



Financial Literacy for Teens and Young Adults—Credit Unions Can Help

by Celia Ray Hayhoe, Ph.D.

Today's teens and young adults are overwhelmed with financial options available in the marketplace, and technology has allowed marketers easy access to market their products and services to this audience. Federal Reserve Board Chair Alan Greenspan proposes that children and teens should have a basic understanding of personal financial concepts. Help is necessary, and there are ways you can become involved.

Youth financial literacy

The Jump\$tart Coalition, Washington, D.C., administers a survey to high-school seniors to determine financial literacy and test basic financial skills. In 2002, 68% of high-school seniors had failing scores, a large increase from the 59% who failed in 2000 and the 44% who failed in 1997. The average score was 50% in 2002, down from 52% in 2000 and 57% in 1997. Early indications show there was a slight increase in scores in 2004. In 2002, students did best on questions related to income and worst on questions related to savings/investments.

Stephen Brobeck, executive director, Consumer Federation of America (CFA), Washington, D.C.,

using an American Express survey and a CFA survey, reported that only 42% of teens answered the questions correctly, and since it was a multiple choice test with four options for each item, at least 25% of the questions could be answered correctly by guessing. The categories included consumer credit, checking/savings, automobile insurance, housing rentals, food purchases, and automobile purchases. The CFA survey also suggested young adults (ages 18 to 24) did not believe they possessed appropriate knowledge in making sound financial decisions. Specifically, 62% believed they had fair or poor knowledge of credit reports.

A recent survey of teens ages 14 to 18, by the National

Consumer's League, Washington, D.C., indicated that at least 58% of college students plan to own a credit card before they graduate and they believe their commitment to repay credit card debt is not a formal agreement.

A number of researchers have documented the problems college students have with managing credit cards. Because students often obtain credit cards after leaving home—and at a stage of life where creating independence from their families is a life task—families often are unaware as students build up credit bills in the thousands of dollars.

The American Savings Education Council, in collaboration with the Employee Benefit Research Institute, Washington, D.C., and TIAA-CREF Institute, New York, conducted the national *Youth and Money Survey* with students ages 16 to 22. Sixty-seven percent reported that they understood money matters "fairly well," 15% reported they understood money matters "very well," and only 18% reported that they "did not understand money matters issues well."

However, 46% reported that they did not know as much about money matters as they should.

Credit unions can help

Help make resources, including curricula, guest speakers, and financial support for personal finance courses, available to teachers, parents, and nonformal community educators. Support research in this area. Keep local, state, and national decision makers aware of the need for more personal finance education. Help employers realize that employee personal finance success affects the employer's bottom line and, as responsibility for funding retirement increasingly falls primarily to employees, more citizens and businesses also may recognize the critical need for personal finance in secondary schools.

Use teaching programs for young adults. The National Endowment for Financial Education® designed the NEFE High School Financial Planning Program®, (HSFPP®) to teach high-school students basic financial planning concepts. Join the hundreds of credit unions who

Chad, from Georgia, wrote to CUNA's *Home & Family Finance*® Resource Center:

I am now 32 years old and had to file for Chapter 13 because I got in over my head.... I got married at 21 and bought a new house and my wife and I were both young and had no money sense because we got into the credit card craze and we accumulated up to \$50,000 in debt.... If I could tell anyone anything is if you can't pay cash you need to wait until you can.... We are out [of Chapter 13] now and it is going to be very hard to rebuild from this but we learned the lesson of money management the hard way.

the program is not offered in high schools in your area, visit <http://www.cuna.org/initiatives/youth/hsfpp.html>. NEFE provides the teachers' guides and student workbooks free of charge. You can use these materials to talk with high-school business teachers and family and consumer science teachers. The problem is that both these areas are electives and many college-bound students do not take them. If the schools offer a mandatory class such as health that brings the program to all students, it's ideal. You also can help provide guest lectures about the topics. NEFE also sponsors a Web site for teens at <http://www.ntrbonline.org/>.
Volunteer with Cooperative

such as scouts and boys/girls clubs, also need volunteers to teach financial concepts to youth.

Sponsor a Newspaper in Education insert in your local paper. You can view an example of one such insert, What Young Adults Need to Know About Money, at <http://www.ext.vt.edu/niemoney>. This project teaches basic financial concepts to young adults through a 16-page newspaper insert and a supplemental Web site covering the following topics: 1) purchasing a car, 2) time value of money, 3) credit tips and traps, 4) predatory lending practices, and 5) identity theft. Web-based curriculum materials for instructors include computer and/or Internet activities. Informa-

Almost six of 10 college students believe their commitment to repay credit card debt is not a formal agreement.

taught NEFE's HSFPP to more than 75,000 students in 1,194 schools nationwide during the 2003-04 school year (and more than 400,000 since 1999). A program impact survey found that 47% of students said they "knew more about credit costs and nearly 38% knew more about investments after completing the program." Thirty-seven percent "improved skills for tracking spending, and 45% started saving or began saving more." In addition, 38% reported an increase in confidence regarding their money management skills. If

Extension programs. They offer a variety of programs both in the schools and to the public. These may include Reality Store (a simulation event for middle and high-school students) as well as Financial Champions, and other local programs. Call your local county Cooperative Extension office and volunteer to help. In Virginia, I work with Dawn Lindley, marketing director for the Virginia Credit Union League/D.C. Credit Union League, to help match volunteers and county agents. Other community-based organizations,

tion for purchasing a CD with a copy of this publication that can be personalized for your local paper is available on the Web site. It also is advisable to advertise in the paper for families to watch for the insert so that it does not get thrown out with the ads.

Contact first-year experience college and university courses and help them to incorporate financial concepts into their curricula through such examples as the What Young Adults Need to Know About Money, and To Be a Have or Have Not: The Choice Is

Money management skills need to be practiced to reinforce learning. Parents should request schools and communities provide both formal and informal education opportunities.

Yours. View the latter at <http://www.abrm.vt.edu/extension/www/>.

Encourage students to take available personal finance courses at high schools, community colleges, and universities. Many colleges and universities offer courses in personal finance and/or consumer skills. These courses are suitable electives for majors in any field. Volunteer to be part of volunteer speaker lists for courses, student service organizations, student career and professional organizations, residence hall programs, and student social organizations.

Help parents demonstrate appropriate consumer and financial management practices and give their children opportunities to learn about money management and the marketplace before they go to college. Skills need to be practiced to reinforce learning. Once a student enters college or the workplace, parents and families should continue to encourage appropriate money management skills. Parents should request that schools and communities provide both formal and informal education opportunities to learn this content and should encourage their children to participate in it. When high-school and community programs that teach personal finance education are in danger of cuts for budgetary or other reasons, they should speak up about the importance of preserving and expanding them. Parents should encourage their children to take available personal finance courses. ■

Celia Ray Hayhoe, Ph.D., CFP® (chayhoe@vt.edu) is family resource management specialist, Virginia Cooperative Extension and assistant professor, Virginia Polytechnic and State University.

Resources

Credit Union National Association

- *Googolplex* is a linked, automatically updated youth magazine—written and designed specifically for credit unions and their young members. When you subscribe, you add hundreds of colorful stories and activities that fully integrate with your credit union's Web site through multiple hot links. Call Darlene Brightbill at 800-356-9655, ext. 4344, or visit <http://buy.cuna.org/static/gplex.html>.
- *Guides to Independence* helps teens and young adults learn how to succeed financially with a series of interactive online courses. Courses cover topics from managing a checking account to applying for a loan. Four courses are available now. Call Darlene Brightbill at 800-356-9655, ext. 4344, or visit http://buy.cuna.org/static/guides_to_independence.html.
- “Teach Children About Money” statement stuffer provides ideas for parents to help them give children the financial basics. Tips are grouped for children of various ages, from younger than age five through the teenage years (Stock No. 20875-SUP; 800-356-8010, ext. 4157).
- “Helping Your Teen Become ‘Accountable’” statement stuffer offers ideas and advice for parents and teens on how to choose the right checking account and manage spending (Stock No. 23103-SUP; 800-356-8010, ext. 4157).
- “Cash Cards Teach Money Management” statement stuffer helps parents teach their children about money management by offering access to accounts and control over their spending (Stock No. 24847-SUP; 800-356-8010, ext. 4157).
- “How to Buy a Used Car” statement stuffer explains how to evaluate the condition of a used car, and how to finance a used car with a credit union loan (Stock No. 29335-SUP; 800-356-8010, ext. 4157).
- Give the “*Guide to Money*” booklet to young adults to promote smart money management and use of your credit union services. Covers saving to spending, smart checking, how to borrow, insurance basics, investing in your future, and Web links. Includes checkbook balancing work sheet, tips to keep credit history accurate, auto insurance comparison work sheet, and Web links (Stock No. 20769-SUP; 800-356-8010, ext. 4157).



Cooperative Extension system

To find a local Extension educator, go to www.reeusda.gov, click on State & National Partners and a U.S. map will appear. Click on your state and choose Cooperative Extension. At your state's Cooperative Extension Web page, click on County Offices (Directory); and choose your county to see your local Extension contact. You also can look in the county government section of your local phone book.