

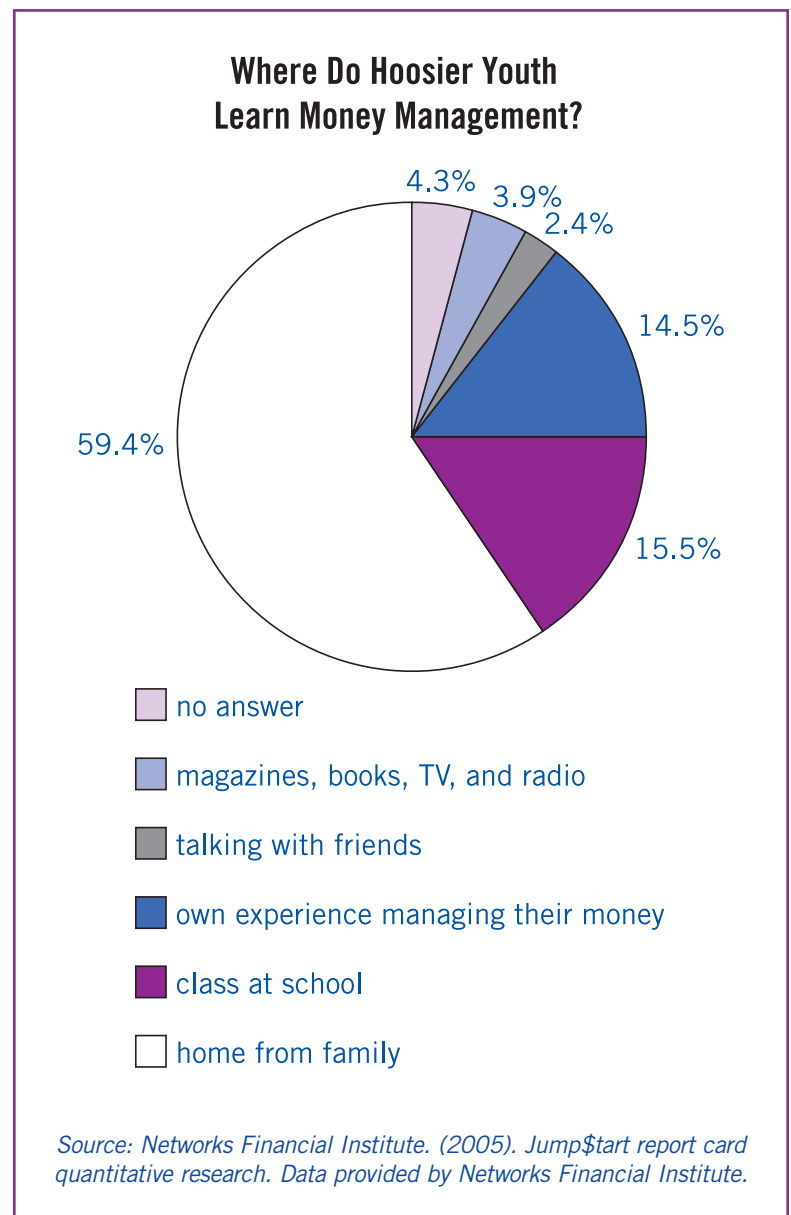
From Birth to Bankruptcy Teaching dollars and sense to Hoosier kids

Briefly

Almost 60 percent of surveyed youth in Indiana say they learn most of their money-management skills from family members.¹ This comes at a time when many Hoosier families are in financial crisis. Indiana mortgage foreclosures have surged 38 percent in four years, and Indiana is ranked fourth in the nation for bankruptcies.² Teens' poor performance on the financial literacy³ test created by the National Jump\$tart Coalition suggests that adults aren't passing along sound economic principles to the next generation. Of the Indiana high school students taking the test:⁴

- Six in ten failed
- Three in ten passed with a grade of C or D
- Less than one in ten earned a B
- None received an A

The Jump\$tart report card also shows that Indiana high school seniors have few opportunities for hands-on budget experience. Of those surveyed, 61 percent do not have checking accounts; 64 percent do not receive a regular allowance; and 50 percent have their own cars but do not help pay for insurance.



¹ Networks Financial Institute. (2005). Jump\$tart report card quantitative research. Data provided by Networks Financial Institute.

² Indiana State Court Administration. (2007). Honored to serve: 2006 Indiana judicial service report. Retrieved on Feb. 13, 2008 from www.ingov/judiciary/admin/reports/ijrs/2006reports.pdf. Bankruptcy data from American Bankruptcy Institute (2008, April). Total bankruptcy filings increase nearly 39 percent in 2007. Retrieved on May 1, 2008 from www.abiworld.org/AM/Template.cfm?Section=Home&TEMPLATE=/CM/ContentDisplay.cfm&CONTENTID=51696

³ Financial literacy is defined as having the ability to read, analyze, manage and articulate the personal financial conditions that affect material well-being.

⁴ Networks Financial Institute. (2005). Jump\$tart report card quantitative research. Data provided by Networks Financial Institute.

College on credit

The college years present opportunities and challenges with respect to money management. Many students find it necessary to acquire loans to finance their college educations, which can be a sound investment for the future of many students. However, even after combining family contributions and financial aid (which includes loans), many students fall short of the funds necessary to pay for college. This gap is called unmet need. The Department of Education found this gap averages \$4,689 and \$3,600 annually for low- and middle-income students, respectively. While unmet need will force some students to leave college in debt before earning a degree, others will compensate by working or seeking additional forms of credit.⁵

Compounding the situation is the fact that about 56 percent of college students get their first credit cards during their freshman year and soon carry four or more cards in their wallets.⁶ Research shows that students' lack of knowledge about finances is directly related to their level of credit card debt. Few are aware of the current interest rate of their cards and many express unrealistic optimism that they will pay off their debts once they complete school.⁷

As indicated by this chart, students in the Midwest rely more heavily on plastic than their peers across the country.⁸

CREDIT CARD USE AMONG UNDERGRADUATE STUDENTS, MIDWEST AND U.S., 2004

	Midwest	U.S.
Percentage who have credit cards	82	76
Average number of credit cards	4.76	4.09
Percentage who have four or more cards	50	43
Average credit card debt	\$2,498	\$2,169
Median credit card debt	\$1,207	\$946
Percentage with balances of \$3,000-\$7,000	20	16

Source: Nellie Mae. (2005). Undergraduate students and credit cards in 2004. An analysis of usage rates and trends. Retrieved on March 25, 2008 from www.nelliemae.com/pdf/ccstudy_2005.pdf

Now, some good news

To address these troublesome trends, the Indiana Department of Education (IDOE) has developed six Financial Literacy Education (FLE) Standards for inclusion in middle school coursework,⁹ based on standards recommended by the Jump\$tart Coalition.¹⁰ The goal is that by the end of the eighth grade every student will meet the standards and pass the FLE Middle School Assessment (piloted in spring 2008).

The standards, in brief, require students to demonstrate the ability to:

1. make wise financial decisions based on reliable information
2. link education, career and life choices with achievement of financial goals
3. develop budgets, keep and track financial records
4. manage credit and debt
5. analyze risk and the need for protection (insurance)
6. build long-term security through saving and investing.

⁵ The State PIRG's Higher Education Project (2005, October) College students faced more than 31 billion in unmet financial need in 2003-2004. Retrieved on May 1, 2008 from www.uspirg.org/uploads/gD/P2/gDP2AkalFuZRld-jYHFD3Q/financialneed.pdf

⁶ Nellie Mae. (2005) Undergraduate students and credit cards in 2004. An analysis of usage rates and trends. Retrieved on March 25, 2008 from www.nelliemae.com/pdf/ccstudy_2005.pdf

⁷ Norvilitis, J.M. et al. (2006) Personality factors, money attitudes, financial knowledge, and credit-card debt in college students. *Journal of Applied Social Psychology*. 36(6). P1395-1413.

⁸ Nellie Mae. (2005) Undergraduate students and credit cards in 2004. An analysis of usage rates and trends. Retrieved on March 25, 2008 from www.nelliemae.com/pdf/ccstudy_2005.pdf

⁹ Indiana Department of Education. (2008) doe.state.in.us/octe/facs/IndianaFinLitEd-MiddleSchStandards.html

¹⁰ Jump\$tart Coalition for Financial Literacy. (2007). National standards in K-12 personal finance education. Retrieved on March 25, 2008 from http://www.jumpstart.org/national_standersK12.html

Beyond the classroom

Because youth develop spending patterns and priorities early, the responsibility of instilling money management skills is a shared one. Incorporating sound financial practices at school, at home, and during out-of-school activities can have a lasting impact.

Here are some concepts for parents and youth workers to reinforce when playing a board game, reading a book, or visiting a website:

FOR PARENTS:¹¹

- **Make saving a habit.** If saving becomes a habit early in life, children gain experience in delaying the instant gratification of purchasing something now; they learn that interest compounds and reaps greater rewards in the future.
- **Teach children to prioritize goals.** Talking about goals for saving helps children make the connection between knowing what they want and determining how they can achieve it.
- **Address saving, spending, and giving.** Children can learn to separate their money into three categories: saving, spending, and giving. Discussing needs versus wants helps a child decide how to spend money. If children want to give to charity, teach them how to set aside a portion of their money to donate.

FOR TEACHERS AND YOUTH WORKERS:¹²

- **Teach decision making.** Help students look into the future and depict honestly the consequences of poor planning and decision making and the rewards of good planning and decision making.
- **Use experiential learning.** Allow students to plan their own lives, demonstrating how they will meet their personal objectives, such as going to college and buying a car.
- **Be emotionally appealing.** Research has demonstrated that personal aspiration has strong ties to financial literacy. Plays and videos that show the downside of poor planning make a longer-lasting impact than a lecture.

A Promising Practice: The Money Bus

Networks Financial Institute (NFI) has developed a comprehensive, research-based, financial literacy curriculum and a complementary traveling classroom called the *Money Bus* (www.moneybus.org). The program targets third through fifth grade students in Indiana schools during the school year. During the summer months, the *Money Bus* travels to community youth-serving agencies. The *Money Bus* was designed to engage students, teachers, and parents with interactive activities to advance their knowledge of personal finance and increase their motivation and confidence to become effective money-managers.¹³

Preliminary data show that participation in the *Money Bus* program led to an increase in the number of students who understood where money came from when paying with a credit or debit card. Students also perceived themselves as having more knowledge about debit cards after completing the program. More than half the students enjoyed talking about money with their families and 50 percent reported having discussed their visit to the *Money Bus* with their parents.¹⁴

¹¹ McCormick, M., and Godstead, D. (2006). Learning your monetary ABCs: The link between emergent literacy and early childhood financial literacy. Indiana State University: Networks Financial Institute.

¹² Mandell, L. (2007) Four keys to a model youth program. Savingteen. CUNA Center for Personal Finance.

¹³ Goldman, K.H. & Ancelet, J. (2007). Money Bus final summative report: Networks Financial Institute. Institute for Learning Innovation.

¹⁴ Goldman, K.H. & Ancelet, J. (2007). Money Bus final summative report: Networks Financial Institute. Institute for Learning Innovation.

Quick ideas for any adult to use to practice financial literacy skills with kids

FOR AGES 4 TO 7

Skills:	Activities:
Earning money	Assign real or “play” monetary value to assigned chores or extra “work” activities kids do. If the money is “play” money it can be used to purchase rewards at home like staying up an extra ten minutes after bedtime or a movie night with popcorn.
Spending decisions	While shopping, talk with children about deciding between products.
Spending plans	Decorate a container to save for a desired purchase and talk with kids about putting aside a certain percent of money anytime they earn it to go toward that larger purchase.
Identifying coins	Display coins and teach the value of each one. Practice making change for purchases with real coins.

FOR AGES 8 TO 12

Skills:	Activities:
Saving/investing	Talk about different options for saving and investing by going to your bank (either in person or online) and looking at different types of bank accounts that pay interest, CDs, and other options for investing.
Shopping	When visiting the grocery store, compare prices among different brands and products. Practice estimating the amount you will have to pay for everything in your cart or basket before you check out.
Money Responsibility	Help children create an imaginary bank account. For two or more months, children receive “income” and a cost list for basic needs and luxuries. They must record money in and money out of the account. At the end of every month, have children look at their account balance.

FOR AGES 13 AND UP

Skills:	Activities:
Jobs and taxes	Discuss summer job options. Talk about the difference between gross and net income.
Independence	Create a budget as though teens were living on their own.
Banking services	Teach the difference between checking and saving accounts. Once teens begin working, help them open checking and savings accounts so they can get real-life practice using those services while they are still at home.
Credit	Discuss the advantages of having good credit, how high scores allow you to obtain lower-interest loans and how credit ratings can be affected negatively if you mismanage your money.
Credit cards	Read the fine print on credit card forms with youth. Compare interest rates on credit cards against interest earned by savings and investment accounts.
Cars and loans	Visit an online car dealer. Estimate car loan payments, maintenance expenses, and gas costs for different types of vehicles.
Advertising & Consumerism	Discuss needs versus wants and how advertising can make us think something is a better value than it is in reality. Learn 50 financial pitfalls at www.consumerjungle.org .
Investing	Take an online quiz on investing through the National Council for Economic Education at http://lei.ncee.net/resources/interactives.php .

Additional Ideas

BOARD GAMES

Pre\$to Chango – children learn to make change quickly, save money, and start a business (ages 4+).

Monopoly – children play to acquire wealth through buying, renting, and trading of properties using play money (ages 8+).

The Game of Life – children can play a game that breaks down an entire lifespan into a series of choices and chance (ages 8+).

Stock Rush – children learn the basic principles of the stock market by buying and selling stocks, commodities, and franchises (ages 8+).

Motley Fool's Buy Low and Sell High – children learn to make money by buying and selling stocks (ages 12+).

BOOKS

Sheep in a Shop, by Nancy Shaw. Tells the story of five sheep going shopping (ages 4+).

Jelly Beans for Sale, by Bruce McMillan. Shows how different combinations of pennies, nickels, dimes, and quarters can buy varying amounts of jelly beans (ages 6+).

Growing Money: A Complete Investing Guide for Kids, by Gail Karlitz. An explanation of the theory behind investing and compound interest; how to read financial sections of the newspaper; how to record income, withdrawals, and savings; and methods on how to measure knowledge and risk tolerance (ages 9+).

PROGRAMS

Indiana Council for Economic Education (ICEE) is a comprehensive partnership of Indiana business leaders dedicated to increasing economic literacy. www.econed-in.org

Indiana Financial Literacy Coalition (IFLC) is a joint partnership of Indiana businesses and organizations, the American Institute of Certified Public Accountants, and the Indiana CPA Society to promote financial literacy (all ages). <http://incpas.org/FinancialLiteracy/IndianaFinancialLiteracyCoalition.asp>

Indiana Jump\$tart Coalition is a nonprofit organization with individuals and organizations representing business, government and education who have joined together to improve the personal financial literacy of Indiana's youth (all ages). www.injumpstart.org

Inquisitive Kids, Inc. (IKI) enables supportive adults and community organizations to come together for the common goals of instilling in children an enthusiasm for academics, an appreciation of the arts, and an understanding of life skills (ages 9+).

www.inquisitivekids.com

Junior Achievement uses hands-on experiences to help young people understand the economics of life. In partnership with business and educators, Junior Achievement brings the real world to students, opening their minds to their potential (ages 7+).

www.ja.org/near/near_map.asp#

Networks Financial Institute at Indiana State University helps the financial services industry transform itself through better leadership, creative collaboration, and community-based financial literacy initiatives.

www.isunetworks.org

WEBSITES

American Institute of CPA's (AICPA) 360 Degrees of Financial Literacy provides information on how to teach children financial literacy (all ages).

www.360financialliteracy.org

Financial Football is an interactive game that teaches financial concepts, including money management, credit cards, and budgeting (ages 13+).

www.practicalmoneyskills.com/english/at_school/trainingcamp

Math Money: Lessons for Life provides ready to use lessons and activities for students on financial literacy (ages 12+).

www.mymoney.gov/pdfs/moneymath_lesson.pdf

Money Talks provides financial guides and games (ages 13+). www.moneytalks.ucr.edu

Practical Money Skills provides guided K-College lesson plans, quizzes, and resources (all ages).

www.practicalmoneyskills.com/english/at_school/teachers/

The United States Mint H.I.P. Pocket Change provides interactive games and lesson plans (all ages).

www.usmint.gov/kids/teachers/financialLiteracy.cfm

Utah State Office of Education provides online financial education activities and tools for students and parents (all ages).

www.uen.org/financial_lit/student/index.shtml

Indiana Youth Institute Resources

IYI Weekly Update, a free, electronic newsletter featuring useful information such as training opportunities, free resources, new reports about youth, and a “Grant Tip of the Week.” Subscribe at http://www.iyi.org/weekly_updates/subscribe.asp

Kids Count in Indiana Data Book and online database, including state, county, and school district statistics on Indiana children and youth to support grant proposals and program initiatives. Access the database at www.iyi.org/data

Virginia Beall Ball Library, a free lending library of youth development and nonprofit management materials, which can be borrowed easily by youth workers throughout the state, either on-site, online or through our toll-free main number. Search the catalog or sign up for an account at <http://www.iyi.org/library>

Youth Service Help Line, 877-IYI-TIPS, providing free phone assistance to youth organizations seeking quick answers to questions about fundraising, youth development and legal matters.

Free custom research on Indiana youth, at www.iyi.org/datarequest.

IYI's Web site, www.iyi.org, an online source for new reports on children, data for grant proposals, information about IYI's programs and library materials, and links to other valuable sources of youth development information.

Regional trainings, taught by nationally regarded instructors, offered at convenient locations across the state, on topics such as fundraising and working with youth.

Professional Development Grants, mini-grants for qualified youth workers to attend their choice of seminars, workshops, and conferences.

Kids Count in Indiana Conference, an annual fall conference designed to give Indiana youth workers the inspiration, networking opportunities, information and tools they need to serve children effectively.

Statewide assistance, providing free local service in all 92 Indiana counties. Call 1-800-343-7060 for information about how to contact the IYI Regional Field Representative near you.



603 East Washington Street, Suite 800
Indianapolis, IN 46204
317.396.2700 or 800.343.7060
www.iyi.org

This *Issue Alert* is sponsored in part by  Crowe