

Are Our Kids Financially Illiterate?

Over the years, we've worked with hundreds of families and their children. We've become increasingly aware that a lot of kids (some are adults now) just don't know very much about some important financial basics. We can help correct that.

Are Our Kids Financially Illiterate?

- **Kids Know They're in Trouble:** "Seventy incoming college freshmen told us that they have never been taught the basic financial literacy skills. Yet they are signing up for student loans and opening credit cards..." (Nick Clements, former banker, and founder of magnifymoney.com).
- **Ask Your Son or Daughter:** If you asked a child in your family to explain how credit card interest works, or how compounding on savings works, would you get a cogent answer or a blank stare?
- **Failed Tests:** On a basic financial literacy test (National Financial Educators Council), kids 15-18 scored an average of 60%, aged 19-24, 67%. Just 57% knew that "insurance" is a product that is used to lower your personal risk.
- **Not Much Emphasis in High School:** Tennessee is one of just 22 states that requires a high school course to be taken in personal finance education. And only 6 states require testing of the material. (Council for Economic Education, 2014)
- **How Much Will You Have?:** Ask a teenage family member, "If you start investing \$100/month, increase that by just 3% per year, and keep doing this for 50 years, with the investment growing at 7.5% annually...how much will you have at age 65? Is the answer: a) \$245,000 b) \$505,000 or c) \$944,000? *Hint: they'd have invested \$135,000 over that span.* The answer is c) \$944,000.
- **Young Adults Start Out in the Hole:** Of millennials (age 18-34) 36% have student loan debt and over half of them were concerned that they wouldn't be able to pay it back. Only 1/3 have any emergency savings, 31% have unpaid medical bills, and 1 in 2 carry a credit card balance from month to month (Council for Economic Education).
- **Basics Kids Need to Know:** According to the President's Council on Financial Literacy, young children ought to learn that money is needed to buy things; needs and wants are different; and that money can be saved and grow. Teens should learn to be careful about sharing credit card information online; the benefits of saving early and basic compounding; and how taxes work. Young adults should learn about health insurance; how to build a budget; and how to pay bills.

- **Home Economics:** Most parents admit that they do not discuss the family budget, debt, and savings with their children in any systematic and meaningful way.

What Can You Do?

We especially like **moneyasyougrow.org** as a starting place for families with young children and teens. There are useful guidelines and resources to give kids a handle on most of the financial questions they will face as they mature. You also might challenge your kids with the tests used by the National Financial Educators Council at **<http://www.financialeducatorsCouncil.org/national-financial-literacy-test/>**. It might be fun, and you might be surprised.

What We Can Do:

Financial literacy is a family issue, and much of the basics of the financial world can only be learned at home. Our schools struggle with how to approach this, or whether to do so at all. We believe in the entire family being financially savvy, and are committed to assisting you. If you have kids, even adult ones, let's talk about how they can avoid financial calamity and the school of hard knocks. Give us a call and let us know how we can help you. We can even conduct a workshop. Helping your kids helps you, as you know!

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