

# Making the Case for Financial Literacy – 2011

*A Collection of Personal Finance Statistics Gathered by Jump\$tart from Other Sources*

## Financial Literacy and Education

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### Adults and Parents:

1. A 2010 iVillage survey of online U.S. moms revealed that:
  - More than half of moms (61%) are primarily responsible for managing their household's finances.
  - 41% said they wish they were more informed about managing money/being financially responsible, so they can pass that knowledge on to their kids.
  - 37% said they want more access to online articles and discussion forums with trusted financial experts.
  - 29% said they would go online to talk with other moms for advice and information on how to talk about money with their kids. Online moms are also likely to share information with their social networks (51%).
  - 30% would go to an online source (e.g. blogs financial websites and forums) for information about managing money/being financially responsible – ranked only behind a family member (52%) and financial professional/financial advisor (37%).

[iVillage, *iVillage and PASS from American Express(SM) Partner to Launch The Talk to Mobilize Moms to Talk to Teens About Money*, September 15, 2010, <http://about.americanexpress.com/news/pr/2010/thetalk.aspx>]

2. The 2010 annual back-to-school survey of parents and teens from **Capital One** found that:
  - Only 24% of parents have created a back-to-school shopping budget with their child and only 31% of parents have created a shopping list with their child. 27% of parents admit they have not had any conversations with their child about planning for back-to-school shopping.
  - 53% of teens polled say they want to learn more about how to manage their money. More teens say they would prefer to learn about money from their parents over friends, reading a book or taking a personal finance class, but only 27% of teens report that their parents discuss money and banking concepts with them regularly.

[Capital One, *Capital One's Annual Back-to-School Shopping Survey Reveals Gap in Budgeting Priorities and Communication Between Teens, Parents*, August 5, 2010, <http://phx.corporate-ir.net/phoenix.zhtml?c=70667&p=irol-newsArticle&ID=1456875&highlight>]

3. A 2010 **Visa** survey revealed that:
  - 93% of Americans believe all high school students should be required to take a class in financial education. While a handful of states have adopted varying degrees of financial literacy curricula, currently only four states require high school students to take a semester-long course in personal finance. Only 3% of survey respondents do not think a financial education class should be required, with 4% unsure.

[Visa, *Back to School Survey Shows Americans Want Personal Finance Taught in the Classroom*, July 20, 2010, [http://www.practicalmoneyskills.com/about/press/releases\\_2010/0720.php](http://www.practicalmoneyskills.com/about/press/releases_2010/0720.php)]

4. A 2010 Financial Literacy Survey of adults, conducted on behalf of the **National Foundation for Credit Counseling, Inc.**, revealed that:
  - 41% of respondents said they learned their personal finance skills from their parents or at home.
  - However 34%, or nearly 77 million people, gave themselves a grade of C, D or F, leading to the conclusion that those in charge of the financial decisions at home may be in need of some additional financial education themselves.
  - 78% agree that they would benefit from advice and answers to everyday financial questions from a professional, and nearly one-third (31%) strongly agree.
  - 43% keep close track of their spending. However, 56% do not have a budget, and more than 11 million adults (5%) do not monitor their overall spending and don't know how much they spend on food, housing, and entertainment.

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[National Foundation for Credit Counseling, Inc., *Father Knows Best - Or Does He?*, June 15, 2010, <http://www.nfcc.org/newsroom/newsreleases/files10/FathersDayRelease.pdf> and *National Financial Literacy Survey Reveals Silver Lining*, April 13, 2010, [http://www.nfcc.org/newsroom/newsreleases/files10/FLS\\_ReleaseFINAL2.pdf](http://www.nfcc.org/newsroom/newsreleases/files10/FLS_ReleaseFINAL2.pdf)]

5. Results from the *Teachers' Background & Capacity to Teach Personal Finance* study, funded by the **National Endowment for Financial Education**, indicate that:
  - While 89% of K-12 teachers agree that students should either take a financial education course or pass a competency test for high school graduation, relatively few teachers believe they are adequately prepared to teach personal finance topics.
  - K-12 teachers and prospective teachers are acquiring very little additional formal education in personal finance, either through credit-based courses or non-credit offerings. In addition, only a few teachers and a handful of prospective teachers had completed any formal course work in educational methods for teaching financial education. Only 11.6% of K-12 teachers had taken a workshop on teaching personal finance
  - The study found no influence of state mandates on whether a teacher had taken a course in personal finance, taught a course, or felt competent to teach a course. In fact, over 60% of teachers and prospective teachers said they do not feel qualified to teach their state's financial education standards. And teacher education faculty members in those states were no more familiar with state financial education standards than K-12 teachers themselves.

[National Endowment for Financial Education, *Are Teachers Making the Grade in Personal Finance Education?*, May 4, 2010, <http://www.nefe.org/NEFENews/PressRoom/PressRelease/UWMADISONRELEASESSTUDYONTEACHERSCAPABILITY/tabid/835/Default.aspx>]

6. A 2010 **American Express** survey of parents with children between the ages 6-16 revealed that:
  - 71% of parents say their children understand we are in a recession.
  - 91% of parents say they are committed to instilling lessons of financial responsibility upon their children in 2010, with 62% giving their children a weekly allowance.
  - One in five children (20%) has indicated to a parent that “maybe we shouldn't buy that due to the recession.”

[American Express, *Children Clued In to Recession and Family Finances*, February 16, 2010, <http://home3.americanexpress.com/corp/pc/2010/cci.asp>]

## Undergraduate & Graduate Students

1. According to the **FINRA Investor Education Foundation's** 2010 State-by-State Financial Capability Survey:
  - Young Americans [18- to 34-year-olds] nationally were more likely to be less financially capable than older Americans, with 23% spending more than their household income, 68% not having money set aside to cover expenses for three months (rainy day fund), 34% engaging in non-bank borrowing, and averaging only 2.6 correct out of 5 questions covering concepts of economics and finance expressed in everyday life.

[FINRA Investor Education Foundation, *FINRA Foundation Releases Nation's First State-by-State Financial Capability Survey*, December 8, 2010, <http://www.finra.org/Newsroom/NewsReleases/2010/P122538>]

2. A 2010 **Capitol One** survey of graduating high school seniors revealed that:
  - 45% are unsure or unprepared to manage their own banking and personal finances. However, of the students surveyed who have taken a personal finance class (30%), 75% said they feel prepared to manage their finances and 66% rate themselves as “highly” or “very” knowledgeable about personal finance, compared to only 30% of students with no financial education course who show the same level of confidence in their skills.

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- 20% of students polled say they talk to their parents about money management and personal finance issues “frequently,” while 45% say they sometimes ask questions and 34% report that they talk to their parents about money never or only when necessary.
- Of the students who report frequent conversations with their parents about money, 71% rate themselves as “highly” or “very” knowledgeable about personal finance and 81% feel prepared to manage their own finances and banking.
- 65% of students who report talking to their parents about money “frequently” say they balance their checkbook every month compared with 43% of the overall sample. Half (52%) of students reporting frequent conversations with their parents about money currently use a budget while only 34% of high school seniors overall use a budget.
- Having a job is another key way students reported developing their personal finance skills. Of those who have had a job before, 72% think that their job experience has prepared them for their financial future in some way.

[Capitol One, *Capital One Survey Finds Nearly Half of Graduating High School Seniors Lack Confidence in Ability to Manage Personal Finances*, June 17, 2010, <http://phx.corporate-ir.net/phoenix.zhtml?c=70667&p=irol-newsArticle&ID=1439250&highlight>]

3. According to the 2009 Young Adults & Money Survey sponsored by **Charles Schwab**:
  - The majority (52%) of young adults between the ages of 23 and 28 consider “making better choices about managing money” the single most important issue for individual Americans to act on today.
  - 64% say financial fitness is more important than physical fitness, and the majority (51%) believe that financial education in school, grades K-12, is more important than both physical education (31%) and sex education (18%) combined.
  - 36% agree that the single most important action the Obama Administration could take to improve financial literacy in the United States would be to create incentives (or provide additional funding) for states that mandate personal finance in the standard high school curriculum.
  - More than three in four young adults describe their financial health as either “a little flabby” (55%) or “seriously out of shape” (27%).
  - On average, those surveyed carry more than \$14,000 in debt (excluding home mortgages). Of those who use credit cards, only one-third (33%) pay off their entire balance every month, while the other two-thirds make payments less reliably.
  - The majority (56%) attribute their knowledge of money management basics to their parents, with significant numbers continuing to turn to their parents for ongoing financial advice (43%).
  - However, many in this age group admit they don’t feel adequately prepared to make good financial choices when it comes to using debt wisely (28%), saving for the future (40%) or investing their money (43%).
  - When asked which aspects of personal finance they wish they had learned more about before entering the workforce, living within a budget (45%), and the importance of saving (42%) rise to the top of the list.

[Charles Schwab and Lieberman Research Worldwide, *Young Adults & Money Survey*, January 2009, <http://www.schwabmoneywise.com/views/families-and-money/young-adults-and-money/index.php>]

### **American Kids & Teenagers**

1. The 2011 “How Youth Plan to Fund College” survey of high school students by the College Savings Foundation revealed that:
  - 72% think it’s their responsibility to help fund their college education, and 65% are planning to use their own funds to pay for college, reinforcing key trends revealed in the 2010 survey. Yet this year students expect to contribute more of their own funds: 58% will cover more than one-quarter of their college costs, compared to 52% last year, and nearly one-in-five (18%) will contribute more than half of their college costs – up from 12% last year.
  - 73% have decided that they want to save and nearly half – 48% – of the students have already started.

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But the big jump occurs in the actual dollars saved: 69% of those students who are saving have already saved more than \$1,000 – up from 62% one year ago. Roughly one quarter – 23% – have amassed more than \$5,000 – up from 19% last year.

- A key finding was that more students are setting their sights on affordable four-year schools. 51% are looking at public colleges, up from 44% last year and pulling from both four-year private schools and community colleges. 16% are considering private universities (down from 18% last year); and 19% are looking at community colleges, down from 22%.

[College Savings Foundation, *2011 Survey of Students: High School Students Are Charting Their Own Course in Funding College*, Says College Savings Foundation's Second Annual Survey of 16- and 17- Year Olds, January 2011, <http://www.collegesavingsfoundation.org/pdf/CollegeSurvey2011v5.pdf>]

2. Results of the 2010 **Junior Achievement**/Allstate Foundation “Teens and Personal Finance” Survey indicate that:

- Nearly two-thirds (63%) of teens surveyed indicated they had changed their college plans because of the economy, up from 55% last year. Of these, 41% are working more to pay for college, 37% are staying closer to home or are not attending college out of state, 21% plan on going to a community college, and 15% may delay school for one year or longer.

[Junior Achievement/Allstate Foundation, *College-Bound Teens Face Budget Squeeze; Many Alter Education Plans*, April 13, 2010, [http://www.ja.org/about/releases/about\\_newsitem565.asp](http://www.ja.org/about/releases/about_newsitem565.asp)]

3. Results of the **U.S. Department of Education** and the **U.S. Department of the Treasury** 2010 National Financial Capability Challenge:

- 76,892 high school students registered for the challenge, and received a national average score of 70% on the exam. (*Note that 70% is the average among those students who voluntarily took the National Challenge, but may not be a representative average among students in the U.S.*)
- 14,833 students scored in the top 20% and 524 received perfect scores.

[U.S. Department of Education and the U.S. Department of the Treasury, *2010 National Financial Capability Challenge*, March 2010, [http://www.challenge.treas.gov/educator\\_Info.aspx](http://www.challenge.treas.gov/educator_Info.aspx) and [http://www.businesswire.com/portal/site/schwab/index.jsp?ndmViewId=news\\_view&ndmConfigId=1020773&newsId=20100817005218&newsLang=en](http://www.businesswire.com/portal/site/schwab/index.jsp?ndmViewId=news_view&ndmConfigId=1020773&newsId=20100817005218&newsLang=en)]

4. A 2010 survey by the College Savings Foundation revealed that:

- Three quarters (75%) of 16-17 year old high school students surveyed said that it is their responsibility to fund part or all of their higher education costs.
- 77% of high school students surveyed are grappling with tradeoffs, saying that the cost of school will definitely (30%) or possibly (47%) influence their further education plans. Of these students, 55% said that costs will be a factor in *which* college they decide to attend.
- Seventy percent of all students are talking to their parents about how much college costs. And despite 55% of their college savings being affected by current market, only 28% of all students said that college funding had created anxiety in the household.
- 45% of all students surveyed have already begun to save and, of those, 43% have already amassed between \$1,000 and \$5,000 towards college. This same subgroup has shown its mettle against the pull of immediate gratification with over half (54%) giving up things like electronics, vacations or cars to save for college.
- 68% have not researched any type of student loan. Of the 66% who are taking out or considering loans, 80% has not projected the total amount they will need to graduate, and 82% hasn't calculated the monthly loan repayment amount.

[College Savings Foundation, *High School Students Step Up to Fund Their Own College Costs*, Says College Savings Foundation Survey, February 25, 2010, <http://www.collegesavingsfoundation.org/pdf/HighSchoolSurveyPRFINAL.pdf>]

5. **Capital One's** 2009 survey of high school seniors found that:

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- Two-thirds (65.4%) of the male students rated themselves as “highly knowledgeable” about personal finance compared to less than half (49.2%) of the young women who participated in the survey.
- While the gender differences are surprising, these numbers also show a striking correlation between the students’ confidence about their financial knowledge and whether or not they had participated in a financial education class, with 45% of the male students and 61% of the female students reporting that they have never taken a personal finance class.
- One-third of the students (33.8%) said that they were either unsure or unprepared to manage their own banking and personal finances.
- 70% reported that they, at least occasionally, look to their parents for advice about money management and personal finance. However, only 27% said that their parents are their primary resource for financial information.

[Capital One, *Capital One Survey of High School Seniors Reveals Gender Gaps in Financial Literacy*, June 24, 2009, <http://phx.corporate-ir.net/phoenix.zhtml?c=70667&p=irol-newsArticle&ID=1301899&highlight=>]

6. According a 2009 poll released by **Junior Achievement** and The Allstate Foundation:
  - 77% of the teens polled say that their parents are talking about the economy more than they used to.
  - 49% said their parents had discussed family finances with them as a result of the economy.
  - 14% of U.S. teens 15-17 years old report the need to contribute financially to the family budget.
  - More than 50% say they talk about the economy with their friends.
  - One third of teens (33%) surveyed said there seem to be fewer jobs available.
  - 18% of 15 -17 year olds polled said they have lost a job due the economy.
  - 53% of teens surveyed say they’re choosing activities that cost less money.
  - Nearly three-in-ten teens (29%) said that the economy is causing them anxiety.
  - 15% of teens said they have reduced extracurricular activities as a result of the economy.

[Junior Achievement and The Allstate Foundation, *Teens Experiencing Layoffs, Reduced Hours, Job Scarcity and Forced Frugality According to New Junior Achievement/Allstate Foundation Poll*, March 26, 2009, [http://www.ja.org/about/releases/about\\_newsitem532.asp](http://www.ja.org/about/releases/about_newsitem532.asp)]

## American Families

### **Saving and Investment:**

1. The College Savings Foundation’s 2010 “The State of College Savings” survey of parents revealed that:
  - 65% of parents are saving for their children’s college education, up from 59% last year. Conversely, the number of parents who weren’t saving at all has fallen to 35% this year, down from 41% in 2009.
  - 76% of all respondents said that they take the time to teach their children how to be financially literate. Nearly all – 90% – said that they believe there is a need to teach financial literacy to children as part of the school curriculum. Of those parents, 82% said that they believed that school districts should be required to offer a multi-grade integrated financial literacy curriculum.

[College Savings Foundation, *Parents Shift Behavior to Save More for Their Children’s College Education, Says College Savings Foundation Survey*, August 25, 2010, <http://www.collegesavingsfoundation.org/pdf/2010CSFStateofCollegeSavingsPR8-25-10.pdf>]

2. According to a survey by PASS from **American Express**:
  - 36% of parents say that talking to their teens about an allowance is comparable or more difficult than the stressful experience of negotiating the purchase of a car.
  - Teens also indicated that talking with their parents about money is not easy, as nearly half of teens (49%) say that having to ask their parents for money is a “hassle.”
  - The recent survey suggests that teens and young adults primarily receive money through allowances, gifts, or unscheduled jobs such as chores around the house. Over half of parents (55%) give their teens an

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allowance. Parents give teens an average of \$66 per month, including funds for a regular allowance, clothing or food, extra spending money, and/or payment for jobs around the house.

[PASS from American Express, *Many Parents Say Discussing Allowance with Teens is as Stressful as Negotiating Purchase of a Car*, August 16, 2010, <http://about.americanexpress.com/news/pr/2010/dat.aspx>]

3. The 2010 Families & Money Survey by **Charles Schwab** revealed that:
  - The road to financial independence for today’s youth stretches out farther than ever before, with 41% of so-called “sandwich generation” parents continuing to provide at least some financial support to their young adult children.
  - Parents cite college debt (32%) and unemployment (31%) as top reasons their children are relying on them more. However, they also believe that some contributing financial pressures fall squarely within the kids’ control. Parents also cite overspending (25%) and consumer debt (19%) as reasons for their kids’ delayed independence.
  - Parents of 20-somethings recognize that they could perhaps have done more to foster their children’s independence by teaching them about saving and budgeting and not helping them as much financially. And while 57% of parents see themselves as a “good financial role model to their children,” they also admit that their children’s spending habits don’t necessarily reflect this perception.
  - Parents believe the top three areas of money management where their children need to improve are: how to stick to a budget and live within their means (48%), how to save money (42%), and how to invest wisely (33%).

[Charles Schwab, *Results of Charles Schwab’s 2010 Families & Money Survey Show Strong Financial Ties between the Sandwich Generation and Their Young Adult Kids*, April 21, 2010, [http://www.businesswire.com/portal/site/schwab/index.jsp?ndmViewId=news\\_view&ndmConfigId=1020773&newsId=20100421005252&newsLang=en](http://www.businesswire.com/portal/site/schwab/index.jsp?ndmViewId=news_view&ndmConfigId=1020773&newsId=20100421005252&newsLang=en)]

4. According to a 2009 survey of investors by The Hartford:
  - 80% of investors who work with a financial advisor and who have a child or grandchild under the age of 15 are saving for college for their children and grandchildren (up from 73% in 2007). And the majority of them – 60% – are using a 529 college savings plan to save for college (up from 30% in 2007).
  - The 20% who are not yet saving for college cite saving for their own retirement as the No. 1 reason why, followed by paying off a mortgage (25%) and paying off credit card debt (15%).

[The Hartford, *Survey Results Show Upbeat Investors and Positive Saving Trends Since 2007*, October 2009, [http://www.hartfordinvestor.com/general\\_pdf/CollegeSavingsSurvey.pdf](http://www.hartfordinvestor.com/general_pdf/CollegeSavingsSurvey.pdf)]

5. According to a 2009 survey of college-going families conducted by **Sallie Mae** and Gallup:
  - On average, parents who save for college earmark 3.6% of annual income for their child’s education, while households earning under \$50,000 set aside 7.5% of their annual income.
  - Only 29% of families are on track to reach their savings goal. The study estimates that parents would need to save an average of 5.7% of income annually to meet their self-defined goal by the time their child goes to college.
  - 529 college savings plans are gaining popularity, particularly among families with younger children. While the overall 529 usage rate for savers was 33%, parents with children under age seven are twice as likely to turn to 529 plans (43%) as parents of teens (20%).
  - Among American families, 51% received grants and scholarships, 25% of students borrowed federal loans, 12% of students borrowed private education loans, and 5% used credit cards to pay for college expenses. 58% of families paid for college last year without borrowing at all.

[Sallie Mae and Gallup, *Sallie Mae and Gallup research reveals families of all incomes are saving for college yet most fall short of goals*, September 17, 2009, [http://www.salliemae.com/about/news\\_info/newsreleases/091709.htm](http://www.salliemae.com/about/news_info/newsreleases/091709.htm), [http://www.salliemae.com/about/news\\_info/newsreleases/082009.htm](http://www.salliemae.com/about/news_info/newsreleases/082009.htm), [http://www.salliemae.com/about/news\\_info/research/how\\_America\\_saves/](http://www.salliemae.com/about/news_info/research/how_America_saves/)]

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6. A 2009 **Capital One** survey of America's "Financial IQ" revealed that:
  - Nearly half (47%) of those surveyed said they are putting less money into savings and the same number (47%) report that current economic conditions have caused them to dip into their savings to cover day-to-day expenses.
  - While a third of those surveyed (33%) said they save regularly every month, only 12% report that they are saving the recommended 10-15% of their income for the future, and another 12% said they are not saving anything at all.
  - According to the survey, the majority of Americans (59%) consider themselves to be highly knowledgeable or very knowledgeable when it comes to personal finance, a slight decrease from 64% in 2007.
  - Nearly two-thirds (63%) of those surveyed say they are extremely comfortable or very comfortable managing short-term finances but only half (54%) feel comfortable managing long-term finances.

[Capital One, *America's 'Financial IQ' Survey Shows Both Understanding and Gaps*, April 13, 2009, <http://phx.corporate-ir.net/phoenix.zhtml?c=70667&p=irol-newsArticle&ID=1275563&highlight>

#### **Debt:**

1. American consumers' revolving credit—mostly composed of credit card debt—dropped 6.4% this January from January 2009 and totals \$795.5 billion. This after consumer credit debt dropped consistently for nearly two and half years from its peak of \$973.6 billion in August 2008 to November 2010 by a staggering \$175.4 billion, that is until December 2010 rolled around and some holiday shoppers turned back to pulling out the plastic. But with credit card debt dropping 28 of the past 29 months, you are clearly staying strong and paying down your debt. Despite the holiday hiccup, people are still most concerned in building savings as the economy continues to rebound.

[CardTrak.com, *Credit Card Debt is Down*, March 15, 2011, [http://www.cardtrak.com/news/2011/03/15/credit\\_card\\_debt\\_is\\_down](http://www.cardtrak.com/news/2011/03/15/credit_card_debt_is_down)]

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

1. After cooling-off in November, bankruptcy filings resumed an upward trend, rising 33% year-on-year in December. Overall consumer filing total for the 2009 calendar year topped 1.4 million, compared with the 1.1 million total consumer filings recorded during 2008. There were 113,274 consumer filings in December, according to the American Bankruptcy Institute, relying on data from the National Bankruptcy Research Center. Chapter 13 filings constituted 28% of all consumer cases in November, unchanged from the October rate.

[CardTrak.com, *Bankruptcy*, January 11, 2010, <http://www.cardtrak.com/news/2010/01/11/bankruptcy>]

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