

The Fresno Bee

Thursday, April 13, 2006

Youth failing financial test in life

Experts say education is needed in schools, from parents, professionals



**Jack
Sirard**

There's no question that high school students have a penchant for spending money — and often the faster the better.

But unfortunately, many have little — if any — knowledge of how to navigate the financial marketplace.

In fact, a national survey released last week by the Federal Reserve found that only 52.4% of U.S. high school seniors could correctly answer a series of questions about personal finance and economics.

These are the very same students who are just weeks away from entering the work force or moving onto college and living on their own.

That's scary to a lot of financial experts who say that financial education is the responsibility not only of schools, but also of

parents and personal-finance professionals. In short, it takes a village to eliminate financial illiteracy among young people.

Laura McGrew, senior vice president of education for **ByDesign Financial Solutions** in Fresno, says teens are simply not prepared for the financial responsibilities they will face in life.

"There is a great need for financial literacy among youth," she said. "They are learning so many other things in school right now, but how to handle money is not being taught," she said.

McGrew said many adults don't know how to manage money, and, consequently, they don't have the skills to teach their children.

There is also a feeling among some parents that schools are

teaching personal finance to students, but many schools feel the responsibility should fall to the parents.

With everything schools have to do, "personal finance is just not fitting in," she said. **ByDesign**, a nonprofit organization with four regional offices in the state, helps people get out of debt and provides education about personal finance. **McGrew** said there is such a concern about the lack of education for young people that **ByDesign** is launching a program — **Financial Firsts** — specifically geared to teens and young adults ages 15 to 22.

The program hopes to provide tips and education on everything from how to manage a credit card to moving away from home.

Times have changed, she said. "Credit cards are something we didn't get until we were adults.

Now, they are getting them at 14 years old. ... Society has made it much easier for kids to get themselves into financial trouble."

Here's what three financial experts suggested about how to increase financial literacy among teens:

Sacramento financial planner Bob Dreizler, a former teacher, believes there's plenty to learn in school beyond math and English.

"It's always been a pet peeve of mine that so many kids come out of school not knowing much about personal finance," he says. "I've always felt that the world would be a lot better off if people learned to manage their money."

In a perfect world, the certified financial planner says, schools would beef up their course offerings to include personal finance. "But when you see [schools] having to cut back on music, art and even driver's ed, I just don't think that's going to happen."

Dreizler says the challenge is to teach money management and keep it interesting.

"Until you have something that appeals to [students], you're not going to hit the mark," he says.

"They won't realize how much they need to know until they get out into the real world and run up \$10,000 in credit card debt and wonder what to do next," he notes.

Michelle Smith, managing director of Mutual Fund Education Alliance in Kansas City, Mo., says financial literacy can start at home when children are as young as 6 or 8. The mother of three teens, Smith says parents should begin dispensing advice on money "when they begin handing out allowances."

One way that parents can help, she says, is to "open a small savings account with their children and offer to put in matching funds. That way the account will not only grow faster, but they can teach their children such concepts as how money compounds and the value of saving for the future."

There's also a role for local banks, financial institutions and other businesses "to step up and offer programs like money fairs for children that can help fill the gap in financial literacy." She noted that schools often have a difficult time adding financial coursework.

Carol Crosta, the national youth chairman for BetterInvesting (formerly the National Association of Investors Corp.), agrees there is a need to supplement what is offered in the schools. The organization sponsors an annual, daylong investing workshop in the Sacramento area for adults and students.

"When we started our financial fair for investors and kids, we found that many students knew something about checking accounts and to a certain degree about credit cards. But they

knew very little about investing," says Crosta, a Roseville resident who also is president of the Sacramento Model Investment Club.

Crosta's concern is that students graduating from high school or college enter the work force with no knowledge about 401(k) programs or using a credit union, for example.

She also says schools can enlist help from professional financial experts who could assist classroom teachers in running programs.

About the author: *The Sacramento Bee's Jack Sirard can be reached at (916) 321-1041 or jsirard@sacbee.com.*

Fresno Bee staff writer Tracy Correa contributed to this report.