Who Will Own Our Children?

The Report of the NASBE Commission on Financial and Investor Literacy
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NASBE Commission on Financial and Investor Literacy

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Armed with a shiny new diploma from State U, the young graduate is ready to begin a new life. Of course, the bachelor’s degree is accompanied by approximately $16,000 in student loans, a credit card debt of $3,500, and the need for a new car (nobody, it seems, starts out with a used car these days). Welcome to the brave new—and uncertain—world of today’s college graduate. Add to these initial debts the likelihood that the individual will never work for an organization that provides a defined benefit retirement plan combined with the fact that the Social Security system will inevitably undergo significant revision with reduced benefits. Indeed, the financial future of today’s high school/college generation has never been more insecure.

In a world in which fierce global competition and terrorism grab many of the headlines, the answer to the question of “Who will own our children?” may actually present the greatest single national security challenge to the nation. State boards of education, with their constitutional and/or statutory responsibility for establishing curriculum standards and guidance, hold one of the keys to determining our children’s—and ultimately, the nation’s—financial future.

Given the importance of the issue and the prominent role state boards of education play in addressing it, NASBE convened its Commission on Financial and Investor Literacy in February 2006. The Commission’s charge was to assess the current state of financial and investor education in public schools and provide education policymakers with recommendations for specific actions to help strengthen students’ financial literacy.

Members of the Commission represented state boards of education from across the nation. Several individuals possessing specific knowledge and skills in this area were also invited to join the Commission as ex officio members to bring added depth and breadth to the discussions.

NASBE wishes to express its appreciation to the NASD Investor Education Foundation for its support of this project.
Chapter 1

Understanding the Issues

The drumbeat of news covering the personal finances of Americans continues on a daily basis. This news, whether from radio, newspapers, television, or the Internet, is almost always negative.

NASBE’s Commission on Financial and Investor Literacy heard, for example, how millions of Americans have experienced an erosion in their economic and social security. Advances in technology and economic globalization have accelerated the pace of change in our economy, increasing both job insecurity and the awareness of this instability. In the past two decades, this has been especially the case for the relatively highly compensated blue-collar workers who were forced to accept less lucrative positions or retired from the workforce. At the same time, globalization has spurred efforts by employers to reduce costly pensions and health care benefits. As a result, over the past decade there has been a massive reduction in the availability of pension plans for employees (only 46 percent of all workers in 2004 were covered by a defined benefit plan). For younger workers, these plans have effectively ceased to exist. Employers have largely replaced pension plans with contributory retirement programs that are voluntary and must be funded, entirely or in large part, out of wages. According to Congressional testimony, “At present, most workers with access to these contributory programs are not participating sufficiently to allow them to retire in their sixties without suffering a great decrease in their standard of living.”

Another area of concern addressed by the Commission was personal debt. Massive increases in the availability and acquisition of consumer and mortgage credit now make it essential for nearly everyone to understand and make sensible decisions about debt. A key factor in the rising number of personal bankruptcies over the past decade has been the growth in credit card marketing, which has reached a level of over five billion mail solicitations annually. Available credit lines on these cards have grown to nearly $5 trillion dollars. American consumers now owe about $1.7 trillion in credit card and other debt, an amount roughly equal to the gross national products of Great Britain and Russia combined.

According to Nosfsinger and Duguay, “In 2005, the average personal savings rate for the year dipped into negative territory

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What is Financial/Investor Education?

According to Vitt, et al. in Personal Finance and the Rush to Competence: Financial Literacy Education in the U.S., “Personal financial literacy is the ability to read, analyze, manage, and communicate about the personal financial conditions that affect material well-being. It includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future, and respond competently to life events that affect everyday financial decisions, including events in the general economy....Literacy in the context of personal finance is sometimes referred to as economic literacy.” The authors go on to note that, “General education determines occupation and income, which in turn influences place of residence, social contacts, consumer choices, and activities. Financial Literacy education shapes the life course in other ways by enhancing access to investment income, asset accumulation, and asset protection.”

The term Financial Literacy, as opposed to Financial Education, was chosen by the Commission with deliberation. As will be detailed later, the need for behavior change as a result of learning is absolutely necessary if financial literacy is to mean anything. Literacy denotes more than simple exposure, it delivers the message of understanding and convergent thinking, thus making change in behavior possible—and nowhere is change more necessary than in personal financial management.

In addition to Financial Literacy, the Commission strongly expressed its opinion that Investor Literacy become part of the common lexicon. As will be discussed, citizens in the United States are being increasingly asked to prepare for their own futures. A simple perusal of headlines in any newspaper makes it clear that the majority of Americans will have to assume responsibility for their own retirement. To be successful, this change in public policy requires a citizenry cognizant of a wide range of long-term investment vehicles. Preparing today’s students for this future requires K-12 education to provide not merely exposure, but experience in managing risk.

Finally, the Commission addressed the issue of economics as an academic course and whether taking such a course would be sufficient to provide students with financial literacy. In general, Commission members were of the opinion that an understanding of economic systems is critical for students as they prepare to function in a free-market economy. This knowledge becomes even more critical as the United States confronts the reality of a global economy. Students need to understand the creation and distribution of money. In addition, they need exposure to monetary policy as a political vehicle for expressing the will of government. However, Financial Literacy is fundamentally focused on personal finance and the manner in which individuals manage their own money. For the Commission, both Financial Literacy and an understanding of economics are necessary for full participation in the American democracy.
(-0.5 percent) in the United States for the first time since the Great Depression as consumers relied on credit and/or tapped into personal savings and other assets to allow them to spend more than they took in. As a comparison, savings rates for countries in Western Europe hover around 14 percent. In 2006, household debt in the United States rose to an unprecedented 126.4 percent of disposable income.6

Clearly, this level of personal debt and lack of savings is not sustainable over the long term, both for individuals and for the country.

A significant concern for Commission members was the social and economic issues associated with the erosion of pension funding and the cloudy—at best—future of Social Security. For the Commission, the issue was two-fold. It is apparent that the massive change in retirement funding will have untold and unforeseen consequences for the American public. In terms of ensuring a secure retirement, the consequences for individuals are clear. Less obvious, but just as important, is the threat to social cohesion if large segments of society become prisoners of debt and/or are unable to secure their well-being into retirement. Clearly, more work needs to be done to address these consequences. Specifically, the Commission expressed concern about a burgeoning “policy in a vacuum” crisis—that is, with a growing push for the public to take personal control over finances, there has not been a concomitant push for the provision of adequate tools to manage this change.

As noted by the U. S. Department of Treasury:

It is easy to lose sight of the broader social and political changes that have contributed to this need for greater financial awareness. Changes in employment and public policy have only recently put substantial financial responsibility on the shoulders of individuals, a condition for which they have not been adequately prepared. Financial literacy is as much a societal concern as it is an issue for individuals, according to Sonnenberg, and policymakers must stay aware of the broader issues.

According to Rep. Harris Fawell, R-IL, author of the SAVER Act (Savings Are Vital to Everyone’s Retirement Act of 1997), America faces “a ticking demographic time bomb that requires increased retirement savings.” Educating the public, Fawell urged, is the first step in defusing the bomb.8

Preparing students, by giving them the necessary skills to defuse this “time bomb,” is the responsibility of state boards of education.

**Why Is Financial Literacy a K-12 Issue?**

The Commission acknowledged the importance of offering financial education to individuals at various stages in their lives. However, financial education efforts targeted at a specific type of financial decision-making (such as buying a home or saving for retirement), which have been shown to be effective, will be most successful when a person already possesses a basic understanding of financial concepts. Like all types of education, financial education begins with teaching the basics that will provide an individual with a foundation for analyzing increasingly complex financial problems. Introducing the youngest stu-
More Education Equals Greater Lifetime Earnings—But Also More Debt

According to the Census Bureau, average lifetime earnings (money earned during the entirety of one’s working life) for a person with a high school education working full-time, year-round, is approximately $1.2 million (as opposed to only $1 million for those who fail to earn a high school diploma). Compare those figures to $2.1 million in average lifetime earnings for an individual with a four-year college degree and the advantage of education becomes evident. The figure is highest for full-time, year-round workers with professional degrees (such as law, medical, or business), whose lifetime earnings reach an average of $4.4 million. Interestingly, those with a doctorate average $3.4 million in lifetime earnings, nearly a million dollars less than their professional counterparts.9

Yet the rapidly rising costs associated with post-secondary education also play a role in increasing debt for young people. The National Center for Education Statistics (NCES) has indexed the amount of debt incurred by students as they pursue higher education. According to NCES, between 1992-1993 and 2003-2004 the percentage of full-time students receiving federal loans increased from 31 percent to 48 percent. Today, fully 67 percent of students borrow money to pay for college. Thus, fully one-half of all graduating students will commence their working life with significant debt.10 Thirty-nine percent of all student borrowers graduate with unmanageable debt, according to the U.S. Department of Education. Since 1991, the number of students who delay buying their first house, getting married, and having children because of educational debt has gone up by 52 percent, 100 percent, and 75 percent respectively.11

Where does this student debt come from? Seventy-six percent of undergraduate students have at least one credit card.12 The average monthly credit card balance for each student is $2,237, and 21 percent have a balance of between $3,000 and $7,000. By the time a student graduates, he or she will have an average of $20,402 in combined education loans and credit card balances.13

Students to financial education basics in school helps them to develop the building blocks they will need to make good financial decisions throughout their lives. Policymakers cannot expect a 30-year-old to comprehend the mortgage closing process or a 65-year-old to make informed investment and spending decisions regarding retirement income if they have not been given an understanding of the basic concepts of personal finance.

The best and most obvious starting place for providing financial education to young
people is in schools. No better venue exists to reach a large segment of the youth population than through the school system. The evidence shows that youth financial education can make a difference. Individuals graduating from high schools in states that mandate personal finance education courses have higher savings rates and net worth as a percentage of earnings than those who graduate from schools in states without such a mandate.\(^{15}\) Teaching financial education in school starts the process of preparing children to become competent consumers and managers of household wealth.

Today’s financial world is highly complex when compared with that of a generation ago. Forty years ago, a simple understanding of how to maintain a checking and savings account at local banks and savings institutions may have been sufficient. Now, consumers must be able to differentiate between a wide range of financial services and providers of those products and services.

Alan Greenspan, Former Chairman, Federal Reserve Board\(^{12}\)
The National Council on Economic Education (NCEE) annually publishes a Survey of the States. This survey solicits information from a) the chief executives of state councils on economic education, and b) social studies and family and consumer education specialists in all 50 states and the District of Columbia. Following are some of the highlights from the report’s findings:

- Forty-nine states and the District of Columbia require economics;
- Seventeen states require an economics course to be offered in high school;
- Fifteen states require satisfactory completion of an economics course;
- Thirty-eight states report having personal finance standards of some form;
- Nine states require testing in personal finance;
- Nine states currently have personal finance as part of their graduation requirements (Alabama, Georgia, Idaho, Illinois, Kentucky, Louisiana, New York, Texas, and Utah);
- In 2004, 23 states introduced legislation that addressed personal finance education and at least 30 states introduced similar legislation in 2005; and
- In 2006, seven states have introduced legislation concerning the teaching of personal finance in public schools (Florida, Indiana, Massachusetts, Mississippi, New Hampshire, Oklahoma, and Pennsylvania).

Clearly the issues of economics education and financial education have been on the radar-screen for some time. Just as clearly, most states have made at least some effort to provide students with information. However, it is also apparent that, at present, there is no consistent approach concerning the issue of personal financial education.

The models for financial literacy described below give an indication of the range of approaches currently being used by states.
Utah: A State-Generated Comprehensive Model

Utah Senate Bill 154 directed the State Board of Education to establish rigorous curriculum and graduation requirements that included instruction stressing general financial literacy from basic budgeting to financial investments, as well as bankruptcy education.

The legislation was enacted in part because Utah consistently scores from 1st to 5th place in the number of personal bankruptcy rates nationally and has been in the top 25 percent since the 1960s. In addition, Utah has a very high mortgage foreclosure rate and a very high scam and fraud rate.

In 2003, the Utah State Board of Education made General Finance Literacy a required .5 credit course for high school graduation. The state developed the General Financial Literacy Core as a stand-alone course. Beginning with the senior class of 2008, the course will be a graduation requirement for all students. It is designed for junior and senior students and represents those standards of learning that are deemed essential and necessary for all students. The ideas, concepts, knowledge, and skills contained in the General Financial Literacy Core are intended to enable students to make key financial decisions throughout their lives, with a focus on young people becoming knowledgeable consumers, savers, investors, users of credit, money managers, citizens, and members of a global workforce and society.

By the end of the course the expectations are that students will:

- Be informed and prepared to be prudent managers of financial resources, enabling them to achieve short- and long-term financial goals and security;
- Be engaged in establishing career goals that will provide adequate income and personal fulfillment;
- Demonstrate an understanding of personal financial planning and sound money management;
- Actively participate in and understand management of personal savings and investments; and
- Accept responsibility for and understand personal and societal consequences of financial decisions.

The General Financial Literacy course can be taught only by teachers with a secondary teaching license and one of the following endorsements:

1) Business Education Composite;
2) Family and Consumer Sciences Composite;
3) Business Education Core Endorsement;
4) Marketing Education Composite;
5) Banking and Finance Endorsement;
6) Agricultural Education Composite;
7) Math Level 2, 3, and 4;
8) Social Studies (Economics, Psychology, and/or History).

Kansas: A Company Program for District Adoption

In 2001, the Kansas Legislature passed a new mandate for Personal Finance Standards for K-12 schools. Senate Bill (SB) 74 required the State Board of Education to develop a curriculum, materials, and guidelines that local boards of education and governing authorities of accredited non-
public schools could use in implementing a program of instruction on personal financial literacy. In addition, the State Board was asked to develop standards and objectives for personal financial literacy, for all grade levels, within the existing mathematics curriculum or another appropriate subject matter curriculum. The Board was also tasked with encouraging school districts, when selecting textbooks for mathematics, economics or similar courses, to select those textbooks that contain substantive provisions on personal finance, including personal budgeting, credit, debt management, and similar personal financial topics.

### A Sample of Recent State Legislative Activity in Financial Literacy

**Idaho:** Appropriated $10.2 million to the State Board of Education for special programs, including the Idaho Council on Economic Education. *HB304, Signed by Governor.*

**Illinois:** Bill would require the State Board of Education to develop and adopt curricula, materials, and guidelines for implementing a program of instruction on financial literacy. *HB2001, Passed House.*

**Missouri:** Bill encourages a mandated high school course in personal finance economics. *HCR24, Adopted.*

**North Carolina:** Bill would require public schools to teach personal financial literacy in high school. *HB 16, Passed House.*

**Oklahoma:** Bill would require the State Board of Education to adopt standards for personal financial economics. *SB 378, Passed Senate.*

**Texas:** New law established personal finance education as a requirement for graduation from public high school. *HB 492, Signed by Governor.*

**Virginia:** New law requires instruction in economics education and financial literacy in public middle and high schools. *SB 950, Signed by Governor.*

**West Virginia:** New law prescribes personal finance instruction in secondary schools. *HB 2837, Signed by Governor.*

**Wyoming:** Bill recognizes financial education’s value to the state of Wyoming and its citizens. *SJR 5, Signed by Governor.*

*Courtesy of the National Conference of State Legislatures, 2006.*
Since the passage of the bill, the Kansas State Board of Education has approved a set of personal financial literacy standards for grades K-12. The new standards were integrated into the state’s existing economic standards. In addition, the state’s math standards were revised to indicate where math can be applied to personal finance concepts in grades K-12. For example, for many of the math indicators (e.g., calculating percentages), teachers are given a personal finance application such as calculating interest rates as a way to apply the math concept to real life situations.

The state is supporting the efforts of the Kansas Council on Economic Education (KCEE) to implement financial literacy. The KCEE has developed a courseware program for K-8 teachers now used in approximately 275 schools across Kansas. The KCEE also helps prepare educators to teach financial education, training over 800 teachers in 2005.

**South Carolina: A State-Generated Plan**

The Financial Literacy Act in South Carolina was signed into law April 15, 2005. The law instructed the South Carolina State Board of Education to develop or adopt curricular materials and guidelines for school boards to use in implementing a program of instruction on financial literacy, within courses offered in high schools.

Under the law, the South Carolina Department of Education was required to align financial literacy standards within the state’s existing curriculum standards. The Department also had to develop topics that teachers could blend into their daily lessons to help students gain a better understanding of personal finance issues. The personal finance curriculum was created to be geared toward students of all ages and includes topics such as balancing a checkbook, understanding credit and credit ratings, computing interest rates, implications of inheritance, completing a loan application, and basic principles of personal insurance policies. In the fall of 2005, the state education department began holding seminars to show teachers how to incorporate financial literacy instruction into classes from kindergarten through high school.

The South Carolina financial community provided fiscal support for the initiative, with the state using these funds to train teachers and purchase resource materials.
Policy Issues in Financial Literacy

Efforts to improve the financial acumen of consumers have been in place for a number of years. In a real sense, legislation aimed at increasing disclosure terms and costs of lending were at the forefront of this movement, and programs specifically designed to provide education in these areas have proliferated since the late 1990s. A study by Fannie Mae found that seventy-five percent of the ninety programs it examined were begun in the later 1990s.17 Providers of financial literacy programs include employers, the military, state cooperative extension services, community colleges, faith-based organizations, and commercial banks. Forty-six of the forty-eight banks responding to a survey reported contributing to financial education efforts in some manner.18

Regardless of the provider, location, or intended audience, issues as to preparation, integration into a structure, and evaluation have been long-standing concerns. As state boards of education consider financial literacy, the following are critical issues to consider.

Teacher Capacity

To effectively convey financial education to students, teachers need to understand the concepts of personal finance. It is therefore imperative that preservice education, as well as professional development resources, be utilized to address these concepts. This is particularly important because financial literacy, being a relatively new subject for schools, may not be in very many teachers’ curricular repertoire.

The Jump$tart Coalition for Personal Financial Literacy19 recognizes four categories of information that should be part of a teacher’s skill set. These categories include:

- **Income**, which relates to the amount and manner in which a person acquires personal wealth. Specific topics include income derived from wages and that from various investment vehicles. Issues such as payroll withholding, self-employment tax, and Social Security are part of this discussion.
• **Spending and Credit**, which contains information on the amount of money individuals allocate for needs. This includes an examination of needs versus wants and includes issues related to the cost of borrowing. The need to establish a positive credit record is covered here.

• **Saving and Investing**, which is organized around exploring vehicles for saving and investing. Information relative to low-risk methods of saving (saving accounts, money market accounts), medium-risk methods (stocks, bonds, mutual funds), and high-risk methods (hedge funds, metals, futures) are explored.

• **Money Management**, which applies concepts to real world situations. Decision-making as to the application of limited monetary resources, the costs of inflation, and insurance are explored here.

The Commission understands that pre-service education is intended to provide both intensive and in-depth training in the skills necessary for classroom teaching, as well as a broader exposure to a wide range of important subjects. Therefore, programs of study currently operate under multiple pressures to provide specific skills. However, it is clear that the majority of college graduates possess no more skills in personal finance management than the students they are expected to instruct. As noted by the U.S. Department of Treasury, teachers who are not comfortable with financial concepts will tend to avoid teaching the subject.²⁰

Within the nation’s colleges and universities, personal finance is a topic typically covered by family and consumer science teachers. The problem, usually, is where it is being offered on campus. Colleges of Agriculture, Family and Consumer Science, Liberal Arts, Business, and Human Science will have departments as diverse as consumer economics, family resource management, finance, family studies, human development, and economics. Any or all of these may offer valid personal finance courses.

The concern about the level of comfort with personal finance knowledge and skills is equally valid for teachers currently in the field. Clearly, an individual uncomfortable with money management skills will not provide the kind of content knowledge necessary for effective instruction. The above rubric from the Jump$tart Coalition can serve as a valuable outline of necessary knowledge for professional development activities. As discussed later in this report (Appendix B), there is a wide array of professional development options available from a variety of public and private sources.

**K-12 Coverage or Secondary School-only Instruction**

The debate over whether to include financial literacy across the spectrum of grade levels or to focus only on secondary instruction is reflected in the range of resources available. Even a quick perusal of current materials reflects both approaches. Put simply, there is not a single answer to this issue.

Advocates for the K-12 approach point to the fact that both teens and preteens often control significant amounts of money. A survey from October 2003 found that “nearly all teens 12-17 years of age (91 percent) and preteens 6-11 years old (95 percent) say they receive money to spend as they want...Just over half of teens (53 percent) and 60 percent of preteens get an allowance, which 86 percent of teens and 90
percent of preteens supplement with money from friends or relatives.”

The same survey found that “by far the top spending choice among teens is clothing (50 percent), both for teen girls (63 percent) and for teen boys (39 percent). Other major uses of money among teens include saving it or putting it in the bank (15 percent), buying video games (14 percent) and purchasing music and CDs (13 percent). Video games are the second largest spending category for teen boys (26 percent), while virtually no teen girls spend their money for these (2 percent).”

Finally, the survey concluded that “among preteens, the most popular way to spend their money is on toys and dolls (27 percent), followed by saving it or putting it in the bank (21 percent), purchasing clothing (16 percent), buying candy or snacks (15 percent), and video games (14 percent). Preteen boys are far more likely than girls to spend money on video games (22 percent vs. 5 percent), while girls are more likely than boys to spend it on clothing (23 percent vs. 10 percent) or be thrifty and save (27 percent vs. 16 percent).”

How much money are we talking about? According to Interactive Youth Pulse, these percentages amount to over $19 billion in annual preteen spending and a staggering $94 billion in annual teenager spending.

Clearly, preparing these students through their elementary and middle school experience could significantly affect spending patterns at an early age.

Those advocating for a secondary-level approach to financial literacy point to the huge difference in spending levels between preteens and teens. They also point out that for the majority of students, the high school years mark their first entry into the world of work. Concepts related to saving, taxation, insurance, and money management may not be seen as relevant prior to this time. Thus, prior exposure may have no carry-over.

Separate Curriculum or Integrated into Existing Standards

Backers of both financial literacy as a separate curriculum and of personal finance integrated into existing standards point to the abundant resources supporting the advocates’ particular approach. The Office of Financial Education, U.S. Department of Treasury, notes the trend toward standards-based education as a means of incorporating financial literacy into math and reading curricula at the elementary, middle, and high school levels. The Office believes that it is the standards development and re-development process, coupled with the inclusion of financial literacy questions on state assessments, that are critical to ensuring a robust personal finance program.

Those advocating a course-specific approach note the above as a critical argument in favor of their efforts. They also point to the fact that inclusion into existing curricula has definite disadvantages. First, in the push to cover all the material necessary, topic areas that are deemed by the teacher as “less critical” may be either short-changed or omitted entirely. Most importantly, however, these advocates point out that the seriousness of the situation requires schools to make a priority of financial literacy. The chances of this priority being advanced are significantly decreased when the content is spread among several classes and multiple teachers.
Public Partnerships: Promises and Pitfalls

A review of the existing resources and organizations concerned with financial literacy clearly demonstrates that a great many partnerships are available to those seeking to promote student learning in this area. Even a casual review of the extant resources reveals hundreds, if not thousands, of curriculum resources, assessment instruments, pamphlets, white papers, and software.

Public-public partnerships have been obtained between state offices of education and state treasury offices. Following the lead of the U.S. Department of Treasury, several state treasury officials have developed statewide efforts to bring attention to the issues found in financial literacy. These public-public partnerships have the advantage of involving offices that are clearly responsible for the public good. In addition, they bring diverse sectors of state government together in a common cause directly relevant to the citizens they serve.

Public-private partnerships in financial and investor literacy have also multiplied, possibly more than in any other academic area. There has been particularly wide involvement by banking, savings, and investment firms. Indeed, in several states it has been the private financial sector that has been the prime mover in establishing the legislative basis for personal financial education. Financial institutions such as Wells Fargo and CitiBank have invested heavily in providing teacher-friendly resources for use within classrooms.

From a state board perspective, the issue in public-private partnerships is obviously

On Public-Private Partnerships

1. It must be a real partnership, with shared burdens and shared rewards for both the public and private participants.
2. There must be real incentives for the private sector, or they will not participate.
3. The public sector must use its resources effectively and judiciously, focusing on projects where there can be success.
4. Keep it simple for the private sector by minimizing the bureaucratic procedures that can cripple a project.
5. Public-private partnerships are a necessary and important part of the process.

James Cuorato, City Representative and Director of Commerce for the City of Philadelphia

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ensuring that the multiple goals of all parties align to provide a focus on education. All partners enter the relationship with a set of expectations and desired outcomes. These may or may not be consistent throughout the partnership. It is the responsibility of the state board of education to ensure that its goals are clearly articulated and are the driving force in any public-private partnership.

Curricular Topics

As the entity responsible for setting standards for education in the state, clearly the state board of education maintains responsibility for the topical areas to be covered. Topics associated with financial literacy include investments, checking and saving vehicles, as well as interest and borrowing instruments. However, the Commission strongly felt that defensive financial practices are equally important. Topics related to the identification of predatory lending practices, prevention of identity theft, and the general issue of maintaining privacy should be given careful consideration.

Research on Financial Literacy

Research on financial literacy has tended to focus on the various programs offered by varying vendors. By far the most extensive research literature concerns the short-term outcomes, typically reporting student satisfaction and/or immediate recall of the course content. Much less common are long-term outcome studies assessing the students’ recall of information following a specified period of time.

Research on behavior change is offered, although it is not typically associated with public school course work. Usually, this research looks at credit-counseling efforts to document specific interventions and specific behavioral outcomes.

The Impact of a Personal Finance Curriculum Requirement

Bernheim’s 2001 analysis of high school financial education mandates addressed the question of exposure to such coursework. In states mandating financial education, 43 percent of respondents took courses covering financial topics. This compares to 28 percent taking such classes in states without a mandate. Bernheim also notes that, over time, mandates significantly increase the proportion of students taking classes covering personal finance.

Research on Behavior Change

The analysis by Bernheim, et al. showed a robust effect for exposure to mandated curriculum based on rates of saving and net worth. In their analysis of self-reported information, individuals reported savings rates that were 1.5 percentage points higher for those having received mandated financial education (at least 5 years after the mandate was imposed) than for those not exposed.

This same study demonstrates that net worth is higher by roughly one-year’s worth of earnings for the typical individual exposed to a mandate.

Overall, the authors believe their findings are consistent with a view that course mandates provide their benefit in education without regard to the individual’s predisposition to take the courses or benefit from the exposure. Thus, the courses benefit students regardless of whether they wanted the information or not. The authors also found that mandates significantly increase exposure to financial education and, ulti-
Hilgert, et al. found that financial knowledge can be statistically linked to financial practices. In their analysis of consumer practices in cash-flow management, credit management, saving, and investing, those who knew more had higher scores. In addition, they found that those who learned from family, friends, and personal experiences had higher scores. Specific financial knowledge and corresponding financial practice were highly related. Knowing about credit, saving, and investing was correlated with having higher scores for credit management, saving, and investing.25

Braunstein and Welch note that while studies generally find a positive association between financial training and the attainment of specific goals, survey results tend to be far less impressive. They cite a 1995 telephone survey measuring the long-term effects of financial curricula in high school, which found that state-mandated financial education resulted in both increased exposure to such information and increased asset accumulation. However, the authors also note a 1999 Freddie Mac study which concluded that knowledge of financial affairs had little effect on behaviors and outcomes.26

In general, the research suggests that acquisition of information may result in improved behavioral outcomes in financial matters. However, the studies also make it clear that such a result is not automatic. Financial and investor education, then, suffers from the same acquisition-performance paradox found in many other areas. Exposure and training clearly lead to the acquisition of information. Just as clearly, documenting behavior change based on that knowledge is problematic.
Chapter 4

Recommendations

Recommendation 1: State boards of education must be fully informed about the status of financial literacy in their states.
The Commission recommends that state boards of education evaluate the current status of financial and investor education in their state. If students in their state are currently being taught financial and investor education concepts, the Commission recommends that board members evaluate the goals of the program and determine whether the state’s current strategies are working, whether changes are needed, and how needed changes should be implemented.

Recommendation 2: States should consider financial literacy and investor education as a basic feature of K-12 education.
The Commission believes that all students should receive comprehensive financial and investor education. The Commission also believes that the earlier a student begins learning these concepts, the more opportunities schools will have to impact behavior. Therefore, states should consider infusing financial and investor education throughout the K-12 curriculum.

Recommendation 3: Ensure that teachers and/or staff members teaching financial literacy concepts are adequately trained.
The Commission recommends that states, school districts, and/or schools provide the resources to ensure that individuals teaching financial and investor education concepts are adequately prepared. This includes providing the professional development needed to meet the goals identified for the curriculum. The Commission also envisions that state boards of education contribute to preparing teachers by encouraging recertification.

Recommendation 4: States should fully utilize public/private partnerships.
The Commission recognizes that there is a large number of organizations (including educational institutions, consumer groups, nonprofit organizations, and private sector companies) that offer financial education programs. The Commission believes that states should encourage partnerships with such organizations (where possible and where the
organizations are deemed creditable) in order to obtain support for teaching financial and investor education concepts.

**Recommendation 5: States should improve their capacity to evaluate financial literacy programs.**

Currently, not enough is being done to evaluate the effectiveness of financial education programs. Therefore, the Commission recommends that states develop better tools to assess financial and investor education programs, including establishing indicators to determine program effectiveness. The Commission also suggests that states, schools, and/or districts establish a plan to improve financial and investor programs that are not achieving their instructional goals.

**Recommendation 6: States should include financial and investor education in their academic standards and ensure that assessments are aligned with the standards.**

Because teachers tend to teach to state standards, particularly if that subject matter is assessed, the Commission believes that for financial and investor education to truly be part of every student’s education, financial literacy concepts must be included in the state’s standards and assessment system.

**Recommendation 7: State boards of education should cooperate with other states to develop a common assessment tool for financial and investor education.**

Although states may incorporate financial and investor education in different ways, the Commission believes that burdens carried by individual states will be lessened if states develop and share common assessments for measuring goals.

**Recommendation 8: States should encourage the development of a National Assessment of Educational Progress (NAEP) framework for financial literacy.**

While the Commission is pleased that there is now a NAEP assessment in economics, the Commission members believe that this broad treatment of the subject does not provide enough information to fully understand what students know about financial and investor education. Therefore, the Commission recommends that the National Assessment Governing Board, which oversees NAEP, direct the development of a specific framework and assessment for gauging students’ financial literacy.
Further Issues To Consider

The following are additional issues for policymakers to consider when implementing financial literacy:

Evaluate Current Curriculum: States should evaluate whether financial education concepts are incorporated into the states’ current curriculum, local schools/districts’ curriculum, or if financial literacy is being taught in schools.

Determine a Place and Time for Financial Literacy: Determine whether financial literacy should be integrated into existing curriculum or if the opportunity exists for financial literacy to be a stand-alone course. In addition, evaluate whether financial literacy is a K-12 initiative or simply a high school, middle school, or elementary school initiative. Studies suggest that if financial education is seen as a K-12 topic, multiple opportunities exist for educating students on financial concepts throughout their academic experience.

Choose Effective Outcomes or Indicators. States should identify the knowledge and skills they would like students to possess and successfully identify the indicators that will be used to measure whether the schools are meeting those outcomes.

Standards: In order to help ensure that financial concepts are incorporated into the curriculum, include financial education concepts in state and local academic standards.

Testing: Assessments should be aligned with the standards. Educators and students generally focus on subject matter that is tested, and including financial concepts in tests provides an incentive for teachers to teach the subject in the classroom.

Textbooks: Including financial literacy concepts in textbooks and other instructional materials will add value and importance to teaching financial literacy in schools.

Ongoing Professional Development: Ensure that current teachers are adequately trained to teach financial literacy concepts. Preparation must be made to ensure that professional development centers on financial literacy and the expected indicators and outcomes for educators who are teaching financial concepts.
Appendix A

Making the Case for Financial Literacy

A collection of personal finance statistics gathered from other sources. Courtesy of the Jump$tart Coalition.

Adults and Parents

1. The 2004 annual back-to-school survey from Visa USA found that:

- 56% of parents believe high school graduates are totally unprepared to manage their personal finances responsibly.
- Only 30% of parents said their child’s high school offered a course on practical money skills.
- 78% of parents said their high school student does not have a budget.
- 57% of parents put no restrictions on how their child can spend the money they are given.
- Over half of the parents surveyed, 62%, require their teens to save at least some of what they earn.
- Out of parents surveyed, 53% said their children generally spend the money they earn on food and entertainment.
- Only 37% of parents said their family will have an itemized back-to-school budget, 61% will not.


2. A survey conducted by FleetBoston in September 2003 found that:

- Only 27% of respondents feel very well informed about managing household finances.
- Among parents with children five or older, only 26% feel well prepared to teach their kids about basic personal finances.
- Fewer than half of respondents feel they are a good role model for their children regarding saving and spending.


3. A 2003 Financial Educational Survey done by Capital One and Consumer Action found that:

- While nearly 70% of the parents surveyed said that they have talked to their teenagers about money.
- More than 70% of parents say they have spoken with their teens about credit and using credit cards wisely, while less than 44% of the teenaged children of those respondents say their parents have talked to them about credit cards.
- More than half of the parents said they think their teens’ knowledge of money management is good to excellent, but only 20% of the teens in question agree.


4. An online survey commissioned by Northwestern Mutual in the fall of 2003 revealed that:

- 43% of parents believe that schools should be doing more to educate kids about money.

Who Will Own Our Children?
Almost half of all parents say they do not set a good example when it comes to handling their own money and are not capable of properly teaching their children.  
70% of parents say that most kids in the U.S. today feel a sense of entitlement—that they just expect to have whatever it is they want whenever they want it.  
Saving versus spending was talked about in 57% of homes. Fewer than 40% of parents said they talked about credit cards, loans and debt, and their own family finances with their kids. Even less talked with their children about how to invest their money.

Students

1. The 2003 annual back-to-school survey from Capital One found that:

- 87% of college students and 90% of high school students rely on their parents for financial guidance.
- 98% of college students and 90% of high school students say they have learned about money management through their own experiences with money. Additionally, 53% of collegians and 43% of high school students claim to have learned something about money management through talking with friends.
- 70% of college students surveyed say their parents have not given them tips or advice about spending wisely while shopping for school supplies.
- Capital One’s survey found more than 70% of middle school and high school students say they perform odd jobs to earn extra money. Additionally 72% of college students have a regular full or part-time job.

2. The 2004 annual back-to-school survey from Capital One found that:

- More than 81% of high school and middle school students expect their parents to join them on back-to-school shopping trips, but nearly 85% say their parents have not taken the time to discuss their back-to-school finances with them.
- Nearly 60% of parents plan to spend more than $125 per child, but only 20% have discussed a back-to-school budget with their child.

American Kids and Teenagers

1. American children, teens, and young adults (ages 8-21) earned about $211 billion in 2003, down from $231 billion in 2002. Survey results show that this group is spending at a rate of approximately $172 billion per year and is saving at a rate of $39 billion per year.

2. In 2004, teens are projected to spend $169 billion, averaging $91 per week.

3. In 2004, there were more than 25 million teens ages 12-17. This segment of the population has considerable spending power. Teen spending [is expected] to reach $124 billion in 2004, up 45% from 1999 levels.

4. The average adolescent spends about $264 a month.


5. 10% of teens ages 12-19 have their own credit card; 38% believe credit card use should be limited to adults only.

6. Just 5% of teens claim it is okay to have credit card debt, and only 3% say it is acceptable to make credit-card purchases without having the money to pay off the full monthly bill.

7. 71% of teens report learning about money management from parents, and 35% say they’ve learned about the topic in school.


**Undergraduate and Graduate Students**

1. 55% of college students acquire their first credit card during their first year in college, and 83% of college students have at least one credit card. 45% of college students are in credit card debt, with the average debt over $3,000.


2. 72% of college students have a regular full-or part-time job.


3. In 2003, 75% of college students (ages 18-24) maintained jobs, earning $645 per month on average. 20% secured on-campus jobs and 42% spent school breaks working. Mom and Dad kicked in too, contributing another $154 to a student’s monthly income. All told, students spend more than $13,000 per year, 19% of which is discretionary. That adds up to a substantial $211 per month of discretionary spending.


4. A 2003 Credit Card Usage among Graduate Students Analysis by Nellie Mae concluded the following:

- The average credit card debt among graduate students who carry cards is $7,831 per student, a significant increase of 59% over 1998’s average debt of $4,925.
- Median credit card debt has increased as somewhat less dramatic 32%, from $2,834 to $3,730, since 1998.
- Consistent with 1998 and up from 2000, graduate students carry an average of six cards each, and 96% of all graduate students carry credit cards.
- Graduate students accrue more than twice the average balance of final-year undergraduate students: $7,831 vs. $3,262.
- Forty percent of graduate students with cards have average balances exceeding $6,000, and 15% of graduate students have credit balances exceeding $15,000, more than twice as many as in 1998.
- Graduate business students accumulate the most credit card debt, with an average balance of $11,585.


**American Families**

**Saving and Investment**

1. Nearly six out of 10 Americans are trying to make changes in their financial situation so they will have enough income when they retire.


2. Personal savings as a percentage of personal income decreased from 7.5% in the early 1980s to 2.3% in the first three quarters of 2003.
3. Between 25,000,000 and 56,000,000 adults are unbanked, i.e., not using mainstream, insured financial institutions.


4. In a 2003 survey, the median reported value of all household retirement savings was only $40,000, and 25% of those surveyed had no retirement account at all. Only 47% of Americans are either somewhat or very confident that they will have saved enough for retirement.


Debt

1. The percentage of income used for household debt payments, including mortgages, credit cards, and student loans, rose to the highest level in more than a decade in 2001 and remained above 13% in 2003.


2. Revolving debt, mostly comprised of credit card debt, has increased from $54 billion in January 1980 to more than $780 billion in November 2004. A U.S. Public Interest Research Group and Consumer Federation of America analysis of Federal Reserve data indicates that the average household with debt carries approximately $10,000 to $12,000 in total revolving debt and has nine credit cards.


3. According to the Daily Bankruptcy News, consumer debt is now equal to 110% of disposable income. Ten years ago, it was 85%, and 20 years ago, it was 65%.


4. The average revolving balance, among individuals with at least one credit card, is now $3,815, with households in the $75,000 to $100,000 income bracket carrying the heaviest load of nearly $8,800 per person.


5. A Gallup Poll of 1,000 consumers conducted in early April [2004] revealed that among Americans who have credit cards, the average number they own is 3.6, about the same as what Gallup measured in April 2001 and April 2002.

Gallup also found that 60% of Americans revolve balances, and that the number of convenience users who “always pay-off in-full” has declined over the past three years from 42% to 37%.


Bankruptcies, Defaults and Foreclosures

1. Consumer bankruptcy filings in 2003 hit a record of nearly 1.7 million, or an average of nearly one in every seven households over the past decade. Bad debt costs the average U.S. family more than $500 annually through higher consumer prices.


2. Personal bankruptcies nearly doubled in the past decade, including more than 1.6 million people who filed for personal bankruptcy in fiscal year 2003.

Appendix B

A Review of the Most Commonly Used Curriculum Resources

Comprehensive Curriculum Resources

*Consumer Education and Economics, Glencoe/McGraw-Hill*

While the other two textbooks from Glencoe/McGraw-Hill reviewed for this analysis are more traditionally economics focused, this text is not listed with economics textbooks, but instead falls under “consumer education and economics.” The Glencoe/McGraw-Hill textbook focuses on preparing for consumer choices, understanding the economy, managing family and personal finances, building security, and making well-informed purchasing decisions. The book’s coverage of personal finance includes credit, identity theft, investing, estate planning, financial software, consumer ethics, and selecting child and adult care services, providing a more comprehensive coverage of financial literacy than most other traditional textbooks included in this analysis. Targeted to high school students, this 2003 textbook offers a student edition, student workbook, student motivation kit, and an annotated teacher’s edition. The text has a strong technology component, including online activities for students. Also offered as ancillary materials to the text are the following videotapes: *Budgets Aren’t for Pushovers: Budging, Goal-Setting, and Record-Keeping*, *Stashing Your Cash: Financial Service, Don’t Shop ’Till You Drop: Credit and Consumerism*, *Building Your Money Pyramid: Financial Planning*, *Rent or Buy Decision*, *Business Ethics*, and *Choosing Furnishings and Accessories*. The text is listed as a resource for economics, consumerism, or personal finance courses in high school. Online at: [www.glencoe.com/sec/catalog/cgi-bin/secDisplay.cgi?function=display&area=socialstudies&category=productinfo&nameid=629](http://www.glencoe.com/sec/catalog/cgi-bin/secDisplay.cgi?function=display&area=socialstudies&category=productinfo&nameid=629).


A more traditional economics textbook, with published versions available from 2003 and 2005, *Economic Principles and Practices* divides the content into the following broad topics: fundamental economic concepts, microeconomics, macroeconomics, macroeconomic policies, and international and global economics. The text is targeted to students in grades 9-12. The reference handbook addresses “life skills,” with little else in the main text focusing on personal finance.

The reference handbook addresses: planning your career; financing your college education; preparing a resume; preparing a budget; maintaining a checking account; filing an income tax return; borrowing money; buying insurance; analyzing your savings; and renting an apartment. The reference handbook is also available in Spanish. An online version of the textbook includes activities, a teacher’s corner, and additional web-based resources such as web activities and lesson plans, quizzes, updates to the textbook, e-puzzles and games, and current events. Online at: [www.glencoe.com/catalog/index.php?programc=1675&s=463&p=2524](http://www.glencoe.com/catalog/index.php?programc=1675&s=463&p=2524).
Economics: Today and Tomorrow, Glencoe/McGraw-Hill
With published versions available from 2003 and 2005, Economics: Today and Tomorrow bridges the other two Glencoe/McGraw-Hill textbooks included in this analysis. The majority of the text focuses on traditional topics—introduction to economics, microeconomics, macroeconomics, and international economics—but also includes a stand-alone section on what is termed “practical economics.” The section on practical economics includes discussions on the individual’s role as a consumer, going into debt, buying the necessities, and saving and investing. The textbook targets high school students. As with Economics: Principles and Practices, this text also includes web-based resources, including an online version of the textbook, activities, a teacher’s corner, and additional online resources such as web activities and lesson plans, quizzes, updates to the textbook, and e-puzzles and games.

Money Smart, Federal Deposit Insurance Corporation (FDIC)
Developed for an adult audience, Money Smart was mentioned as a resource for high-school aged students during the data collection phase of this study. Up to 25 copies of self-paced CD-ROMs, instructor versions, and trainer videos are available at no charge in both English and Spanish, in addition to a web-based curriculum. The program is based on 10 training modules, including: Bank on it; Borrowing basics; Check it out; Money matters; Pay yourself first; Keep it safe; To your credit; Charge it right; Loan to own; and Your own home. “Keep it safe,” for example, is a 90-minute lesson that aims to teach students to identify the laws that protect their rights as banking consumers; identify ways to avoid scams; identify ways to protect their identity; and resolve complaints regarding their bank accounts. According to FDIC, almost 300,000 copies of the curricula have been distributed nationwide.

JA Economics, Junior Achievement
A one-semester course targeted to high school students in grades 11 and 12, JA Economics offers a textbook and study guide, as well as computer-based simulations and a student-run company. The curriculum focuses on basic micro and macroeconomic concepts, as well as international economics. Specific sections focus on basic economic problems and the free enterprise system; price system, supply and demand, and consumer-related issues; theory and operations of the business firm; economic institutions; and the global economy. Among the full list of curricula available from Junior Achievement, this particular one does not have a strong focus on financial literacy. The small portion of text that is devoted to consumer-related issues focuses on the role of consumers, the function of credit, and saving, investing, and personal money-management options. The curriculum is available through local Junior Achievement organizations.

JA Personal Finance, Junior Achievement
JA Personal Finance focuses on helping high school students in grades 9-12 make informed decisions about personal financial goals. It covers the broad areas of economics, financial literacy, and work/career life skills through an activity- and web-based system of delivery. The curriculum is based on the following 16 activities: make the right choice; where’s the rest of my paycheck?; jobs-jobs-jobs; mind your own business; how will I pay for my education; are you a smart consumer; the home game; making ends meet; the power of credit; in over your head; saving for your future; the case of the shrinking dollar; the fed is watching; protect yourself; risky business; and the future is now. The curriculum is available through local Junior Achievement organizations.

Holt Economics: Down Wall Street and Your Street, Holt, Rinehart and Winston
A student and teacher addition offering labs, portfolio projects, and Internet activities is targeted to students in high school. The text is
Financial Fitness for Life, National Council on Economic Education (NCEE)

NCEE’s curriculum is one of the few that targets students throughout grades K-12, offering a teacher resource manual, student workbook, parent guide, interactive activities, and a CD-ROM. Developed and published with assistance from the Bank of America Corporation in 2002, Financial Fitness for Life is available for purchase in hardcopy or as a web-based version. The program focuses on earning and spending income, savings, credit, investing, and money management. The curriculum uses fitness as a common theme throughout the materials, linking physical fitness to financial fitness. Materials are organized by four grade categories (K-2, 3-5, 6-8, and 9-12). For example, the K-2 program, which includes 16 lessons, is estimated to take 2 days to complete each lesson. Teachers read a story, which can either serve as a stand-alone or as part of the sequential 16-part lesson. The parent guide includes activities and worksheets, and assessment questions are provided for teachers to use at the end of each lesson. In addition, the program includes ways to incorporate the lessons across the curriculum, termed “cross training activities.” One activity listed for this age group is “Community Connection.” The lesson instructs the class to invite a working professional, such as a dentist, to talk about how they earn and spend capital. The guest should make a connection between the work they do and how his or her income is earned. The website also offers a link to other NCEE resources that can accompany the curriculum. Online at: www.ncee.net/.

Learning, Earning and Investing, National Council on Economic Education (NCEE)

Learning, Earning and Investing is targeted to students in grades four through 12. A 16-lesson middle school text and 23-lesson high school text combine with a web-based curriculum, which provides current data, investment education links, downloadable classroom visuals, interactive lessons, and classroom-tested print lessons. The materials for grades four and five are entirely web-based, and include four lesson plans. The curriculum includes topics such as the basics of financial investing, markets, financial planning, education, and markets and the economy. As an example, in one lesson for middle school, “The students do an exercise that shows how credit can be their worst enemy. They learn how quickly credit-card balances can grow and how long it can take to pay off a credit-card debt. They also learn that credit can be their best friend. Working in small groups, they consider seven scenarios and decide in each case whether it would be wise for the people involved to use credit. They discuss their conclusions and develop a list of criteria suitable for use in making decisions about credit.” Online at: www.ncee.net/.

NEFE High School Financial Planning Program (HSFPP), National Endowment for Financial Education (NEFE)

The National Endowment for Financial Education (NEFE) curriculum encompasses six lessons focusing on financial planning, careers, budgeting, savings and investments, credit, and insurance, aimed at students in grades 9-12. Published in 2001, HSFPP includes a comprehensive instructor’s manual and student guide detailing games, simulations, case studies, and interactive exercises that provide hands-on experience to students. Supplemental resources, such as web links and additional readings are also provided, as are assignments. According to NEFE, more than three million students have
used the curriculum in all 50 states. The teacher and student guides are available in hardcopy free of charge; a web-based program is also available free of charge.


**Economics, the Enterprise System, and Finance, New York State Department of Education**

The only state-developed curriculum included in this analysis, *Economics, the Enterprise System, and Finance* is targeted to ninth-grade students and is designed to meet the state requirement of one-half credit of economics. Topics covered include living in a global economy; the United States economic system; the enterprise system and the United States economy; labor and business in the United States; money, finance, and personal finance; making fiscal and monetary policy; and the impact of globalization on the economies of other nations. Students are expected to “understand the roles in the economic system of consumers, producers, workers, investors, and voters.” Activities include developing a personal financial planner. The curriculum also includes Jump$tart’s Personal Financial Management Guidelines.


**Economics: Principles and Tools, Prentice Hall**

This Prentice Hall product includes a student edition, teacher edition, study guide, current events, Internet resources, and student resources—much of which is available online. PowerPoint presentations are included in the student resource section for each of the chapters. The materials are targeted to students in high school. The main text includes 33 chapters of material focusing on traditional economic theory (e.g., supply and demand, monopoly, macroeconomics, international trade and policy). References to financial literacy can be found in the Internet resources, but are limited. For example, one exercise, “Why Do I Care About Interest Rates?” asks students to explore the impact Federal Reserve policies have on their daily lives.


**Economics: Principles in Action, Prentice Hall**

With versions in 2001 and 2003, *Economics: Principles in Action* targets students in high school. The text includes 18 chapters covering an introduction to economics; microeconomics; business and labor; money, banking, and finance; macroeconomics; government and the economy; and the global economy. Case studies, current events, Internet activities, and self-tests are available to students. Web-based information also highlights careers in economics. Teachers are provided with a web-based professional development resource that includes hot topics and grant writing. As with other traditional economic theory textbooks, there is little attention devoted directly to financial literacy. The case studies, current events, and Internet activities offer some links. For example, one activity, “Take It to the NET” asks students how the federal individual income tax will affect them, and instructs them to learn more about income taxes and what the IRS expects from citizens.

Online at: www.phschool.com/atschool/econ/.

**Contemporary Economics, Thomson Learning/ South-Western**

Published in 2006, this curriculum offers a blend of hardcover text and technology to high school students. A website, Xtra!, offers online learning including text preparation, interactive study tools, explanations from economic experts, videos, guided research, current events, and graphing activities. Teachers have a separate password-protected site that contains student activities, an online newsletter, and other support materials. Topics cover an introduction to economics, microeconomics, macroeconomics, and the international economy, with a strong focus on applying economic theory. “Consumer Economics in Action” boxes throughout the text teach students to become informed consumers.


**Practical Money Skills for Life, Visa**

Web-based resources are organized for school, home, and business use. Teacher resources
include lesson plans and classroom tools, as well as features of innovative teachers. Students also have access to activities, quizzes, and related links, as well as “Financial Football,” a game that divides students into teams that compete by answering finance-related questions in order to earn yardage and score touchdowns. Lesson plans are available for preschool-grade 2, grades 3-6, and grades 7-12, as well as college students. Special needs lesson plans are also provided for grades 7-12. Lessons focus on topics such as making spending decisions; saving and investing; comparison shopping; living on your own; and the influence of advertising. For example, one preschool thru second-grade activity focuses on identifying money by printing out pictures, coloring, and cutting out “play money.” One of the special needs activities for middle and high school students focuses on understanding a credit statement by asking students a series of questions about a credit statement that is provided as part of the activity.


**Hands-On Banking, Wells Fargo**

Offering English and Spanish versions, these web-based resources offer targeted programming to students in grades 4-5, 6-8, and high school. Adult programming is also available. A character named “Zing” guides students in fourth and fifth graders through the program. Lessons for grades 6-8, for example, include You and Your Money, Budgeting, Savings and Checking Guide, Credit and You, Smart Investing, and Assessment. High school students go deeper into topics, focusing, for example, on IRA’s and capital gains and losses. The easy-to-use website offers an index, allowing students to move back and forth as needed, as well as an assessment section at the end of each completed lesson (for grades 4-5, 6-8, and high school). Teacher lesson plans are available for download, as are the student materials.

Online at: www.handsonbanking.org/.

**Supplemental Curriculum Resources**

The use of ancillary or supplemental resources was a recurring theme during the expert inter-

views. The review of state-approved curriculum resources, as well as reports on most frequent “hits” on Jump$tart’s Clearinghouse website, revealed a similar pattern. Following are the most frequently mentioned ancillary materials:

- **40 Money Management Tips Every College Freshman Should Know.** Developed by the National Endowment for Financial Education (NEFE), this student workbook is targeted to students in grades 11 and 12. Topics include checking accounts; financial aid; jobs; living expenses; and credit and debt. The workbook includes a spending plan worksheet. The resource is available free of charge.


- **Junior Achievement.** In addition to offering a comprehensive curriculum, Junior Achievement also offers a number of ancillary resources for different grade levels. **MMBiz: My Money Business** targets high school students; and **Personal Economics, JA Finance Park, and JA Economics for Success** all target students in the middle grades. The instruction is mostly based on workbooks and teacher-led activities.


- **The Mint.** Developed in 1997, this web-based resource is targeted to families, with some available resources for teachers, to teach children sound money management practices and establish good money habits at home. The website offers activities for teachers and pointers for parents in providing mentoring and instruction for their children.

  Online at: www.themint.org/.

- **The Stock Market Game Program.** Using a live trading simulation, the game enables students in grades 4-12 to work with a virtual cash account in the amount of $100,000 to try to create the best-performing portfolio. Since it was first developed nearly 30 years ago, the Foundation for Investor Education estimates that more than 8 million students have participated in the game. The resource is available for a small fee through state-based coordinators.

  Online at: www.smgww.org/.
Methodology

Three strategies were used to gauge the most commonly used curricula in the area of personal finance education:

- expert interviews;
- a scan of state-approved and state-recommended curriculum resources; and
- data from a national clearinghouse of finance education resources.

First, expert interviews were conducted with officials from a broad array of backgrounds, with representation from: state education agencies; higher education; national associations; and for-profit education consulting firms. The experts were primarily drawn from the pool of participants at meetings of NASBE’s Commission on Financial and Investor Literacy. Brief interviews were conducted with each of the experts to gather opinions on the five most widely used curriculum resources in K-12 classrooms. Respondents discussed both comprehensive and supplemental materials.

The second method involved a state-level scan of curriculum materials. The National Council on Economic Education (NCEE) Survey of the States provided a policy scan of personal finance education. Using the results from the NCEE policy survey, a scan of state education agency websites was conducted to gather listings of state-approved and state-recommended curriculum resources for those states with required courses or testing in the area of personal finance. Approximately one-third of the states were included in this analysis based on policy, availability of the listing of approved or recommended curriculum resources, and the number of approved or recommended resources on the list.

Finally, data from a national clearinghouse of finance education resources were used to gauge which curriculum resources had the most “hits” on the clearinghouse website over a period of one quarter. The clearinghouse, sponsored by Jump$tart, includes financial education resources, and averages nearly 22,000 page views a month. Jump$tart provided NASBE with the most recent quarterly report detailing the resources accessed by users. It should also be noted here that a number of state websites and expert interviewees mentioned the Jump$tart Clearinghouse as a curriculum resource. Similar citations occurred for another Clearinghouse, EconEdLink, sponsored by the National Council on Economic Education, which offers nearly 500 economics lesson plans for teachers.

The results from the expert interviews, state curriculum scan, and clearinghouse resources were combined to determine those curriculum resources mentioned most often. While this methodology was designed to provide a snapshot of the resources currently being used in K-12 classrooms, the selection of the final 16 resources was subjective. Decisions were made about prioritizing results from the expert interviews, including those states with stronger policy initiatives, and weighing the information from the national clearinghouse. Further, the state-level data was often exhaustive making it difficult to draw any substantive conclusions. For example, Alabama embeds finance education into several subject areas. For just one subject area, social studies, the state provides a 56-page spreadsheet of approved curriculum resources. Perhaps what is more important than what is or is not included in the final list of 16, is that those resources included are representative of the types of materials being used in classrooms, as well as the scope and breadth of the materials.

Two trends evolved early in the data collection process. First, the vast majority of responses from the expert interviews focused on corporate-sponsored or nonprofit-sponsored curricula, whereas the state-level data focused on traditional economics textbooks. It should also be noted that with most of the traditional hardback economics textbooks, the bulk of personal finance material is found in the ancillary materials, which may or may not need to be purchased in addition to the hardback textbook. Second, all three methods of data collection—expert interviews, state data scan, and clearinghouse use—revealed a trend toward the use of supplemental resources.
The Jump$tart Coalition Survey of Personal Finance Basics

The 2005-2006 Jump$tart Coalition comprehensive written survey of 5775 high school students in 37 states measured 12th graders’ level of knowledge of personal finance basics and compared the results with those from similar surveys conducted in 1997, 2000, 2002, and 2004. The survey was administered by individual teachers in classes other than finance and management, mostly English and social studies classes.

The Jump$tart Coalition reported that “the average score for the 2005-06 survey was 52.4 percent, up marginally from 52.3 percent in the 2003-04 survey. After falling from 57.3 percent in the 1997-98 survey, financial literacy scores are up from the low of 50.2 percent in 2002 but now seem to hover in the low- to mid-50 percent range.”

Survey answers are in **bold**. * indicates correct answer. More information about the survey and the complete questionnaire can be found online at www.jumpstart.org/EPK/info_page.cfm#Survey.

1. If you have caused an accident, which type of automobile insurance would cover damage to your own car?
   - 1.1% a) Term
   - **50.5%** b) Collision
   - 9.7% c) Comprehensive
   - 38.7% d) Liability

2. Matt and Eric are young men. Each has a good credit history. They work at the same company and make approximately the same salary. Matt has borrowed $6,000 to take a foreign vacation. Eric has borrowed $6,000 to buy a car. Who is likely to pay the lowest finance charge?
   - 9.8% a) Matt will pay less because people who travel overseas are better risks.
   - 23.9% b) They will both pay the same because they have almost identical financial backgrounds.
   - **52.7%** c) Eric will pay less because the car is collateral for the loan.
   - 13.6% d) They will both pay the same because the rate is set by law.

3. If you went to college and earned a 4-year degree, how much more money could you expect to earn than if you only had a high school diploma?
   - 23.5% a) A little more; about 20% more.
   - **63.9%** b) A lot more; about 70% more.
   - 10.5% c) About 10 times as much.
   - 2.1% d) No more; I would make about the same either way.

4. Many savings programs are protected by the Federal government against loss. Which of the following is not?
   - **28.6%** a) A bond issued by one of the 50 States
   - 12.4% b) A U. S. Treasury Bond
   - 9.7% c) A U. S. Savings Bond
   - 49.3% d) A certificate of deposit at the bank

5. If each of the following persons had the same amount of take home pay, who would need the greatest amount of life insurance?
   - **61.3%** a) A young single woman with two young children.
4.4% b) A young single woman without children.
30.0% c) An elderly retired man, with a wife who is also retired.
4.2% d) A young married man without children.

6. Which of the following instruments is NOT typically associated with spending?
1.5% a) Cash
2.4% b) Credit card
2.6% c) Debit card
*93.5% d) Certificate of deposit

7. Which of the following credit card users is likely to pay the GREATEST dollar amount in finance charges per year, if they all charge the same amount per year on their cards?
8.8% a) Vera, who always pays off her credit card bill in full shortly after she receives it.
*70.6% b) Jessica, who only pays the minimum amount each month.
14.4% c) Megan, who pays at least the minimum amount each month and more, when she has the money.
6.3% d) Erin, who generally pays off her credit card in full but, occasionally will pay the minimum when she is short of cash.

8. Which of the following statements is true?
10.0% a) Your bad loan payment record with one bank will not be considered if you apply to another bank for a loan.
11.6% b) If you missed a payment more than 2 years ago, it cannot be considered in a loan decision.
*70.9% c) Banks and other lenders share the credit history of their borrowers with each other and are likely to know of any loan payments that you have missed.
7.5% d) People have so many loans it is very unlikely that one bank will know your history with another bank.

9. Doug must borrow $12,000 to complete his college education. Which of the following would NOT be likely to reduce the finance charge rate?
32.9% a) If his parents took out an additional mortgage on their house for the loan.
17.6% b) If the loan was insured by the Federal Government.
*30.4% c) If he went to a state college rather than a private college.
19.1% d) If his parents cosigned the loan.

10. If you had a savings account at a bank, which of the following would be correct concerning the interest that you would earn on this account?
13.5% a) Sales tax may be charged on the interest that you earn.
13.0% b) You cannot earn interest until you pass your 18th birthday.
50.9% c) Earnings from savings account interest may not be taxed.
*22.7% d) Income tax may be charged on the interest if your income is high enough.

11. Inflation can cause difficulty in many ways. Which group would have the greatest problem during periods of high inflation that last several years?
8.7% a) Young couples with no children who both work.
33.9% b) Young working couples with children.
13.3% c) Older, working couples saving for retirement.
*44.1% d) Older people living on fixed retirement income.

12. Which of the following is true about sales taxes?
5.9% a) You do not have to pay the tax if your income is very low.
*49.6% b) It makes things more expensive for you to buy.
29.5% c) The national sales tax percentage rate is 6%.
15% d) The federal government will deduct it from your paycheck.

13. Lindsay has saved $12,000 for her college expenses by working part-time. Her plan is to start college next year and she needs all of the money she saved. Which of the following is the safest place for her college money?
10.4%  a) Corporate bonds
*80.4%  b) A bank savings account
5.3%  c) Locked in her closet at home
3.9%  d) Stocks

14. Which of the following types of investment would best protect the purchasing power of a family’s savings in the event of a sudden increase in inflation?
22.0%  a) A twenty-five year corporate bond
*44.6%  b) A house financed with a fixed-rate mortgage
17.3%  c) A 10-year bond issued by a corporation
16.1%  d) A certificate of deposit at a bank

15. Under which of the following circumstances would it be financially beneficial to you to borrow money to buy something now and repay it with future income?
6.6%  a) When some clothes you like go on sale.
31.5%  b) When the interest on the loan is greater than the interest you get on your savings.
*57.8%  c) When you need to buy a car to get a much better paying job.
4.2%  d) When you really need a week vacation.

16. Which of the following statements best describes your right to check your credit history for accuracy?
14.7%  a) All credit records are the property of the U.S. Government and access is only available to the FBI and Lenders.
28.9%  b) You can only check your record for free if you are turned down for credit based on a credit report.
*50.1%  c) Your credit record can be checked once a year for free.
6.3%  d) You cannot see your credit record.

17. Your take home pay from your job is less than the total amount you earn. Which of the following best describes what is taken out of your total pay?
*53.0%  a) Federal income tax, social security and Medicare contributions
17.2%  b) Federal income tax, sales tax, and social security contribution
9.5%  c) Social security and Medicare contributions

18. Retirement income paid by a company is called:
3.6%  a) Rents and profits
25.9%  b) Social Security
32.9%  c) 401k
*37.7%  d) Pension

19. Many people put aside money to take care of unexpected expenses. If John and Jenny have money put aside for emergencies, in which of the following forms would it be of LEAST benefit to them if they needed it right away?
35.6%  a) Stocks
13.1%  b) Savings account
*42.7%  c) Invested in a down payment on the house
8.6%  d) Checking account

20. Justin just found a job with a take-home pay of $2,000 per month. He must pay $800 for rent and $200 for groceries each month. He also spends $200 per month on transportation. If he budgets $100 each month for clothing, $150 for restaurants and $250 for everything else, how long will it take him to accumulate savings of $900.
5.9%  a) 1 month
14.0%  b) 2 months
*66.3%  c) 3 months
13.8%  d) 4 months

21. Many young people receive health insurance benefits through their parents. Which of the following statements is true about health insurance coverage?
5.8%  a) Young people don't need health insurance because they are so healthy.
33.0%  b) You continue to be covered by your parents’ insurance as long as you live at home, regardless of your age.
20.9%  c) You are covered by your parents’ insurance until you marry, regardless of your age.
*40.3%  d) If your parents become unemployed, your insurance coverage may stop, regardless of your age.

22. Mike and Dave work together in the finance department of the same company and earn the
same pay. Mike spends his free time taking work-related classes to improve his computer skills; while Dave spends his free time socializing with friends and working out at a fitness center. After five years, what is likely to be true?

*71.8% a) Mike will make more money because he is more valuable to his company.
11.6% b) Mike and Dave will continue to make the same money.
10.9% c) Dave will make more because he is more social.
5.7% d) Dave will make more because Mike is likely to be laid off.

23. If your credit card is stolen and the thief runs up a total debt of $1,000, but you notify the issuer of the card as soon as you discover it is missing, what is the maximum amount that you can be forced to pay according to Federal law?

55.8% a) nothing
*15.1% b) $50
17.2% c) $500
11.9% d) $1000

24. Which of the following statements is NOT correct about most ATM (Automated Teller Machine) cards?

*66.8% a) You can get cash anywhere in the world with no fee.
12.3% b) You must have a bank account to have an ATM Card.
9.9% c) You can generally get cash 24 hours-a-day.
11.0% d) You can generally obtain information concerning your bank balance at an ATM machine.

25. Mark has a good job on the production line of a factory in his home town. During the past year or two, the state in which Mark lives has been raising taxes on its businesses to the point where they are much higher than in neighboring states. What effect is this likely to have on Mark’s job?

*59.0% a) Mark’s company may consider moving to a lower-tax state, threatening Mark’s job.
15.3% b) He is likely to get a large raise to offset the effect of higher taxes.

17.1% c) Higher business taxes will cause more businesses to move into Mark’s state, raising wages.
8.6% d) Higher business taxes can’t have any effect on Mark’s job.

26. Kelly and Pete just had a baby. They received money as baby gifts and want to put it away for the baby’s education. Which of the following tends to have the highest growth over periods of time as long as 18 years?

44.8% a) A U.S. Govt. savings bond
34.8% b) A savings account
6.3% c) A checking account
*14.2% d) Stocks

27. Karen has just applied for a credit card. She is an 18-year-old high school graduate with few valuable possessions and no credit history. If Karen is granted a credit card, which of the following is the most likely way that the credit card company will reduce its risk?

13.6% a) It will charge Karen twice the finance charge rate it charges older cardholders.
*55.3% b) It will start Karen out with a small line of credit to see how she handles the account.
10.5% c) It will make Karen’s parents pledge their home to repay Karen’s credit card debt.
20.7% d) It will require Karen to have both parents co-sign for the card.

28. Maria worked her way through college earning $20,000 per year. After graduation, her first job pays $40,000. The total dollar amount Maria will have to pay in Federal Income taxes in her new job will:

11.0% a) Stay the same as when she was in college.
10.7% b) Be lower than when she was in college.
*42.1% c) Double, at least, from when she was in college.
36.2% d) Go up a little from when she was in college.

29. Which of the following best describes the primary sources of income for most people age 20-35?

*59.0% a) Earning a high salary.
13.6% b) Receiving child support or alimony.
12.3% c) Owning real estate.
15.3% d) Receiving retirement income.
30. If you are behind on your debt payments and go to a responsible credit counseling service such as the Consumer Credit Counseling Services, what help can they give you?

*67.1% a) They can work with those who loaned you money to set up a payment schedule that you can meet.
11.8% b) They can force those who loaned you money to forgive all your debts.
11.9% c) They can cancel and cut up all of your credit cards without your permission.
9.2% d) They can get the federal government to apply your income taxes to pay off your debts.

31. What is your gender?

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32. Does your family rent or own your home?

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33. What are your educational plans after high school?

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34. What is your best estimate of your parents’ total income last year? Consider annual income from all sources before taxes.

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35. How do you describe yourself?

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36. What is the highest level of schooling your father or mother completed?

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37. What type of work do you intend to do when you finish school?

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38. When you start to work full-time, after you finish your education, how much do you expect to make per year before deductions for taxes and other items?

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39. Whose credit card do you use?

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Who Will Own Our Children?
51.6 4.8  c) Both my own and parents’
53.4 67.7  d) None, I do not use a
credit card

40. How do you use your debit (or ATM) card?
Score Proportion
53.6 30.8  a) For getting cash from
an ATM and for buying
things directly
51.2 17.1  b) For getting cash from
an ATM only
52.1 52.1  c) I do not have a debit card

41. Which of the following best describes your
automobile driving?
49.7 17.9  a) I do not have a driver’s
license.
43.8 3.1  b) I have a driver’s license,
but no car in the family
that I can drive.
49.4 4.9  c) I drive the family car,
which is used by others, and
help pay for the insurance.
53.6 13.9  d) I drive the family car,
which is used by others,
and don’t help pay for
the insurance.
52.6 28.4  e) I drive my own car and
help pay for the insurance.
54.7 31.8  f) I drive my own car and
do not help pay for the insurance.

42. How would you describe your employment
history?
52.6 27.4  a) I work full time in the
summers and part time
during the school year.
51.6 7.1  b) I work full time in the
summers and don’t work
during the school year.
52.9 35.9  c) I work part time in the
summers and part time
during the school year.
53.1 11.1  d) I work part time in the
summers and do not work
during the school year.
51.3 18.5  e) I have never been
formally employed outside
the home.

43. What kind of bank account do you have?
47.0 20.0  a) I do not have a bank
account.

44. If you have a checking account, which of the
following is true? (Skip to Question 45 if you
do not have a checking account)
53.6 47.6  a) I subtract every check
and ATM withdrawal from
the balance in my check
book and have never
“bounced” a check for
insufficient funds.
43.7 16.2  b) I subtract every check
and ATM withdrawal from
the balance in my check
book but have “bounced” at
least one check for insuffi-
cient funds.
53.1 26.7  c) I do not subtract every
check and ATM with-
drawal from my checkbook
but have never “bounced” a
check.
47.1 9.5  d) I do not subtract every
check ATM and with-
drawal from my checkbook
and have “bounced” at least
one check for insufficient
funds.

45. Which of the following is true about your
ownership of stocks and mutual funds (circle all
that apply)?
53.4 64.0  a) I own no stocks or
mutual funds.
52.4 9.4  b) I own stocks in my own
name.
52.3 10.5  c) I own stocks in my
parents’ name.
50.8 7.5  d) I own mutual funds in
my own name.
53.1 8.4  e) I own mutual funds in
my parents’ name.

46. Some people tend to be very thrifty, saving
money whenever they have the chance, while
others are very spending-oriented, buying
whenever they can and even borrowing to
consume more. How would you classify yourself?
49.7 16.6 a) Very thrifty, saving money whenever I can.
54.0 37.8 b) Somewhat thrifty, often saving money.
53.9 22.0 c) Neither thrifty nor spending-oriented.
51.4 17.9 d) Somewhat spending-oriented, seldom saving money.
46.9 5.6 e) Very spending-oriented, hardly ever saving money.

47. What is your high school class level?
52.3 100.0 a) Senior
b) Junior
c) Sophomore
d) Freshman

48. Which of the following do you feel is the greatest cause of serious financial difficulty, where families can't pay their bills?
49.0 8.6 a) Bad luck, such as unexpected illness or job loss
48.1 9.4 b) Not enough savings
55.0 28.9 c) Buying too much on credit
53.8 28.9 d) Not following a financial plan
50.6 24.0 e) Not being able to earn enough money

49. How bad do you think it is for families who do not have enough money to pay their bills?
43.2 8.5 a) Not so bad, a lot of families go through this.
53.5 49.0 b) Pretty bad, it is painful to experience.
52.9 42.5 c) Very bad, it is one of the worst things that can happen to a family.

50. What do you think happens to older people when they retire if they have not saved much money and do not have a good pension from their former jobs?
39.9 7.5 a) They live pretty well on Social Security.
50.4 42.3 b) They get by on Social Security by keeping their expenses down.
56.0 50.1 c) They find it tough to live on Social Security.

51. Which of the following classes have you had in high school (circle all that apply)?
51.6 16.7 a) An entire course in money management or personal finance.
53.4 29.3 b) A portion of a course where at least a week was focused on money management or personal finance.
53.2 38.1 c) An entire course in economics.
53.0 27.4 d) A portion of a course where at least a week was focused on economics.
55.0 27.7 e) A course in which we played a stock market game.
Endnotes


2. B. S. Bernanke, Testimony before the Committee on Banking, Housing, and Urban Affairs (Washington, DC: Federal Reserve Board, May 23, 2006).


13. Ibid.


24. B. D. Bernheim et al., “Education and Saving.”
