

RE: SB 319 ***AN ACT CONCERNING FINANCIAL LITERACY EDUCATION***

Christopher M. Lee, CFP<sup>®</sup>, CT JumpStart, President

Currently CT does not mandate a personal finance class as a graduation requirement. Hopefully this bill can start to pave the way for that. Presently seventeen states do require that, up from only one state thirteen years ago. CT JumpStart recently surveyed the 170 school districts and found that while 90% of the school districts in CT offer personal finance as an elective, less than 7% of the school districts require the class as a graduation requirement.

We believe that the personal finance class should be a high school graduation requirement. Richard Cordray, who is the Director of the CFPB, made some remarks at our JumpStart national conference last year that I'd like to share with you.

When we do not teach children about personal finance – about managing household budgets or making informed decisions about larger investments in an education or a home – we are condemning them to learning it largely and perhaps entirely on their own, if at all. We are intent upon teaching them that worms are classified as annelids but we do not teach them why it is important to save for retirement. One thing we can count on is that when our children pass that arbitrary threshold to becoming an adult, we expect them magically to be able to operate “on their own,” and to be able to handle all the decisions (including financial decisions) that go with that unmoored status. If we teach them subjects like science, history, and math but do not teach them anything about personal finance, then we need to understand that we are making a conscious choice to release them into a financial world where they have to fend for themselves.

Above all, people need to know that there are a few big moments in their lives where they are going to confront specific decisions with potentially massive consequences, such as taking out a mortgage or student loan. Do you go to school here or there? Do you buy this house or that one? How much debt do you take on, and on what terms? Do you understand the consequences? These crucial decisions have huge ripple effects in your life, lasting for years.

These are significant occasions where you can make a terrible decision by focusing on the wrong things or failing to gather enough information. At a minimum, our young people need to understand which of these decisions are important, and not to treat them casually.

As Aristotle once said, “The neglect of education does harm to the political order.”



What is Connecticut currently offering for Financial Literacy in the classroom?

- Over **90% of CT high schools** currently *offer* a Financial Literacy class as an elective
- Less than **7% of CT high schools REQUIRE** taking a Financial Literacy for graduation
- Less than **10% of CT high schools currently do NOT** offer a Financial Literacy class as an elective

In a survey conducted in 2012 (through the FINRA Foundation's National Financial Capability study<sup>1</sup>) **89% of American parents surveyed thought that a course in personal finance should be a requirement for high school graduation.**

According to Charles Schwab's 2011 Teens & Money Survey<sup>2</sup> **86% indicate they'd rather learn about money management in a class before making mistakes in the real world.**

The 2012 Global Financial Literacy Barometer, a study of the financial literacy levels of people in 28 nations shows that the US has one of the worst opinions of its teenagers' money management skills, **with 70.5% of respondents saying that US teens don't understand money management basics.**<sup>3</sup>

The seventh annual Financial Literacy Survey of US adults, conducted in 2013 on behalf of the National Foundation for Credit Counseling, Inc.,<sup>4</sup> revealed that:

- **40% of adults gave themselves a grade of C, D, or F** on their knowledge of personal finance.
- **78% agree that they could benefit from additional advice** and answers to everyday financial questions from a professional.
- **57% indicated they are worried over a lack of savings, including 43% who are concerned about not having enough "rainy day" savings for an emergency, and 38% concerned about retiring without having enough money set aside.**

2011 research from the third wave of the study, Arizona Pathways for Life Success in University Students (APLUS), co-funded by the University of Arizona and the National Endowment for Financial Education<sup>5</sup> revealed that:

- **High school and college students who are exposed to cumulative financial education show an increase in financial knowledge, which in turn drives increasingly responsible financial behavior as they become young adults.**
- Researchers document a "snowball effect" that these early efforts exponentially **increase the likelihood that students will pursue more financial education as time goes on, including informal learning through books, magazines and seminars.**

A 2011 survey of high school seniors conducted by Sallie Mae <sup>6</sup>revealed that:

- About half of senior girls shopped for **two or more weeks to pick out their dream dress** for prom and half of senior boys **spent two or more weeks deciding whom to ask** for the big event.
- In contrast, nearly **half of high school seniors spent five or fewer hours learning how to pay for college.**

A 2011 Capitol One survey <sup>7</sup> of graduating college seniors revealed that:

- **69% have undergraduate student loans** to repay.
- **66% say that having student loans to repay will have an influence** on the job they take or the career they pursue.
- **60% are very or somewhat worried about their ability to pay back** their loans.

US household consumer debt profile <sup>8</sup> through March 2013:

- Average **credit card** debt: **\$15,266**
- Average **mortgage** debt: **\$149,667**
- Average **student loan** debt: **\$32,559**

<sup>1</sup> Council for Economic Education <http://www.councilforeconed.org/resources/local-affiliates/>

<sup>2</sup> [Charles Schwab, 2011 Teens & Money Survey, April 2011, [http://www.schwabmoneywise.com/public/moneywise/calculators\\_tools/families\\_money\\_surveys/teens\\_money\\_survey?cmsid=P-4579457&lvl1=calculators\\_tools&lvl2=families\\_money\\_surveys](http://www.schwabmoneywise.com/public/moneywise/calculators_tools/families_money_surveys/teens_money_survey?cmsid=P-4579457&lvl1=calculators_tools&lvl2=families_money_surveys)]

<sup>3</sup> [Visa and Kiplinger's Personal Finance Magazine, Federal Reserve Bank of Chicago and Visa Inc. Host Sixth Annual *Global Summit on Financial Literacy*, April 23, 2012, [http://www.practicalmoneyskills.com/about/press/releases\\_2012/0423.php](http://www.practicalmoneyskills.com/about/press/releases_2012/0423.php)]

<sup>4</sup> [National Foundation for Credit Counseling, Inc., NFCC and NBPCA Financial Literacy Survey Reveals Consumers' Top Financial Concerns, April 2013, [http://www.nfcc.org/newsroom/newsreleases/NFCC\\_NBPCA.cfm](http://www.nfcc.org/newsroom/newsreleases/NFCC_NBPCA.cfm)]

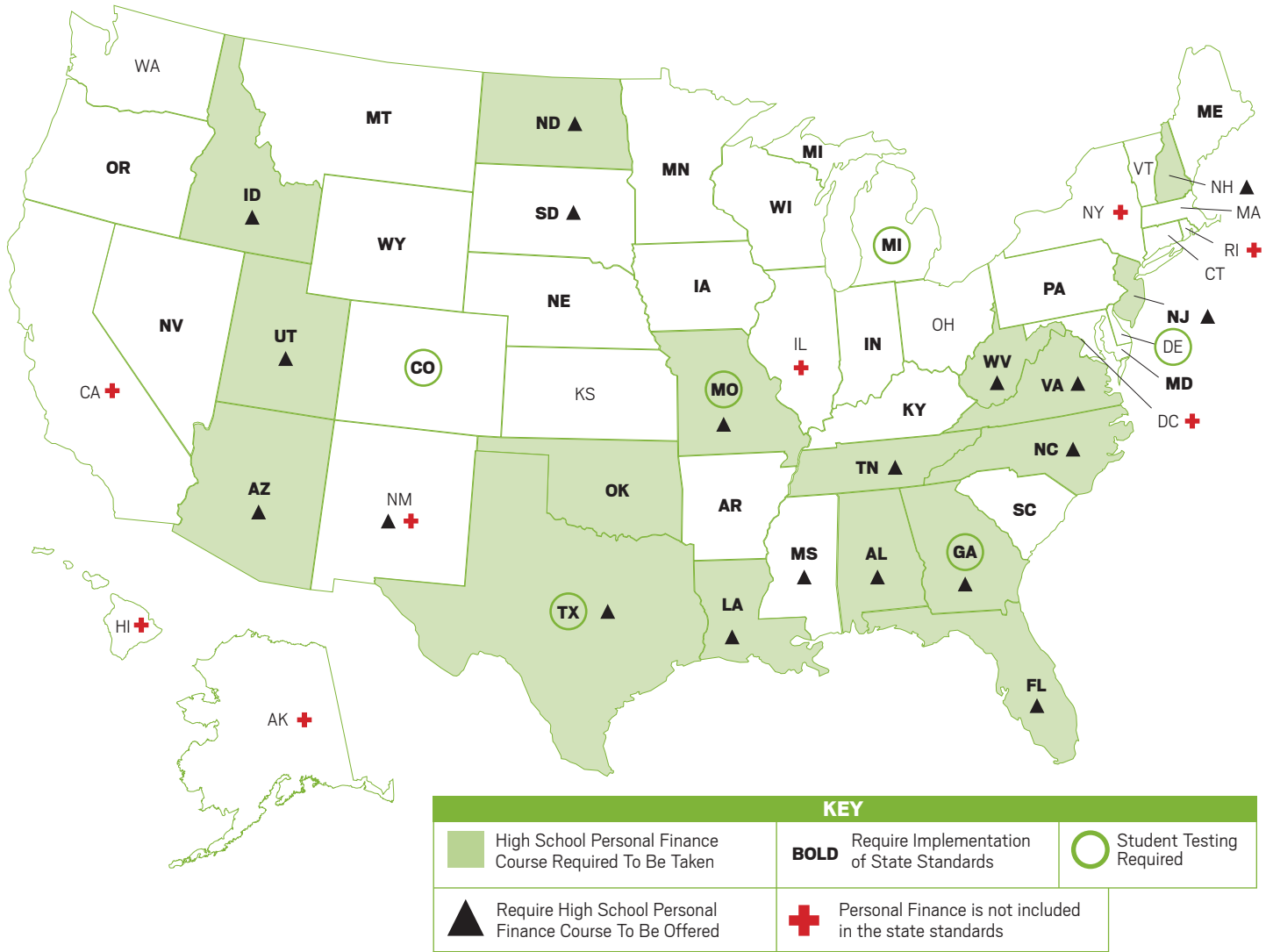
<sup>5</sup> [University of Arizona and National Endowment for Financial Education, New Evidence Shows Positive 'Snowball Effect' of Financial Education - Cumulative Education Leads to More Financial Knowledge, September 6, 2011, <http://www.nefe.org/PressRoom/News/APLUSWave20/tabid/1041/Default.aspx>]

<sup>6</sup> [Sallie Mae, Sallie Mae survey reveals high school seniors spend more time planning for prom than financial planning for college, May 11, 2011, [https://www1.salliemae.com/about/news\\_info/newsreleases/Sallie+Mae+survey+reveals+high+school+seniors+spend+more+time+planning+for+prom+than+financial+plan.htm](https://www1.salliemae.com/about/news_info/newsreleases/Sallie+Mae+survey+reveals+high+school+seniors+spend+more+time+planning+for+prom+than+financial+plan.htm)]

<sup>7</sup> [Capital One, College Grads Cite Student Loan Repayment as Top Concern, but Overlook Key Ways to Build a Solid Financial Foundation, Says Capital One Survey, May 18, 2011, <http://phx.corporate-ir.net/phoenix.zhtml?c=70667&p=irolnewsArticle&ID=1565115&highlight>]

<sup>8</sup> [NerdWallet, *American Household Credit Card Debt Statistics through March 2013*, <http://www.nerdwallet.com/blog/creditcard-data/average-credit-card-debt-household>]

# STATUS OF PERSONAL FINANCE EDUCATION ACROSS THE NATION - 2014



## HISTORICAL COMPARISON – PERSONAL FINANCE EDUCATION 1998-2014

TOPICS	SURVEY FINDINGS							
	1998	2000	2002	2004	2007	2009	2011	*2014
Include personal finance in their standards	21	40	31	36	40	44	46	43
Standards required to be implemented	14	16	17	21	28	34	36	35
High school course to be offered	N/A	7	1	7	9	15	14	19
High school course to be taken	1	1	1	6	7	13	13	17
Student testing of personal finance concepts required	1	6	8	8	9	9	5	6

\*2013 DATA

# STATUS OF PERSONAL FINANCE EDUCATION – 2014

KEY	Included in the K-12 Standards?	Standards Required To Be Implemented By Districts?	High School Course Required To Be Offered?	High School Course Required To Be Taken?	Student Testing Required?
YES					
Alabama					
Alaska					
Arizona					
Arkansas					
California					
Colorado					
Connecticut					
Delaware					
Florida					
Georgia					
Hawaii					
Idaho					
Illinois					
Indiana					
Iowa					
Kansas					
Kentucky					
Louisiana					
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New Hampshire					
New Jersey					
New Mexico					
New York					
North Carolina					
North Dakota					
Ohio					
Oklahoma					
Oregon					
Pennsylvania					
Rhode Island					
South Carolina					
South Dakota					
Tennessee					
Texas					
Utah					
Vermont					
Virginia					
Washington					
West Virginia					
Wisconsin					
Wyoming					
District of Columbia					

Included in the K-12 Standards?							
Standards, Required To Be Implemented By Districts?							
High School Course Required To Be Offered?							
High School Course Required To Be Taken?							
Student Testing Required?							
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