

## MAKING THE CASE FOR FINANCIAL LITERACY— 2008

A collection of personal finance statistics gathered from other sources.

### **Financial Literacy Education**

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#### **Adults and Parents:**

1. The 2007 back-to-school cardholder survey from **Visa** revealed that:

- Only 5% of adults learned about the vital life skill of money management in elementary or high school.
- Less than half of people (48%) learned about money management from their parents, while 41% were self-taught or learned the hard way.
- 91% of respondents said they supported requiring financial education be taught in every high school in the country. Currently just fifteen states have some sort of financial education requirement for high school students.

[Visa, *Visa Back-To-School Survey Finds That Only 5% of Kids Learn Vital Life Skill of Money Management in Class*, August 2007, <http://www.practicalmoneyskills.com/english/presscenter/releases/081307.php>]

2. The 2007 annual back-to-school survey from **Capital One** found that:

- 52% of teens are eager to learn more about money management, but only 14% have taken a class on the topic - 35% would like to learn from their parents.
- When asked about the topics they'd most like to learn about, teens express interest in how financing works for large purchases such as a car or a home (74%), investing money (72%), identity theft and how to protect themselves (68%), saving money (62%), budgeting (58%), stocks (58%), checking accounts (55%) and credit cards (55%).
- Only 19% of parents are discussing back to school budgeting and only 22% have made a list of back-to-school items to purchase.
- 80% of parents see themselves as positive money role models for their kids, yet only a small percentage are taking advantage of day-to-day learning opportunities to arm their teens with practical money skills.
- Only 48% of parents have discussed the importance of needs versus wants and more than one-third (36%) have not discussed back to school finances at all with their teens.

[Capital One, *Capital One's Annual Back to School Survey Finds More Teens Eager To Learn About Money, Yet Parents Continue to Overlook Simple Opportunities to Talk Dollars and Cents*, July 2007, [http://phx.corporate-ir.net/phoenix.zhtml?c=706667&p=irol-newsArticle\\_print&ID=1026172&highlight](http://phx.corporate-ir.net/phoenix.zhtml?c=706667&p=irol-newsArticle_print&ID=1026172&highlight)]

3. A 2007 study of K-12 teachers by the **Networks Financial Institute at Indiana State University** revealed:

- The majority of teachers - 8 in 10 - think it is important to teach financial literacy in U.S. classrooms.
- Only about half of K-12 teachers, however, say they do teach some form of "Financial Literacy" to their students.
- The lack of time, lack of state curriculum requirements and lack of demand are the top three challenges to teaching financial literacy topics according to teachers.
- About one-third of K-12 teachers think their state has standards related to financial literacy, but nearly three-quarters believe their state *should* have academic standards for this subject.
- According to teachers, financial literacy skills are lacking among young people in the U.S., and many say that their students need to be exposed to the basic financial skills they will need to function in society.

- Balancing checkbooks, managing credit, making intelligent economic decisions and staying out of debt are all topics teachers mention as being important to teach students before they go out into the “real world.”

[Networks Financial Institute at Indiana State University, *National K-12 Financial Literacy Qualitative & Quantitative Research*, March/April, 2007, <http://www.networksfinancialinstitute.org/SiteCollectionDocuments/NationalK12FinancialLiteracyStudy.pdf>]

4. A 2007 survey by **The Hartford Financial Services Group, Inc.** found that:

- The majority of college students say they learn the most about personal finance from their parents, but less than half of students say their parents make a consistent, conscientious effort to teach them.
- Nearly two-thirds (63%) of the parents surveyed say they definitely see personal finance education as their responsibility and consistently make the effort to teach their children about it, compared to the only 41% of students who say their parents did.
- About 70% of college students cite parents as their primary source of information.
- Students and parents agree that college students are not well prepared to deal with the financial challenges that lie ahead. Less than one-quarter of students (24%) and only 20% of parents say students are very well prepared to deal with the financial challenges that await them after graduation.
- More than three-quarters of students (76%) wish they had more help preparing for their financial future.

[The Hartford Financial Services Group, Inc., *New Survey by The Hartford Reveals Financial Literacy Communication Gap Among College Students and Parents*, February 2007, <http://ir.thehartford.com/releasedetail.cfm?ReleaseID=237682>]

## **Undergraduate & Graduate Students**

1. A 2007 survey of college students conducted by **Buffalo State College** found that:

- One-third of students reported having two credit cards or more, while 12% had three or more credit cards.
- College students carry an average of \$1,035 of credit card debt.
- Many students believe they will make much more money after college than they will actually earn. Students take on debt because they expect to be able to repay it.
- Students' troubled spending habits can often be traced to parents. Financial lessons taught early on and parents' implied importance on material things are strong influences on a college student's financial habits.

[Buffalo State College, *Financial Literacy Key to Prevent College Student Credit Card Debt*, October 2007, <http://www.newswise.com/articles/view/534061>]

2. An August 2006 poll commissioned by **KeyBank** and conducted by **Harris Interactive** found that:

- Nearly one-third (32%) of college students, when thinking about their freshman year, admit that they were "not at all" or "not very well prepared" for managing their money on campus. Only one in five (20%) students claims to have been "very well prepared" for managing their money on campus.
- Three-quarters (75%) admit to having made mistakes with their money when they arrived on campus, and the biggest mistakes were overspending on food (21%), entertainment (19%) and putting too many purchases on their credit card (16%).
- When asked how closely they tracked where their money was being spent, nearly two in five (39%) claim they had tracked their spending "very closely" while fewer (14%) say they tracked their spending "not at all closely" or "not very closely."
- Common ways of supporting their spending habits and living expenses in college included getting a part time job (58%) or a full-time job (24%).

[KeyBank and Harris Interactive, *One-Third of College Upperclassmen Admit Being Financially Unprepared as Freshmen*, August 2006, <http://www.harrisinteractive.com/news/allnewsbydate.asp?NewsID=1108>]

## American Kids & Teenagers

1. Recent research by **Packaged Facts** and **First Data** revealed:

- Two-thirds of American teens currently use financial services but very few have credit cards.
- Teens represent a total yearly income of \$80 billion.
- 47% of teens age 12-17 have a savings account, 12% have a checking account, and 15% have an ATM card.
- 95% of teens between the ages of 14 and 19 have either bought or received a gift card, with some 48% of college-bound teens purchasing cards.
- Teens purchased almost double the number of gift cards they did in 2006 (7.6 vs. 4.3 cards - a 77% increase).

[Packaged Facts and First Data, *Teen Spirit*, January 2008, [http://www.cardtrak.com/news/2008/01/09/teen\\_spirit](http://www.cardtrak.com/news/2008/01/09/teen_spirit)]

2. The 2007 **Junior Achievement** annual Teens and Holiday Spending Poll revealed:

- One-third (32.3%) of the teens who took the poll indicate that they will spend more for holiday gifts this year than they did in 2006.
- 22.8% of teens plan to spend more than \$200 on holiday shopping, a 7% increase from 2006.
- Asked how they determine how much to spend on holiday gifts, 54.2% of teens said they would create a budget based on what they could afford. However, when asked if they would buy a friend or family member a holiday gift that exceeded their budget, 54.6% indicated they would. Only 27.1% reported they would stay within their budget, and 18.4% were unsure. And one-third of teens indicated that they feel pressure to spend more than they can afford on holiday gifts.
- For teens who indicated they would purchase gifts that surpass their budget, the most frequently cited reason was “If I knew they really wanted that gift”, which was mentioned by 81.4% of the potential budget-busters. Boys were nearly twice as likely as girls to select “to impress the recipient” as their primary motivation for over-spending.
- A majority of teens (55.6%) thought that a class on money management offered during or after school would be useful during the holiday shopping season.

[Junior Achievement Worldwide, *Teens Plan to Bust Their Budgets This Holiday Season*, December 2007, [http://www.ja.org/about/about\\_newsitem.asp?StoryID=476](http://www.ja.org/about/about_newsitem.asp?StoryID=476)]

3. A 2007 poll sponsored by the **Allstate Foundation** and conducted by **JA Worldwide** found that:

- Among teens ages 13-14, only 2.7% report having credit cards. However, that percentage nearly doubles to 5.3% for teens 15-16, doubles again to 10.6% for 17 year-olds, and then nearly triples to 28.8% for teens 18-or-older.
- 2.4% of teens admitted to occasionally skipping payments. Just over 15% make the minimum monthly payment, and unfortunately, some teens make no contribution whatsoever to their credit card debt, with 11.2% acknowledging that their parents make their monthly payments.
- More than three-quarters (76.7%) of teens indicated that they wield strong influence over household buying decisions.
- Nearly three-quarters (73.7%) of teens indicated that they have regular family discussions about money. The most popular topic in these discussions was the importance of saving (80.2%) followed—somewhat ironically in the case of those teens that skip credit card payments—by the importance of paying bills on time (55.3%).

[Junior Achievement Worldwide and the Allstate Foundation, *JA Poll on Teen Personal Finance Paints Bleak Picture of Youth Money Skills*, August 2007, [http://www.ja.org/about/about\\_newsitem.asp?StoryID=421](http://www.ja.org/about/about_newsitem.asp?StoryID=421)]

4. The 2007, annual Teens & Money survey conducted by **Charles Schwab & Co., Inc.** found that:

- Eight in 10 teens ages 13-18 agree that "it's important to me to have a lot of money in my life," and nearly three-quarters (73%) believe they'll be earning "plenty of money" when they're out on their own.
- American teens confidently predict a future in which, based on the career that interests them most, they will be earning an average annual salary of \$145,500 (boys expect \$173,000 vs. girls, \$114,200).
- Most (88%) want and expect (86%) their parents to stop supporting them before age 25.
- Nearly two thirds (62%) of American teens ages 13-18 believe they are prepared to deal with the adult financial world after high school, and a similar majority (63%) say they are knowledgeable about money management, including budgeting, saving and investing. However fewer than half consider themselves knowledgeable about how to budget money (41%), how to pay bills (34%), how credit card interest and fees work (26%), or whether a check cashing service is good to use (24%). Not surprisingly, even fewer teens know how income taxes work (14 percent) or what a 401(k) plan is (13%).
- Teens spend an average of \$19 in a typical week, with the majority (59%) making purchases online. Most teens (84%) also have some money saved, with average savings of \$1,043. However, teens are more likely to have a cell phone (74%) than a savings account (60%).
- Although 88% of American teens "don't like the way it feels to owe someone money," almost a third (29%) have incurred debt (close to \$300, on average). More than half (51%) believe that "it is easier to buy things with a credit card than cash" and, given the choice, more than a quarter (29%) would actually prefer using a credit card, a 61% increase in this stated preference over last year.
- Fewer than one in three (30%) believe their parents/guardians are concerned about making sure they are learning the basics of smart money management, and only about one in four (28%) report "My parents/guardians have taught me about money by giving me a lot of experience budgeting, spending and saving it." A minority (24%) say their parents/guardians have taught them how to use a credit card responsibly. And, in spite of teens' interest in the topic, only one in five (20%) report "my parents/guardians have taught me how to invest money wisely to make it grow."

[Charles Schwab & Co., Inc., *Optimistic Teens May Need Financial Reality Check, Schwab Survey Shows*, March 2007, [http://www.businesswire.com/portal/site/schwab/index.jsp?epi-content=GENERIC&newsId=20070920006167&ndmHsc=v2\\*A1167656400000\\*B1206263677000\\*C1199192399000\\*DgroupByDate\\*J2\\*N1002458&newsLang=en&beanID=1186282858&viewID=news\\_view](http://www.businesswire.com/portal/site/schwab/index.jsp?epi-content=GENERIC&newsId=20070920006167&ndmHsc=v2*A1167656400000*B1206263677000*C1199192399000*DgroupByDate*J2*N1002458&newsLang=en&beanID=1186282858&viewID=news_view)]

## American Families

### **Saving & Investment:**

1. Research from **OFI Private Investments**, a subsidiary of **Oppenheimer Funds**, reveals that in 2008:

- Less than one-third (32%) of American families who are currently saving for their child's college education have confidence in achieving their college savings goals.
- Only 51% of "Savers" (those currently saving for college) currently, or intend to, use a 529 plan.
- For Savers, 529 plans account for only about one-fifth of actual college savings.
- Less than half of Future Savers (40%) intend on using a 529 plan.
- 56% of Future Savers claim that they could "not explain a 529 plan at all to a colleague or a friend."

[OFI Private Investments, *Savings Failure: American College Savers Get a "D,"* February 2008, <http://www.reuters.com/article/pressRelease/idUS171852+20-Feb-2008+BW20080220>, [https://www.oppenheimerfunds.com/digitalAssets/0f1414fb23d18110VgnVCM20000e92311ac\\_-0.pdf](https://www.oppenheimerfunds.com/digitalAssets/0f1414fb23d18110VgnVCM20000e92311ac_-0.pdf)]

2. Findings of the 2007 Survey of Parents of College-Bound Freshmen, conducted by **Sallie Mae**, reveal that:

- More than 60% of parents of incoming college freshmen began discussions about the best way to pay for college after the student entered high school, and 32% said the thing they would do differently would be to begin saving for college earlier.

- More than half (56%) of parents believe that college is not affordable, a trend that persisted across low-, middle- and high-income categories. Despite this finding, 82% of all respondents believed that a college education is worth the cost.
- While the vast majority of parents surveyed (81%) discussed tuition payment with their students at least twice during the summer before it was due, 11% never discussed the tuition bill.
- Almost three-quarters (73%) of survey respondents think paying for college is the responsibility of both the parent and the student.
- “Location of school” was identified by 34% of respondents as the top priority when their student was applying for college (the most frequently selected choice) while “cost of school” was the top concern of 15% of respondents (the fourth most popular choice).
- The college payment option most frequently used by respondents was cash/savings (54%), followed by federal loans such as Stafford or PLUS (40%). Twenty percent of all respondents reported using private loans.
- Over all income groups, 68% of respondents say their student will work during the school year, but 70% of that group said their student would work to 20 hours per week or less.

[Sallie Mae, *Parents Regret Late Start to College Saving, Most Consider College Unaffordable*, January 2008, [http://www.salliemae.com/about/news\\_info/newsreleases/012908.htm](http://www.salliemae.com/about/news_info/newsreleases/012908.htm)]

3. A 2007 **College Savings Foundation** survey of parents found that:

- 54% had less than \$5,000 saved toward college, and that 38% expected to be paying off college-related debt over more than 10 years.
- 79% would be highly disappointed if their child could not afford to go to college.
- 22% expect college costs to be the child's responsibility.
- 24% expect help from grandparents.
- 29% are investing for college in 529 plans.

[College Savings Foundation, *CSF Survey Finds Families with Too Much College Debt, Too Little Savings*, September 2007, [http://www.savingforcollege.com/529\\_news/?page=plan\\_news&plan\\_news\\_id=856](http://www.savingforcollege.com/529_news/?page=plan_news&plan_news_id=856), <http://www.collegesavingsfoundation.org/pdf/CollegeSurveyV8.pdf>]

4. **The Hartford’s** annual college savings survey, conducted in June of 2007, found that:

- 70% of parents saving for their child's college education confessed they were not using a 529 college savings plan. Many parents seem not to know, or fully appreciate, the significant tax benefits 529 plans offer.
- More than 40% of parents participating in the survey admitted that they have not started saving because they believe they need a large sum to get off to the right start.
- 21% of parents have put off saving for college because they are focused solely on saving for retirement. Of this group, a quarter eschews education saving plans with the hope that their child may receive a scholarship.
- 31% of parents started saving for college only after discussions with a financial professional. Among parents already saving for college, 25% increased their contribution amount after consulting with a financial professional.

[The Hartford Financial Services Group, Inc., *Scaling the Steep Slope of Saving for College, Save Smarter, Says The Hartford, Releasing Results from New Survey*, June 2007, <http://ir.thehartford.com/releasedetail.cfm?ReleaseID=265797>]

5. According to a 2007 poll conducted by **Harris Interactive** for the **AICPA**:

- Only 14% of American adults mentioned their company's 401(k) plan when asked about ways they save.
- Only 11% of workers under 35 indicate they are participating in their company's 401(k).

[Harris Interactive for the American Institute of Certified Public Accountants (AICPA), *American Adults Still Expect to Retire With a Pension, According to AICPA*, March 2007, [http://www1.ficpa.org/ficpa/National\\_News/AICPA/AmericanAdults](http://www1.ficpa.org/ficpa/National_News/AICPA/AmericanAdults)]

6. A November 2006 nationwide **Pew Research Center** telephone survey reveals:

- Nearly two-thirds (63%) of Americans acknowledge they don't save enough, and more than a third say that they often (11%) or sometimes (25%) spend more than they can afford. More than one-in-three (36%) Americans also say that they have at some point in their lives felt their financial situation was out of control.
- The U.S. Commerce Department's Bureau of Economic Analysis has estimated that, since April of 2005, the American public has been spending more money than it has earned after taxes—an unprecedented development in the past half century.

[Pew Research Center, *We Try Hard. We Fall Short. Americans Assess Their Saving Habits*, November 2006, <http://pewresearch.org/pubs/325/we-try-hard-we-fall-short-americans-assess-their-saving-habits>]

## **Debt:**

1. Consumer revolving credit grew again in January [2008] as Americans tacked on \$5.6 billion in net new debt, mostly credit card debt, compared to the prior month. In December consumers added \$2.2 billion. Revolving consumer credit has now reached a record \$947.4 billion and is growing by 7.0% per annum. Based on revised figures, revolving debt rose 2.8% in December and 12.8% in November. According to data released by the Federal Reserve, total revolving credit has expanded by \$76 billion over the past twelve months. Bank credit card debt (excluding store and gas credit cards) at the end of the fourth quarter was about \$800 billion, roughly 85% of total revolving credit, according to **CardData** ([www.carddata.com](http://www.carddata.com)). Store and gas credit cards had about \$109 billion in outstandings at year-end 2007. At the end of December, Americans were \$2524 billion in debt, excluding home mortgages.

[CardWeb.com, *Jan Debt*, March 11, 2008, [http://www.cardtrak.com/news/2008/03/11/jan\\_debt](http://www.cardtrak.com/news/2008/03/11/jan_debt)]

2. Revolving consumer credit set a new record of \$879 billion in January [2007], growing at an annual rate of 1.1%. Based on revised figures, revolving debt rose 1.9% in December and 13.8% in November. According to data released by the Federal Reserve, total revolving credit grew \$800 million during January to \$879.4 billion. Bank credit card debt (excluding store and gas credit cards) at the end of the fourth quarter was about \$750 billion or roughly 85% of total revolving credit, according to **CardData** ([www.carddata.com](http://www.carddata.com)). At the end of January, Americans were \$2411.4 billion in debt, excluding home mortgages.

[CardWeb.com, *Jan Debt*, March 9, 2007, <http://www.cardweb.com/cardtrak/news/2007/march/9a.html>]

3. U.S. consumers received nearly 8.0 billion direct mail credit card solicitations last year [2006], a 30% increase over the prior year. The gain was about double the growth rate of 2005 even though response rates are hovering at 0.3%, according to **CardWatch** ([www.cardwatch.com](http://www.cardwatch.com)). Response rates have declined from 2.8% fifteen years ago to 1.2% ten years ago to 0.6% five years ago.

[CardWeb.com, *Orvis Card*, February 21, 2007, <http://www.cardweb.com/cardtrak/news/2007/february/21a.html>]

4. A recent survey by **Sallie Mae** found that more than half of college students accumulated more than \$5,000 in credit card debt while in school. Of the 13,000 respondents, one-third piled on more than \$10,000 in credit card debt while in school. Only 19 percent said they did not acquire any credit card debt while in school.

[Sallie Mae, *Sallie Mae launches new 'Be Debt Smart' campaign to educate students, parents and graduates on managing debt and understanding credit*, January 2007, [http://www.salliemae.com/about/news\\_info/newsreleases/021407\\_bedebsmart.htm](http://www.salliemae.com/about/news_info/newsreleases/021407_bedebsmart.htm)]

## **Bankruptcies, Defaults, & Foreclosures:**

1. Consumer bankruptcy filings in February [2008] rose to 76,000 compared to 66,000 in the prior month. Chapter 13 filings made up about 46% of all consumer cases, down slightly from last month. According to data provided by the **National Bankruptcy Research Center** and **Lindquist Consulting**, consumer bankruptcies hit 66,400 in December compared to 69,000 in September and 61,000 in March. Cumulatively, the 2007 bankruptcy filings totaled 802,000, a 40.5% increase from 2006.

[CardWeb.com, *Bankruptcy Pulse*, March 14, 2008, [http://www.cardtrak.com/news/2008/03/14/bankruptcy\\_pulse](http://www.cardtrak.com/news/2008/03/14/bankruptcy_pulse)]

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