. Ritter: **The importance** of setting financial goals, how to save and spend wisely toward those goals, and two key investing concepts—asset allocation and diversification are three fundamental concepts children should understand by the time they graduate from high school. Asset allocation is matching your goal's time horizon to how much you have in stocks, bonds, and short-term investments; diversification is owning lots of different kinds of stocks and lots of different kinds of bonds. Following these three key concepts will get your kids on the right path toward achieving their goals.

Robert A. Annibale: **Teaching children** how to budget, save, and use credit wisely are critical building blocks in achieving financial growth and stability. Financial education experts working to expand financial literacy among all ages have shown us that a clear understanding of these basic concepts is critical, but not always enough to prepare one for making good financial decisions. Combining innovative financial education with real experiences and access to basic banking products, for example managing a savings account towards a specific goal, builds real money management skills.

Patricia Nash Christel: **Saving pays.** Saving early means your nest egg grows over time. If you borrow, whether a mortgage, student loan or credit card, you are responsible not only for the original amount but also the interest. Paying extra or early can help you save. Little by little makes a difference.
Planning for college. College is an investment in the future and should be planned for carefully, weighing career goals, family resources, costs and financial aid.
The importance of giving back. Volunteer and contribute as a family to encourage this healthy habit early.

Question 3: As a parent, what steps can I take to become more financially literate?

Stuart L. Ritter: **First, recognize you don't need** to know how a transmission works in order to drive a car. So don't think you have to be some kind of expert in P/E ratios or central banking to make sound financial decisions. Instead, focus on learning fundamentals: how to set goals, how to track and manage your income to achieve those goals, and investing basics. Also, learn from other parents - T. Rowe Price hosts a Family Center Web site with real-life stories from parents about financial lessons.

Robert A. Annibale: **We all require** ongoing financial training and coaching, as our financial needs, goals and economic situations change or are challenged. Around the country, Citi supports and works with many local community organizations that provide free, outstanding financial education and one-on-one financial coaching. Adults looking to expand their financial knowledge and capacity may want to check them out. Another terrific resource is mymoney.gov, the federal government's website on financial education for all Americans.

Patricia Nash Christel: **Money is supposed to be a taboo** topic of conversation, but don't sweep it under the rug. Instead, ask others how they save for college or manage their budgets. Set small goals and celebrate (with a free activity!) when you accomplish one. Tap the wealth of free information and tools available online from trusted sources. If money becomes a source of stress, look for free help from an accredited consumer credit counseling service.

What more can parents do?

We talk with parents all the time who tell us that despite the abundance of information and guidance—online, from professionals, and in publications like this one—they don't feel confident in their ability to teach their own kids good money management skills.

When it comes to teaching kids about money, though, there are many things that parents and other family members can do, without doing the teaching themselves.

As a good parent, you're already engaged in your child's education. You know the teachers and school administrators. You attend "Back to School Night," parent-teacher conferences, and other school events. When you have a question, concern, or idea, you speak up. Parents and guardians are in a great position to suggest financial literacy programs for their children's school. This is something you can and should do, even if you're among those already teaching your kids about money at home.

Think outside the box

Money management can be taught effectively in non-financial organizations. For example, if your kids are raising money for their sports team, drama club, or youth group, suggest having them learn how to deposit, invest, account for and budget that money. If neither you nor the program leaders are in a position to do the teaching, recruit local bankers, accountants, financial advisors and others. They're often happy to help out.

And speaking of financial professionals, parents, as consumers, can encourage their financial service providers to support local financial literacy groups and activities—and then get their own families involved in those activities, as well. Or they can choose to take their banking, borrowing, investing, accounting, insurance and other business to the many wonderful organizations that already do.

Express yourself

If schools in your district, county or state are thinking about requiring financial education as part of the curricula, you can express your support by contacting your elected officials, submitting op-eds or letters to the editor of your local paper, blogging about it or looking for like-minded support through social media channels. If your child's school is considering a financial education course voluntarily, you can express your support to the principal, teacher, or PTA directly.

So even if you're not a financial expert yourself, there are still important roles for you to play in ensuring the financial capability of your own child and future generations of American consumers.

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A child with a savings account is seven times more likely to attend college.

By 2012, every kindergartener in San Francisco public schools will have his or her own Kindergarten to College savings account. This universal program combines public and private resources to give students both financial education and savings incentives that support their goal of attending college.

Working with the City and County of San Francisco, Citi is expanding financial inclusion to enable families to save steady and dream huge.

K TO C
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KINDERGARTEN TO COLLEGE

For more information
visit www.citicommunitydevelopment.com

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