

MAKING THE CASE FOR FINANCIAL LITERACY— 2009

A collection of personal finance statistics gathered from other sources.

Financial Literacy Education

Adults and Parents:

1. A 2008 **Visa** survey of parents with children under 18 revealed that:

- 85% of parents say they talk to their child regularly about money management.
- One-third (34%) say they talk to their child on a daily basis about using their money wisely, three in ten (31%) talk to them at least once a week, 14% at least once a month, and less than one in ten (6%) say a few times a year.
- However, 16% report never talking to their children about using money wisely.

[Visa, *Most Parents Talk to Their Kids About Using Money Wisely, Visa Study Finds*, August 12, 2008, <http://www.practicalmoneyskills.com/english/presscenter/releases/081208.php>]

2. The 2008 annual back-to-school survey from **Capital One** found that:

- Nearly two-thirds of parents surveyed (62%) reported that current economic conditions like rising gas and food prices and talk of a recession will impact how much they spend on back-to-school items this year.
- Only 14% of teens have taken a personal finance class in school and 69% of teens say that what they know about managing money, they learned from their parents.
- However, 77% of parents have not planned a back-to-school budget with their child and 76% of parents have not made a list of back-to-school items to purchase with their child.
- 54% have not discussed the difference between "needs" vs. "wants."
- 60% have not discussed back-to-school finances at all with their child, a substantial increase from the previous year (36%).
- Half of teens (50%) expressed an interest in learning more about managing money and 76% say they want to learn about the basics of finance now because it will help them make better financial decisions down the road.

[Capital One, *Capital One's Annual Survey Finds Back-to-School Shopping Will Be Impacted by Economy*, July 21 2008, <http://phx.corporate-ir.net/phoenix.zhtml?c=70667&p=irol-newsArticle&ID=1177193&highlight>]

3. The 2008 Financial Literacy Survey of adults, conducted on behalf of the **National Foundation for Credit Counseling, Inc.** and **MSN Money**, revealed that:

- One in every 10 Americans with a mortgage reports being late or missing a mortgage payment in the last year.
- 7% of adults are either getting calls from collectors or seriously considering filing for bankruptcy.
- Only 59% of the young adults in Generation Y (ages 18-29) pay their bills on time every month.
- More than one-third of adults say they do not have any non-retirement savings. And though a majority is currently saving for their retirement, more than one-quarter are not.
- Almost half of those who closely monitor their finances are more likely to say that they learned about personal finance from their parents or at home, underscoring the potential positive influence parents can have on their children financially.
- Only one-quarter expect their income to outpace inflation. And more than half of all Americans believe their income will shrink, not keep pace with inflation, or stay even.

[Prepared by Princeton Survey Research Associates International for the National Foundation for Credit Counseling and MSN Money, 2008 *Financial Literacy Survey*, April 29, 2008, <http://www.nfcc.org/2008FinancialLiteracy.pdf>]

4. According to a 2008 survey by **The Hartford Financial Services Group, Inc.:**

- 55% of parents with children aged 16-24 voiced concern over their children's ability to become financially independent without monetary assistance from them.
- Nearly 72% of the parents surveyed acknowledged that they are their children's primary source of personal finance education, although 44% admit to needing more guidance on how to best teach their children the skills necessary to become financially responsible and successful adults.

[The Hartford Financial Services Group, Inc., *Amid Economic Uncertainty, New National Survey Finds Parents Concerned About Children's Future Financial Independence*, April 14, 2008, <http://ir.thehartford.com/releasedetail.cfm?ReleaseID=304399>]

5. **Charles Schwab's** 2008 "Parents & Money" survey revealed that:

- Only about one in three parents (34%) has taught their teen how to balance a checkbook, and even fewer (29%) have explained how credit card interest and fees work.
- While 71% agree that the best way for teens to learn about money is from guided, hands-on experience or their own example, only one in five parents (20%) involves their teen to a great extent in the family's budgeting and spending decisions.
- 93% American parents with teens worry their teens might make financial missteps such as: overspending or living beyond their means (67%), getting in over their head with credit card debt (65%), failing to save for emergencies (60%) or failing to stick to a budget (57%). And a full third of parents (33%) anticipate their "golden years" will likely involve helping their kids financially.
- But while the majority of parents consider learning about budgeting (63%) and credit card management (55%) to be more important for today's teens (than when they themselves were young), far fewer claim to have taught their children these basics (49% and 29%, respectively).
- More than 67% of parents think that learning about money management, including budgeting, saving and investing, is not one of their teen's top priorities. However, previous research shows otherwise: 60% of American teens identified it as a top priority in Schwab's 2007 Teens & Money Survey.
- More than one in four parents surveyed (28%) are not currently saving for either their own retirement or for their child's college education.
- While investing is cited by almost half (49%) of parents as more important for today's youth to learn about than it was a generation ago, few are teaching their kids about it. Nearly all parents (97%) believe it's important to teach their teens to save and invest for retirement and almost half (48%) worry that their kids won't start saving soon enough, yet only 19% have taught their teens how to invest money to make it grow and even fewer (14%) have taught them what a 401(k) plan is.
- More than two-thirds of parents (69%) admit to feeling less prepared to give their teens advice and guidance about investing than they do the "birds and the bees."

[Charles Schwab, *Schwab "Parents & Money" Survey Offers Prescription for Raising Financially Healthy Kids*, March 26, 2008, http://www.businesswire.com/portal/site/schwab/index.jsp?ndmViewId=news_view&ndmConfigId=1010973&newsId=20080326005384&newsLang=en]

Undergraduate & Graduate Students

1. According to a 2008 study of college students sponsored by the **National Association of Retail Collection Attorneys**:

- 31% of students polled do not worry about debt, believing that they can pay it back once they are out of school and earning a regular paycheck.
- More than 25% think it is reasonable to run up a debt to splurge on a special celebration with friends at a restaurant or to use a credit card as a way to "raise cash."
- An average of 23% chooses to ignore overdraft penalties and the prospect of months or years of paying off a debt incurred for a moment of fun.
- Less than half (46%) always keep records of their spending and receipts.
- 92% agree that bad debt - defined as failure to pay bills that extends so long that a debt collector has to contact the consumer - will have a significant impact on a person's ability to get credit in the future.
- 42% of those who already have been contacted by a debt collector would develop a payment plan to repay the debt over time.

[CardWeb.com, *Student Behaviors*, August 27, 2008, http://www.cardtrak.com/news/2008/01/09/teen_spirit]

2. A 2007 survey of college students conducted by **Buffalo State College** found that:

- One-third of students reported having two credit cards or more, while 12% had three or more credit cards.
- College students carry an average of \$1,035 of credit card debt.
- Many students believe they will make much more money after college than they will actually earn. Students take on debt because they expect to be able to repay it.
- Students' troubled spending habits can often be traced to parents. Financial lessons taught early on and parents' implied importance on material things are strong influences on a college student's financial habits.

[Buffalo State College, *Financial Literacy Key to Prevent College Student Credit Card Debt*, October 2007, <http://www.newswise.com/articles/view/534061>]

American Kids & Teenagers

1. A 2008 study by the **Boys & Girls Clubs of America** and the **Charles Schwab Foundation** of teens participating in the financial education program *Money Matters* revealed that:

- Teens who reported learning a great deal about goal-setting were significantly more likely to also report that they had saved money for something they wanted and then purchased it (79%), compared to those who reported they learned little or nothing about goal-setting (58%).
- Teens who reported learning about managing savings and checking accounts were more likely to report having opened both types of accounts (57% vs. 44% opened a savings account; 36% vs. 28% opened checking accounts).
- Those who reported learning about saving money were more likely to save regularly (72% vs. 57%).
- Teens who learned to track spending were more likely to report having developed a budget (50%) vs. those who learned little or nothing (29%) and also more likely to save money to purchase something (80% vs. 60%).
- Youth who reported learning to create and maintain a budget were more likely to report actually developing one (50% vs. 30%).

[Boys & Girls Clubs of America and Charles Schwab Foundation, *Report From Boys & Girls Clubs of America and Charles Schwab Foundation Shows Increased Knowledge Among Teens Leads to Positive Behavioral Change*, January 27, 2009, http://www.businesswire.com/portal/site/schwab/index.jsp?ndmViewId=news_view&ndmConfigId=1016332&newsId=20090127005745&newsLang=en]

2. According to **Junior Achievement's** 2008 Teen Holiday Spending poll:

- More than three quarters of teens surveyed (76%) plan to spend as much-or more-this year than last year on holiday gifts.
- 47% of teens said they'd spend at least \$100 on gifts, a four percent increase over last year.
- 87% said they'd use their own money, 49% said they'd use money given to them by a parent, 19% said they'd use their parents' debit or credit card, and 16% said they'd use their own debit or credit card (multiple responses were permitted).
- Among teens who said they would spend less this year or not spend any money on gifts, 71% said they were trying to save money, 48% cited concern about the state of the U.S. economy, and 41% cited a change in their family's financial circumstances (multiple responses were permitted).

[Junior Achievement, *Economic Downturn Hasn't Dimmed Teens' Holiday Season Consumer Confidence*, November 10, 2008, http://www.ja.org/about/releases/about_newsitem520.asp]

3. Research in 2007 by **Packaged Facts** and **First Data** revealed:

- Two-thirds of American teens currently use financial services but very few have credit cards.
- Teens represent a total yearly income of \$80 billion.
- 47% of teens age 12-17 have a savings account, 12% have a checking account, and 15% have an ATM card.
- 95% of teens between the ages of 14 and 19 have either bought or received a gift card, with some 48% of college-bound teens purchasing cards.
- Teens purchased almost double the number of gift cards they did in 2006 (7.6 vs. 4.3 cards - a 77% increase).

[Packaged Facts and First Data, *Teen Spirit*, January 2008, http://www.cardtrak.com/news/2008/01/09/teen_spirit]

American Families

Saving & Investment:

1. The **College Savings Foundation's** 2008 "The State of College Savings" survey of parents revealed that:

- The 30% of parents who know the amount they need to save to fund their children's college education are much more likely to succeed in reaching their goals than the 70% who admit not knowing.
- 58% of parents in-the-know have saved at least \$5,000 compared to only 26% of those who don't know.
- 63% expect their kids to shoulder debt, the survey found, even though the parents know it will take years to pay off. In fact, 70% expect their children to be paying back loans beyond five years and 29% beyond 10 years.
- 65% of parents have saved less than \$5,000 per child towards college, including 43% who have saved nothing at all.
- Retirement (53%) has pulled out ahead of college (45%) as a savings goal in 2008, versus 51% and 53% respectively in 2007.
- Fewer parents owned 529 college savings plans in 2008 (21%) than last year (29%); and only 16% say it is their primary college savings vehicle. In contrast, 35% of all parents are using cash or cash equivalents as their number one college savings vehicle.
- The 21% of parents invested in 529s and the 24% of parents habitually saving with automatic savings plans – each saved more than parents without them.

[College Savings Foundation, "The State of College Savings" Survey of Parents Finds Financial Education Pays, September 23, 2008, http://www.collegesavingsfoundation.org/pdf/CSF_Survey.pdf]

2. According to a 2008 survey of college-going families conducted by **Sallie Mae** and **Gallup**:

- While 58% of families reported ruling out schools because of cost at some point during the application process, another 42% of families did not limit their search based on cost—even after reviewing financial aid packages.
- 70% of students and parents said a student's expected post-graduation income either was not considered or did not make a difference on their borrowing decisions.
- While nearly nine out of 10 families (89%) with annual income below \$35,000 filled out the Free Application for Federal Student Aid (FAFSA), this number drops off considerably to only 76% for families with annual incomes between \$35,000 and \$50,000, and continues to fall as income rises.
- Parents, on average, footed the largest portion of the college tuition bill, through current income and savings (32% of the total amount paid) and borrowing (16%), while the average student covered 33% of the cost, through borrowing (23%) and their own income and savings (10%).
- The most often used source was parents' current income, rather than savings, with 38% of all families spending an average of \$5,815 last school year.
- Only 9% of families used college savings funds, such as a 529 plan, but of those who did, the average amount contributed, \$7,964, was the highest source of any personal contribution.
- Slightly less than half (47%) of all families borrowed money to pay for college, and federal student loans were the top source for both students and parents.

[Sallie Mae and Gallup, *Sallie Mae, Gallup release first national study of 'How America Pays for College,'* August 20, 2008, http://www.salliemae.com/about/news_info/newsreleases/082008.htm]

3. A 2008 **Pew Research Center** survey of adults revealed that:

- Three out of every four Americans say they aren't saving enough.
- Americans now save, on average, less than 1% of their incomes, and the savings rate has been in almost continuous decline for more than two decades.
- Fully six-in-ten adults (61%) with family incomes of \$150,000 or more say they aren't saving enough money for the future. Among those earning between \$100,000 and \$150,000 a year, the proportion soars to 79% and stays roughly at that level among income groups farther down the scale.
- Three-in-ten (31%) college graduates say they save enough, compared with 19% of those with just a high school degree.

[Pew Research Center, *Feeling Guilty: Americans Say They Aren't Saving Enough,* May 14, 2008, <http://pewresearch.org/pubs/837/americans-not-saving-enough>]

4. Research from **OFI Private Investments**, a subsidiary of **Oppenheimer Funds**, revealed that in 2008:

- Less than one-third (32%) of American families who are currently saving for their child's college education have confidence in achieving their college savings goals.
- Only 51% of "Savers" (those currently saving for college) currently, or intend to, use a 529 plan.
- For Savers, 529 plans account for only about one-fifth of actual college savings.
- Less than half of Future Savers (40%) intend on using a 529 plan.
- 56% of Future Savers claim that they could "not explain a 529 plan at all to a colleague or a friend."

[OFI Private Investments, *Savings Failure: American College Savers Get a "D,"* February 2008, <http://www.reuters.com/article/pressRelease/idUS171852+20-Feb-2008+BW20080220>]

5. Findings of the 2007 Survey of Parents of College-Bound Freshmen, conducted by **Sallie Mae**, revealed that:

- More than 60% of parents of incoming college freshmen began discussions about the best way to pay for college after the student entered high school, and 32% said the thing they would do differently would be to begin saving for college earlier.
- More than half (56%) of parents believe that college is not affordable, a trend that persisted across low-, middle- and high-income categories. Despite this finding, 82% of all respondents believed that a college education is worth the cost.
- While the vast majority of parents surveyed (81%) discussed tuition payment with their students at least twice during the summer before it was due, 11% never discussed the tuition bill.
- Almost three-quarters (73%) of survey respondents think paying for college is the responsibility of both the parent and the student.
- “Location of school” was identified by 34% of respondents as the top priority when their student was applying for college (the most frequently selected choice) while “cost of school” was the top concern of 15% of respondents (the fourth most popular choice).
- The college payment option most frequently used by respondents was cash/savings (54%), followed by federal loans such as Stafford or PLUS (40%). Twenty percent of all respondents reported using private loans.
- Over all income groups, 68% of respondents say their student will work during the school year, but 70% of that group said their student would work to 20 hours per week or less.

[Sallie Mae, *Parents Regret Late Start to College Saving, Most Consider College Unaffordable*, January 2008, http://www.salliemae.com/about/news_info/newsreleases/012908.htm]

Debt:

1. Consumer revolving credit, mostly credit card debt, reversed its course and picked up in January [2009], after three consecutive monthly declines. Americans added \$900 million to total consumer revolving credit in January after peaking at \$976.8 billion in October. Lower credit limits, reduced personal income and higher credit card interest rates offset by holiday carry-over appear to be contributing factors to the sluggish growth. Revolving credit now stands at \$961.3 billion in January and growing at a 1.2% annual rate. In December, revolving credit dipped by \$7.7 billion reflecting an annual contraction ratio of 9.5%, according to data released by the Federal Reserve. Bank credit card debt (excluding store and gas credit cards) at the end of the fourth quarter was about \$817 billion or roughly 85% of total revolving credit, according to **CardData** (www.carddata.com). Store and gas credit cards had about \$100 billion in outstandings at year-end 2008. At the end of January, Americans were \$2564 billion in debt, excluding home mortgages.

[CardWeb.com, *Jan Debt*, March 10, 2009, http://www.cardtrak.com/news/2009/03/10/jan_debt]

2. Consumer revolving credit grew again in January [2008] as Americans tacked on \$5.6 billion in net new debt, mostly credit card debt, compared to the prior month. In December consumers added \$2.2 billion. Revolving consumer credit has now reached a record \$947.4 billion and is growing by 7.0% per annum. Based on revised figures, revolving debt rose 2.8% in December and 12.8% in November. According to data released by the Federal Reserve, total revolving credit has expanded by \$76 billion over the past twelve months. Bank credit card debt (excluding store and gas credit cards) at the end of the fourth quarter was about \$800 billion, roughly 85% of total revolving credit, according to **CardData** (www.carddata.com). Store and gas credit cards had about \$109 billion in outstandings at year-end 2007. At the end of December, Americans were \$2524 billion in debt, excluding home mortgages.

[CardWeb.com, *Jan Debt*, March 11, 2008, http://www.cardtrak.com/news/2008/03/11/jan_debt]

3. The average credit card debt per borrower (not per household) is \$5,710 at the end of October, about 6% higher than one-year ago.

[CardWeb.com, *Debt Pulse*, December 12, 2008, http://www.cardtrak.com/news/2008/12/12/debt_pulse]

Bankruptcies, Defaults, & Foreclosures:

1. The number of U.S. consumer bankruptcy filings in February [2009] neared 100,000, rising 29% from one-year ago and 11% sequentially. The increase is running under the widely held projections of a 35% gain for 2009. According to the **American Bankruptcy Institute** and the **National Bankruptcy Research**, consumer filings totaled 98,344 in February. Chapter 13 filings constituted 30.2% of all consumer cases in February, a 2.6% increase from January. According to the Administrative Office of the U.S. Courts bankruptcy filings jumped 34% in the third quarter compared to the year ago period, and increased 5% sequentially. According to CardData (www.caddata.com) there were 290,000 filings in the fourth quarter.

[CardWeb.com, *Deadbeat Pulse*, March 9, 2009, http://www.cardtrak.com/news/2009/03/09/deadbeat_pulse]

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