



Social Cost of Financial Illiteracy

by Jack Gillis

We've all read the headlines: *"Auto Dealer Markups Cost Consumers Billions"*; *"Quick Tax Loans Drain Millions from Consumers"* and know what they mean to our pocketbooks. But do we realize the impact of financial problems on our personal and family lives?

Consider what happens to our emotional well-being when we're paying hundreds in credit card interest because of incorrect credit file information instead of comfortably affording our child's after-care program. Or buying an overpriced, extended warranty on a washing machine, which keeps us from getting the new dryer we need. All of these situations lead to financial stress, which can greatly affect our self-esteem and personal happiness. Paying too much, credit trouble, or simply getting in a bit over our heads also can lead to tension, discord, and unhappiness in the family.

When we've made a bad purchase or get into financial trouble, we can feel stupid, insecure, and angry. While the immediate signs of financial stress are readily visi-

ble—letters from creditors, bouncing checks, late fees on credit cards—the personal and family impact can take a while to surface. Sometimes we get so overwhelmed with financial stress that we cope by just ignoring it ... after all: "I just don't know how this happened and certainly don't know how to fix it."

Financial illiteracy is not a result of being stupid. It's about the unwitting mistakes that smart people make simply because we're not financially educated. How many times have you uttered the plaintive cry: "If only I had known!" And it's not always our fault. Consider our high-school education. Most of us spent hours mastering algebra, learning history, and memorizing grammar rules—but how many of us were taught to compar-

ison shop, manage a credit union/bank account, or compare credit rates? Imagine coping in today's world not knowing how to read, write, and add. Well, that's the world most of us find ourselves in when it comes to our daily financial lives. No wonder we suffer from financial stress!

Let's face it, our self-worth often is tied up with our financial health, so if we get into a financial bind, we easily can be overwhelmed by feelings of inadequacy. Not only is it easy to feel angry, agitated, and desperate when we're under intense financial pressure, but those feelings make it difficult for us to provide for our family in emotional and supportive ways.

Because personal finances have such a great impact on our relationships, financial illiteracy can seriously affect marriages. And when marriages are strained, the whole family suffers. Friendships, too, can go sour when bad financial decisions are made. The good news is that you don't have to be rich to reduce the financial stress on yourself and your family, but it helps to be financially literate.

Saving \$100 with 16 minutes of effort is like getting paid \$375 per hour for your time.

Understanding the personal costs of financial illiteracy in our own lives can motivate us to “get smart.” With a few simple changes we easily can improve our financial health. Becoming financially literate is the best prescription for reducing the anger, tension, and anxiety that can pervade our lives when our finances are sick.

Here are three simple keys to reducing financial stress for your employees and members:

1. Know where you stand:

Force yourself to do a financial inventory. The hardest part is emotional; most of us think things are so bad that we don't even want to know where we stand. Organize your accounts, credit cards, mortgages, and payments in one place and be sure you understand each one. Ask for help if you don't understand something. Credit unions have people who know finances inside and out and would love to help. Getting help understanding your obligations can be empowering. The fact is, you are smart and you can figure things out.

2. You gotta shop around:

Studies released by the Consumer Federation of America, Washington, D.C., show that you easily can save \$100 on a TV by spending 16 minutes shopping around. Saving \$100 with 16 minutes of effort is like getting paid \$375 per hour for your time. A typical family easily can save \$1,000 per year by shopping around. Simple comparisons of credit card rates, insurance policies, and remembering to use unit pricing in the grocery store are easy ways to save hundreds of dollars. Learning how to shop smart is an important element in reducing financial stress.

3. Remember the consumer mantra: “If it sounds too good

to be true, it is!” There really is no easy way to riches and no substitute to keeping a tight fist on your checkbook, wallet, and credit card. Think twice, spend once! Don't make impulse purchases, and take time to consider if you really need the item. Financial literacy doesn't mean you have to be a financial genius, only that your common sense prevails.

All of us can improve our financial health and reduce the stress of financial illiteracy. Taking a few minutes each week to keep our

finances in shape will go a long way to maintaining our personal and family's emotional health. It's likely the best financial investment you'll ever make. ■

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Resources

Credit Union National Association

- *Home & Family Finance*® Resource Center provides members with automatically updated online personal finance information—written and designed specifically for credit unions. For information, call Darlene Brightbill at 800-356-9655, ext. 4344, or visit <http://buy.cuna.org/static/hffrc.html>.

- *Home & Family Finance*® is the only consumer magazine written exclusively for credit union members. Four times a year it promotes financial literacy from a credit union point of view. Each 16-page, full-color issue focuses on a single credit union-related topic. The 2005 first quarter issue focuses on credit union uniqueness and banker claims. For information about that issue or to order, call Darlene Brightbill at 800-356-9655, ext. 4344, or visit <http://buy.cuna.org/detail.php?sku=refer001>.

- “*Fundamentals of Personal Finance*” is a collection of six easy-to-read handbooks that captures everything members need to know about managing their personal finances. Key issues are covered: investment choices, retirement planning, insurance options, home ownership, saving for college, and basic budgeting. For more information, call 800-356-8010, and press 3 or visit <http://buy.cuna.org/static/fundamentals.html>.

- “Budget Blueprint: Develop Your Own Spending Plan” is a statement stuffer that helps members establish a budget. An extended table covers categories from shelter to installment payments. Tips motivate members to start and stick to a budget (Stock No. 20057-SUP; 800-356-8010, ext. 4157).

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