

**Are Your Children Financially Literate?**  
*New Approaches to a Changing Problem.*

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How bad is financial illiteracy today? So bad that your children may be at risk of making some serious financial mistakes. Some are finding that talking to children about finances has become less about the nuts and bolts of money and more about putting money's importance to our daily lives in the correct context.

**Women at particular risk.** The U.S. Department of Labor reports that only 45 percent of working women ages 21-64 have a retirement plan. The DOL also notes that more women work in part-time jobs, and are more likely to interrupt their careers to take care of family, whether that be raising children or looking after parents. Some of these patterns are just luck of the draw, but others may come from what parents teach children about money, and how they teach it.<sup>1</sup>

**Start at a young age.** *New York Times* money columnist Ron Lieber's book *The Opposite of Spoiled* discusses ways to prepare children for dealing with financial issues. The title refers to the author's search for an antonym to the word "spoiled" in the context of an entitled and demanding personality. Lieber suggests focusing on values like graciousness in communication, which can lead to more openness in discussing money. Money can be frightening or mysterious to many, even well into adulthood, and Lieber encourages approaching the topic with fewer facts and figures and more as an emotional issue. The reasoning for this is that money is, for children and adults, an emotional topic.<sup>2</sup>

**The emotional toll of money issues.** While most people have experienced money worries at one time or another, the science surrounding this phenomenon is compelling. Many mental health organizations have special literature dealing with the emotions that surround money troubles, including Duke University's Personal Assistance Service. They cite an American Psychological Association survey asserting that 80% of Americans experience genuine stress related to money, and that half of Americans worry about their ability to provide for their family. While money is always an uncertain and fluid factor in our lives, how we deal with these stresses may be strengthened through early experiences and developing good emotional habits early on. Frank talk about these emotions may demystify money and, in the process, boost financial literacy.<sup>3</sup>

**Education is still needed.** Of course, money is far more than an emotional issue; being comfortable with a topic doesn't guarantee proficiency, it merely makes it easier to learn.

In 2014, the Organization for Economic Cooperation and Development tested 29,000 students aged 15 from 18 member countries or economic regions. Students in top-scoring Shanghai had the highest average score at 605, while the lowest average score belonged to 15-year-olds from Colombia at 375; the average score for U.S. students was a mediocre 490.<sup>4</sup>

While a number of factors may contribute to the lower scores, there were few obvious indicators, beyond a simple lack of financial sophistication. For example, while those with better math and reading skills were more likely to demonstrate financial literacy, not all with high proficiencies

were demonstrably better with money. However, those who indicated that they enjoyed solving complex problems earned higher scores. This may be key. U.S. Education Secretary Arne Duncan indicated that teens needed to be more financially proficient, and in ways that their parents and grandparents never had to be.<sup>4</sup>

**Prescriptions in progress.** There are a number of online sources for financial education, helpful to both teens and young adults. The Ad Council and the American Institute of Certified Public Accountants have a national campaign, Feed the Pig™, to try and correct this dilemma (learn more by visiting [www.feedthepig.org](http://www.feedthepig.org)). The National Council on Economic Education has also helped launch [www.TheMint.org](http://www.TheMint.org) to acquaint young adults with vital financial principles.

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#### **Citations.**

- 1 – [dol.gov/ebsa/publications/women.html](http://dol.gov/ebsa/publications/women.html) [2/26/15]
- 2 – [wealthmanagement.com/careers/cobbler-s-kids-have-no-shoes](http://wealthmanagement.com/careers/cobbler-s-kids-have-no-shoes) [2/17/15]
- 3 – [hr.duke.edu/pas/money\\_emotion.html](http://hr.duke.edu/pas/money_emotion.html) [2/26/15]
- 4 – [pbs.org/newshour/making-sense/u-s-teens-rank-between-latvia-and-russia-on-financial-literacy-far-below-shanghai/](http://pbs.org/newshour/making-sense/u-s-teens-rank-between-latvia-and-russia-on-financial-literacy-far-below-shanghai/) [7/10/14]