

TOO RISKY NOT TO KNOW:
THE PERSONAL FINANCIAL EDUCATION OF OUR HIGH SCHOOL STUDENTS

by

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was administered. The survey was given to individuals in the age range of 22-28 years and subjects were from the Minneapolis/St. Paul area.

Analysis of the data used the SPSS software program. Statistical test run included: Pearson R, crosstabulations, and F-ratio.

The study found that personal financial education is beneficial for students. Respondents that had financial education classes in their teens felt better about their money situation both now and when thinking about the future. These respondents experienced less stress and anxiety about money matters. The study also showed that these respondents were slightly better off financially than their peers that did not have a financial education class.

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CHAPTER ONE

Introduction

After school jobs for teens have been commonplace for many years. And teens today are earning more money and have greater spending power than ever before. With minimum skill positions paying eight to nine dollars an hour, a teenager today can easily earn over \$1000.00 per month. Where is all of this money going? According to the research, not into teens' savings accounts. In Farrington's (1992) teen interviews, we learn that not only are teens neglecting to save their money, but often purchase large items on credit that obligate their future earnings. According to Hamilton (2003), the National Student Loan Surveys sponsored by Nellie Mae, a national student loan lender, the average college student today is carrying a credit card debt of over \$3000.00. This debt is in addition to their student loans and/or automobile debt.

Teens report that their friends' influence is the most important factor in determining how they spend their money. Krol (1997) stated that 34% of teens studied, listed their friends' ideas as their top influence on spending. The next category was parents at 26%, with advertising ranking

a close third at 22%. Having parental influence rank ahead of advertising is promising, yet having friends in first place enables us to see why teens spend a great amount of money on the latest trends. The coolest overpriced shirt, or the trendy name brand jeans will quickly fade in style, but cost much more than less popular brands. And if their friends (like most teens) have few money management skills, they will not be a positive influence on their peers spending habits.

Parents seem to think that they are helping their teens with money management skills more than they actually are. National tests (Brobeck, 1991; 1993) showed that high school students were not as prepared as they should be to handle real life money situations. Bowen's (1996) survey of parents and teens indicated that parents claimed that they were talking to their teens about finances much more often than the teens reported their parents speaking to them about money matters. These statistics may suggest that parents are missing many everyday opportunities to explain and model good money management.

Researchers agree, (Halverson, 1998) found that parents are too giving when it comes to their kids. If their child wants something, many times the parents buy it and then figure out how to pay for it later. Parents need to talk to their teens about budgeting, and model this

behavior instead of buying them that neat new gadget. Research suggests (Jump\$tart, 2001) that their children would be better served by learning about making good choices, saving and wise credit decisions.

Teens are using credit and making daily money decisions without the benefit of understanding the long term implications of bad credit, lack of saving for the future, and the high cost of credit card debt. The seriousness of this problem is reflected in the large amount of credit card debt \$3000.00 (Hamilton, 2003) that students hold and the number of bankruptcies that are filed by young adults. Large purchases such as houses or cars usually require loans. Interest rates are assigned by using a risk to reward ratio. The higher the credit risk, the higher the interest rate. In a few years, these students may find that a few late or non-payments during their college years will yield much higher interest rates on their mortgage's than are assigned to their clean credit peers.

Does education make a difference? If teens were educated about budgeting and money management, would they act accordingly? Will young adults who have had personal financial education be more financially secure than their non-educated peers? The purpose of this study will be to explore these questions through a) literature review and b) administering a researcher's instrument to a sample of adults in their

mid-twenties. If this study reflects a positive correlation between financial education and successful financial management, the public could advocate that high schools require students to take a personal financial course.

Halverson, (1998) has shown that parents are dropping the ball on educating their children, and schools need to fill in the gaps for their students. The benefits are numerous. Financial problems cause a whole myriad of problems. Stress, divorce, depression, and anxiety are only a few (Money, 1999). Could one high school class solve all of these problems? Probably not. Yet if given the benefit of choice, most people would choose a life with less financial stress. Financial education may give students a choice to lead less stressful lives.

Statement of the Problem

Personal financial education is the general topic of this study. The purpose of this study is to determine if personal financial education in the teen years has a positive effect on a person's financial situation in the early adult years. The young adults will be split into two equal groups; those who have had a formal personal finance course, and those who have not. The adults will range in age from 22 to 28 years. The research will be conducted during the month of December, 2003. The adults

studied will be from the Minneapolis/St. Paul area and a research instrument in the form of a survey will be administered.

Research Questions

There are two research questions this study will attempt to answer.

They are;

1. Is there a positive correlation between young adults' personal financial success and their having had personal financial education?
2. Are there more young adults who have had trouble financially that have had no formal financial education than those who have had at least one course in personal finance?

Definition of Terms

There are three terms that need to be defined for clarity of understanding. They are:

Young Adults - People who are in the age range of 22 to 28 years.

Financial problems - Being unable to pay off your credit card balance in full each month, or in a period of two or three months (living beyond your means).

Financial success - Being able to purchase what you need without financial stress. Using your earnings to work toward your advantage

rather than someone else's advantage.

Formal personal finance course - Either a High School, College, or other financial class that teaches the topics of: budgeting, credit, insurance, banking, investing, and major purchases.

Assumptions and Limitations

The examiner assumes that the subjects will answer the questions honestly and thoughtfully. It is a possibility that some subjects may be in denial of their financial problems. But if each question is taken individually, the responses should show the respondents attitudes and behaviors toward personal finance.

A potential limitation of this study may be due to the timing of the data gathering. Subjects may be very focused on extra expenditures during the holiday season.

CHAPTER TWO

Literature Review

This chapter will include a discussion of how money is earned by teens, followed by teen's spending habits (both positive and negative). It will also address the education that parents are giving to their teens about money management, and the education that teens can obtain through a personal financial class in their school.

In addition, the chapter will discuss the teens' college years in relation to spending and the tactics that credit card companies use to entice college students into using their products. Finally, the chapter will explore the problems associated with poor money management skills, and contrast those with the rewards given for positive financial choices.

Money earned by teens

Teens can collect or earn money in several ways. According to Coinstar (2003), part-time job income overwhelmingly outranks allowances or monetary gifts from friends or family. Teens have long held after school jobs to provide themselves with discretionary income. But today's toys are more expensive than ever, and many teens feel that they have to work more frequently and longer hours to purchase items.

Riding the bus is definitely not cool. Fifteen to twenty years ago, there were very few students who owned their own vehicles. Today, the high school parking lots are over filled with cars belonging exclusively to students. Because of the high demand for parking spaces in school lots, most high schools charge students parking fees in excess of \$100.00 per semester (ISD 271, Bloomington, MN). Of course insurance and gasoline add to the overall cost of operating a vehicle.

Also, both teens and parents want to be able to stay in touch with a cell phone. All of these items necessitate an income for teenagers. Kuersten (2003), identified that jobs can lead to problems of their own. She reported that students who worked more than 15 hours per week showed a decline in grades and performed less well on standardized tests than their non-working counterparts.

Kuersten (2003), reported that the U.S. Department of Labor statistics in 2002 stated that high school students ages 15 to 17 years worked an average of about 17 hours a week during school months. This amount of time could jeopardize their school performance, but at the same time enabled them to earn and spend more money than ever before.

Teen spending

Tagliaferro (1999) stated that American teens have become the customer of the day. The United States population boasts the largest group of teenagers in U.S. history, and they also spend more on average than any previous generation. Market research firms, like Teen Research Unlimited (2002), stated that teens are shelling out \$172 billion per year. This is mainly spent on clothes, computers, food, and music. According to the U.S. Census Bureau (1999), the teen population is expected to grow to over 30 million by 2010. Farrington's (1992) teen interviews found that teens were saving very little of their money, and Coinstar (2003) teen polls showed that students today continue to save a very small amount and they are still spending substantially more than they are saving.

Even though credit cards are supposed to be available only to persons 18 years of age and older, many younger teens have cards in their name. Store credit cards are easier to obtain for students than major cards like VISA or MasterCard. Teens are opening up accounts to "buy now and pay later" and are unknowingly starting a credit rating that will follow them for years. This action could prove to be very positive or tragically negative, depending on how they use their plastic.

Because of this problem, there are several new kinds of credit cards

on the market. Prepaid stored-value cards are not necessarily new in the marketplace (they've been used for years instead of gift certificates at many retail stores), but their purpose is unique. Many of the value cards are aimed directly at the teen market as a way to get them safely into the "buying on credit" environment. These cards can be used by parents as a way to control their children's spending. Parents can expand the dollar amounts by transferring additional money into the account when children act responsibly. These cards are truly not credit cards; no credit is actually extended. But the cards do help teens understand monthly statements without the sting of being in debt.

Not all teens are spending their money on clothes, music, and cars. There are some who, because of good education, are learning about the benefits of early investing. Financial camps, school programs, and parent examples are all cited as ways to influence young people to save more and spend less. According to Teegardin (1999), there are some teens who would rather invest in stocks and funds than spend their money on clothes or entertainment. Not only are these educated teens saving money for the future, but more importantly they are learning to say no to the constant barrage of advertisements aimed at their pocketbooks.

Financial education from parents

Parents clearly have numerous opportunities to teach their children about finances. Each month, most parents go to the grocery and/or discount store several times. These trips provide parents the option of talking to their child about how they spend their money. Giving a child an allowance or paying them for a household chore is a perfect time to instruct them on how to use their money wisely and have the practice of budgeting. Bowen (1996) found that teens reported that their parents were not talking to them about money as often as the parents claimed. Either the teens weren't listening, or the parent's claims were exaggerated.

The stored - value cards as mentioned before are a good tool for parents to use to help monitor their teen's spending. Yip (2000) stated that these cards teach teens how to manage money, but they will not teach the students about comparison shopping, resisting advertisements, giving in to peer pressure, or waiting for a markdown - all tools teens need to have to be wise consumers. There are several books on the market that aim to teach parents how to talk to their teen about personal finance. In David Owen's "The First National Bank of Dad: The Best Way to Teach Kids About Money" (2002), the suggestion is to give children

more freedom over their spending choices. For instance, instead of buying them school clothes, give them a generous allowance and have them use their money for these yearly expenditures. Samuelson (2003) reflected on this book with a tongue-in-cheek tone and compared it to his idea of raising children; which is to keep things the same way as they were when he was a child. This is interesting only because many parents have the same view as Samuelson. "What was good for them will be good for their children" is the mindset that is keeping financial education out of our students' required curriculums. This would not be a concern if everything stayed the same in the financial world. But the rules have changed from when parents of teens today were teens themselves. If we don't provide the necessary education to our students, we will be responsible for setting them up for financial failure. Trebilcock (2000) identified that a large percentage of parents are unable to pay their bills in a timely manner, a disturbing factor considering parents are seen as role models for positive behavior and thus dropping the ball on their childrens' financial education.

Financial education from the schools

For many years, schools have been offering curriculum to fill the gap left by parents. Sex education was added to many school

curriculums in the 1970's because schools felt it was too risky not to know and could no longer be left to the discretion of parents. After much debate, it was required in the form of "Health" by most state curriculum standards.

This is currently happening with personal financial education. The Jump\$tart Coalition for Personal Financial Literacy is a non-profit, collaborative group in Washington, D.C. The groups' goal is to improve high school students' money management skills. The coalition provides materials to schools that help make personal financial education meaningful and effective. They also lobby for mandatory financial education for every student in the United States. Financial literacy is viewed as "too risky not to know".

Financial education classes teach about budgeting, banking, major purchases, insurance, investing, taxes, renting and/or owning a home, consumerism, and credit. Many schools also have clubs that help teens invest their money. Teegardin (1999) stated that in 1998, more than 3.1 million students participated in Junior Achievement business and economics programs.

The topic of credit is so very important in a personal finance class. Credit scores or ratings are quickly becoming the character judge of

today. They have been used for years to assess a person's credit risk, but they are now used to determine insurance rates, employability, and apartment rental risk. Airports have tried to use credit scores to determine terrorist associated risk (Minneapolis Star-Tribune, 2003). If our teens are not educated fully about the responsibilities of credit, they will very likely fall into debt and face the negative consequences as young adults.

College spending and credit

According to Student Financial Survey (2002), more than 70% of post-secondary students finance their education through debt. College is very expensive, with annual fees at many schools exceeding \$20,000.00 - a large sum of money for most students. Even when parents help pay some of college expenses, many students depend on student loans to subsidize their educational expenses. Usually the interest rate on government student loans is quite low and can be repaid over a term of ten to twenty years. However, the real problem with college debt seems to be major credit cards.

Manning (2000) stated that the average credit-card debt among undergraduates rose from \$1879.00 in 1996 to \$2226.00 in 1997. According to Souccar (1998), the average credit-card debt among undergraduates

is now \$3262.00. This rapid climb is alarming! This is a much lower amount of debt than the student loans, but the interest rate is significantly higher. Credit cards carry an APR (annual percentage rate) of anywhere from 12% to 30%. Which means for the student who pays the minimum due each month (usually about 2% of the balance), this person will be paying off their credit card bill for the next 15 to 20 years. The total cost will be five to six times the principle over the length of the loan. Students without financial education are particularly at risk because without the knowledge of how a credit card truly works, they see the card as "money".

One concern is the aggressive marketing of credit cards to college students by the consumer credit industry. According to Churaman (1988), the banking industry began saturating the student credit card market in the late 1980's. Since that time, credit card use among college students has virtually exploded. Souccar (1998) stated that on-campus card offers are more pervasive than ever as banks dig deeper for new business. Many marketers offer college students lines of credit as high as \$5000.00, and introductory gifts and other enticements to get student business. For the most part, these students do not fully understand the concept of credit, annual percentage fees, late penalties, balance transfers,

minimum payments, or short term introductory fees.

Colleges share some of the blame for the problem, as do the aggressive credit card companies. During these hard economic times, universities are looking at all sorts of new ways to subsidize their income. The credit card industry has been very helpful in offering to pay colleges large sums of money in order to be able to market their card on campus. Some campuses have accepted tens of thousands of dollars annually from a credit card company in exchange for the promise to only accept their card on campus.

According to Souccar (1998), Georgetown University gets a half percent of all the students' charges when they use their MBNA card. It's now in Georgetown University's best interest for their students to be in debt. At the University of Wisconsin - Stout in Menomonie, Wisconsin, the StoutOne card is currently under review as the best way to provide students a way to navigate their on and off campus fees (Solfest 2003). According to Solfest (2003) some students feel that they were not properly informed as to the fees associated with the card's use and question the shared profit dollars received by UW-Stout.

The college market has proven to be very lucrative for the marketers of credit cards and for the colleges themselves. This problem

will not go away as long as we fail to provide financial education to our children. Youth need to learn about the benefits and risks of credit and how to use it wisely. Financial information is too risky not to know.

Problems associated with poor financial choices

Many of the mistakes a person makes as a young adult have very short consequences. Others last a lifetime. Overextending yourself financially is one mistake that can last a very long time. Developing a poor credit score will follow you for at least seven years. During this time, young adults are often looking for their first "real" job, getting married, buying a home, and starting a family. The stress associated with financial woes is listed as one of the major causes of divorce in the United States according to Money (1999).

Employers review credit ratings as a guide to a person's character. A poor credit score tells them that this person has made a bad judgment call. This could transfer; from the employers perspective, into thinking the person could make poor judgments for the company and provide a reason to offer a position to a candidate with a better credit rating. You can buy a car or a house with a low credit score, but you won't get the same low interest rate as the person with a good rating. The higher interest rate will transfer into tens and hundreds of thousands of dollars

more in cost over the loan period than a person with good credit might pay. Insurance companies also use credit scores to assign premiums to clients. According to State Legislatures (2002), there is a positive relationship between a poor credit score and more frequent claims. This higher number of claim reports has led several insurance firms to increase the fees to their clients with poor credit ratings resulting in their insurance costing significantly more each month. If a person had the knowledge at the start of this game of life, they would at least have the opportunity to make educated choices in their financial matters. The benefits are numerous.

Benefits associated with good financial choices

The obvious benefits of financial education are the opposite end results to the situations previously addressed. Such as; lower interest rates on your vehicle or home, lower premiums for your insurance needs and the possibility of a better job, a happier family life, and less stress in your life. In addition, a tremendous benefit of financial education is the potential opportunity to get ahead financially. Individuals starting out in debt and staying in debt hinders saving for the future. People who don't owe others money win two ways: a) the benefits of not being in debt, and b) the opportunity to use the extra money and invest it to make

more money - thus creating a more secure future. An emergency savings account can safeguard a family's home and lifestyle when the unexpected occurs. The loss of a job, an unexpected need, a serious illness, or an accident are all problems associated with life. Living paycheck to paycheck is very risky. Even if you are getting by, one financial crisis can truly set the proverbial domino in motion to affect each area of your life.

Conclusion

The foundation blocks of a personal financial course are to teach students how to develop a sound financial plan and how to live within their means. Teens are earning more money now than ever before and are, for the most part, spending on trendy, peer pressure items. Parents have, in many ways, left the financial education of their children to chance and the schools have not taken the problem seriously. Naive college students and young adults are being taken advantage of by both the credit card companies and the universities that they attend. The consequences of damaging your personal finances are truly astounding. Students who receive proper financial education and follow it may stand to benefit their future financial situation. Financial education is information that is simply too risky not to know.

CHAPTER THREE

Methodology

Introduction

In order to test the hypotheses, data must be gathered and analyzed. The following pages explain how subjects were located and selected for the study, the survey instrument, data collection, statistical analysis, and the study's limitations.

Selection and description of sample

The subjects who took the survey have several things in common; a) all attend the same church (Cedar Valley Church in Bloomington, MN), b) all live and work in the Minneapolis/St. Paul and suburban area; and c) all share a similar middle class Caucasian European culture. This sample was chosen because of the large number of individuals in the "young adult" category, as explained in chapter one. In addition to the large number of young adults, there is a personal financial course taught at the church called "Crown Ministries," and many of the young adults have completed this course. This class is similar in content to any other personal financial courses and will fulfill the requirement for the correlation to be used in this study. The examiner has a connection to this church

through a relative who serves on the staff and has authority to give permission to administer the survey. Subjects could participate in the survey if they chose. The subjects who participate are 22-28 years of age, and either male or female, married or single, and may or may not have children. Half of the sample will have completed at least one personal financial course, and the other half will have little, if any formal personal financial education.

Instrumentation

The instrument (Appendix A) that will be used is designed specifically for this study. Because of this, no measures of validity or reliability have been documented. The examiner pilot tested a similar instrument on a small group of 25 subjects in July of 2002. Based on the results of that research, changes were made to the instrument by way of rewording some statements in order for it to better collect intended information. The instrument is a survey, four pages in length and includes four sections; consent form, general information, attitudes, and behaviors. Both the attitude and behavior sections use a Likert-type scale of measurement in order to best represent the subjects feelings and actions. This study, along with the instrument, was approved by expedited review with the IRB (Human Subjects Review Board) at the University of

Wisconsin-Stout on October 31st, 2003.

Data Collection

The data was collected during a class held at the church on December 7, 2003. The class instructor read the written directions verbatim from a written statement developed by the examiner. The class instructor stated that the survey was to be used for research for a Thesis being written for a UW-Stout masters program. All respondents completed the surveys in less than ten minutes. The examiner needed at least thirty surveys from each group (60 total) with one half having very little personal financial education and the other half with at least one formal course in personal finance. A total of 72 surveys were collected.

Data Analysis

The data will be analyzed by a comparison and a correlation of the two groups to determine if there was a difference in the attitudes and behaviors between the group that had the financial education and the group that did not. The data will also be analyzed to determine if there was a positive or negative correlation between subjects who have had a personal financial course and good money management. Data analysis will also determine if there is a correlation between those who have had little or no financial education and poor money choices. SPSS software

will be used for data analysis and will be tabulated by Christine Ness, Research and Statistical Consultant at UW-Stout. Tests run will include; Pearson R, crosstabulations, and F-ratio.

Limitations

There are some limitations to this study. In any survey, there is the possibility and/or reality of subjects not being completely honest in their answers. Money is a sensitive subject with many people, and some participants may not want to reveal to the examiner their financial status. In fact, some subjects may not want to admit it to themselves. The sample selection is by design, similar. Yet the limitations to this are that they may be too similar in financial choices also. Their church culture, may dictate how they spend their money. There is also a geographic limitation. People in the Midwest (Shields, 1999) tend to be more conservative in their finances than those in other regions. There is a chance of no correlation due to their culture rather than their financial education. In addition, this survey is being given around the holiday season, when consumer spending and credit card use is higher than other times of the year. Lastly, the instrument itself is intentionally short to encourage good participation. There are more concepts that could have been measured that may potentially show a stronger correlation,

but have been excluded to keep the survey concise. The examiner believes the strength of the instrument will overcome these limitations.

CHAPTER FOUR

Results

Introduction

This chapter will include the results of this study. Demographic information and item analysis will be discussed. The results will be divided into group "E"(education); the thirty one respondents who have had at least one course in personal finance, and group "N"(no education); the thirty one respondents who have had little or no personal financial education. The chapter will conclude with analysis of the research questions under investigation.

Demographic Information

There were 72 total respondents to the survey. Of those, 31 had at least one personal financial course and 41 had little or no financial education. Ten of the surveys in the "N" group were randomly excluded to form two equal groups of 31 subjects. The respondents ranged in age from 22 years to 28 years, with 85% of the respondents in the 25-28 years of age range. There were 34 males and 28 females. Eighty-one percent of the "N" group and 68% of the "E" group did not own their own home. Seventy-nine percent of the respondents had no children,

and only 9 (14.5%) had one child. There was very little difference between the two groups for numbers of children, with 81% in the N group and 77% in the E group having no children. Two respondents in each group had two children. Only one respondent was divorced, 21 (34%) were married, and 40 (65%) were single. Again, there was very little difference between the groups for those who were married and those who were single. Thirty-four percent of the respondents' mothers had a high school education, 31% had some college, 17% had a two year college or vocational degree, and 18% had a four year college degree. Overall, their fathers were better educated with only five (8%) having a high school education. Eighteen (29%) had some college, 23 (37%) had a two year college or vocational degree, and 16 (26%) had a four year college degree. As for the respondents themselves, 29 (47%) had a four year degree, and only six (9%) had only a high school education. Fifty-five percent of the E group had a four year degree, and 39% of the N group had graduated from college.

Question number nine in the general information section of the survey determined if the respondent was in the "N" or "E" group. Thirty-one (50%) of the respondents had little or no financial education, and 31 (50%) had either a high school or college personal financial course or

strong parental instruction in the area of finances. Thirty-nine (63%) of the respondents had 1-3 credit cards in their name. Twenty-two (35%) had 4-7 credit cards, and only one respondent had more than seven credit cards. The combined balance on credit cards for the "E" group that was under \$1000.00, (48%), where only 16% of the "N" group had a credit card balance under \$1000.00. Thirty-nine percent of the "E" group and 32% of the "N" group carried between \$1000.00 and \$3000.00. Fifty-one percent of the "N" group had over \$3000.00 of combined debt on their credit cards, while only 13% of the "E" group had this same amount. The "E" group carried an average of \$1600.00 while the "N" group carried an average of \$2800.00.

Attitudes item analysis

Eighty-one percent of the respondents in the "E" group agreed with the statement that saving money is important, while only 54% of the "N" group could agree with that statement. And 35% of the "N" group responded that they were not sure about that same statement compared to only 10% of the "E" group. The comfort level in talking about finances was again much higher in the "E" group than the "N" group. Eighty-one percent agreed that they felt comfortable discussing finances in the "E" group in contrast to only 51% of the "N" group.

The attitude of being well prepared to handle ones finances was one of the questions that separated the "N" group from the "E" group. Eighty-seven percent of the "E" group respondents agreed that they thought they were well prepared to handle their finances when they moved out in contrast to only 6% of the "N" group. The importance of appearing to be well off to family and friends was similar between the two groups with 57% in the "N" group and 52% in the "E" group agreeing with that statement. Fifty-five percent of the "N" group agreed with the statement that "they never have enough money", while only 22% of the "E" group felt this way. Forty-two percent of the "E" group agreed that their parents talked enough to them about money, yet only 10% of the "N" group agreed with this statement.

Question seven was similar to question three regarding material items and the results were similar with 38% of each group disagreeing with the statement. Question eight correlates strongly with question three, and has similar results. Seventy-seven percent of the respondents in the "E" group agreed with the statement that they were clear about their financial goals and how to achieve them. Only 6% of the respondents in the "N" group agreed with that statement. Question nine related to questions four and seven in that it asks about having many things. Again,

there is no correlation between the two groups. Question 10 stated that a respondent wishes they had learned more about managing money when they were young. Interestingly enough, 61% of the "N" group and 52% of the "E" group agree with that statement. Eighty-one percent of the respondents in the "E" group disagreed that saving and investing can wait until I'm much older, while only 34% of the "N" group felt that way. And 48% of the "N" group was not sure, compared with 6% of the "E" group. Both groups disagreed with borrowing money from family and friends regularly. There was a strong perception of respondents in the "E" group (78%) who agreed that they managed money better than their friends, while only 3% of the "N" group felt this way. And while 84% of the respondents in the "E" group felt good about the way they budget their money, only 29% of the respondents in the "N" group agreed with that statement. There was no correlation between the two groups for question fifteen which stated that "shopping is one of my favorite activities". Sixty-seven percent of the respondents in group "N" disagreed with the statement that they felt secure knowing they had adequate savings for emergencies, while only 25% of the respondents in group "E" disagreed with that statement. There were an equal number of respondents in the "N" group who agreed/disagreed with feeling proud of

their spending habits. The respondents in the "E" group were much more positive; 75% of them agreed that they felt proud of their spending habits.

Attitude Item Analysis

<u>Item on Survey</u>	<u>% N group agrees</u>	<u>% E group agrees</u>
1. Saving money is important	54	81
2. I am comfortable talking about money	51	81
3. Prepared to be on my own financially	6	87
4. I want to appear well off	57	52
5. I never have enough money	55	22
6. Parents taught me about money	10	42
7. Things more important than time	51	42
8. Know financial goals	6	77
9. Want things I can't afford	35	39
10. Wish I learned more about money	61	52
11. Saving can wait until I'm older	52	5
12. Borrowing money is okay	22	13
13. Know more than peers about money	3	78
14. Feel good about budget	29	84
15. Shopping favorite activity	45	36
16. Have enough savings for emergencies	6	58
17. Feel proud of spending habits	45	75

Behaviors item analysis

There were more respondents who saved or invested their money for the future in the "E" group than in the "N" group, 67% of the "E" group and 43% of the "N" group saving for the future either often or very often. An equal number of respondents in each group (32%) sometimes only paid the minimum balance due on their credit card. But 56% of the respondents in the "E" group rarely or never only paid the minimum, while 39% of the respondents in the "N" group often or very often paid only the minimum. Borrowing money from friends or family was rarely or never done in both of the groups. Balancing a checkbook was practiced by less than 50% by either group. Forty-five percent of the respondents in the "E" group, and 43% of the respondents in the "N" group reconciled their checking account on a regular basis. A high percentage (75% in the "E" group, 94% in the "N" group) of respondents in both groups sometimes or often use credit for purchases. Seventy-eight percent of the respondents in the "E" group usually pay the total amount on a bill, while 71% of the respondents in the "N" group usually pay their bill in full. Ninety-seven percent of the respondents in both groups rarely or never bounce a check. Seventy-four percent of the respondents in the "E" group and only 25% of the respondents in the "N" group answered that

they rarely or never bought something they couldn't afford. Eighty-four percent of the respondents in the "E" group sometimes, often or very often read articles on money, while 55% of the respondents in the "N" group sometimes, often or very often practiced this. Ninety-four percent of the respondents in the "N" group and 45% of the respondents in the "E" group sometimes or often worried about their financial future. Both groups (90% in each) sometimes, often or very often bought a less expensive copy of an item to save money. And using one credit card to pay off another card was rarely or never done in both groups (80% in the "E" group and 71% in the "N" group). Ninety percent of the respondents in the "E" group sometimes, rarely or never thought they were in financial trouble, while only 61% of the respondents in the "N" group answered in this way.

Behavioral Item Analysis

<u>Item on Survey</u>	<u>% N group does often</u>	<u>% E group does often</u>
1. Save or invest for future	43	67
2. Pay only minimum due	32	32
3. Borrow money	6	0
4. Balance checkbook	43	45
5. Purchase items on credit	94	75
6. Pay the bill in full	71	78

<u>Item on Survey</u>	<u>% N group does often</u>	<u>% E group does often</u>
7. Bounce a check	0	0
8. Rarely buy what I can't afford	25	74
9. Read about money	32	58
10. Worry about financial future	39	10
11. Buy inexpensive to save money	61	55
12. Pay one bill with another card	3	0
13. Rarely think I'm in financial trouble	61	90

Research Questions

Research Question 1- Is there a positive correlation between young adults' personal financial success and their having had personal financial education? Question eleven (general information section of survey) addressed this item. Forty-eight percent of the "E" group carry less than \$1000.00 debt on their credit card, only 16% of the "N" group carry less than \$1000.00 in credit card debt. Questions three, eight and thirteen (attitude portion of survey) also focused on research question #1 as to respondents' feelings about their financial success. In all three questions, there were far more respondents in the "E" group who "felt better" about their finances than in the "N" group. Questions one, three and thirteen (behavior portion of survey) addressed research question #1. Responses to both questions 1 and 3, suggest the individuals in "E" are better in

financial situations than the "N" group, but not a strong correlation. And results from question 13, found that 90% of the respondents in the "E" group sometimes, rarely or never thought they were in financial trouble, while only 61% of the respondents in the "N" group answered in this way.

Research question 2 - Are there more young adults who have had trouble financially that have had no formal financial education than those who have had at least one course in personal finance? Question eleven (general information section of survey) addresses this item. Fifty-one percent of the respondents in the "N" group carried a credit card balance of over \$3000.00, while only 13% of the respondents in the "E" group had that much debt. In the attitude portion of the survey, question five addressed this item. Fifty-eight percent of the respondents in the "E" group disagreed with the statement of never having enough money, while 29% of the respondents in the "N" group disagreed with the same statement. In the behavior portion of the survey, questions two, six, seven and eight address this item. Questions two and six ask about paying the minimum balance on a bill and paying a bill in full. In both cases, the respondents in the "E" group most often rarely paid only the minimum and often paid in full, while the respondents in the "N" group most often only paid the minimum, yet interestingly enough claimed also to sometimes or

often pay their bills in full. Both groups rarely or never bounced a check, and in each group, only one respondent answered that they sometimes bounced a check. Question eight states that the respondent would buy something they can't afford. Seventy-four percent of the respondents in the "E" group stated that they rarely or never did this, while only 25% of the respondents in the "N" group admitted to spending more than they could afford.

CHAPTER FIVE

Discussion, Conclusions, and Recommendations

This chapter will include a discussion of the literature review in comparison to the findings of the study. It will also draw conclusions that will summarize this study with implications for future behavior. Lastly, it will include recommendations for the education of today's youth and further study.

Discussion

This study found that the average credit card debt of respondents with at least one personal financial course (\$1600.00) was well under the national average of \$3000.00. And the respondents with no formal financial education (\$2800.00) were just a little lower than the national average. These results are not surprising, the Midwest is typically viewed as a region of the country that displays less risky financial behaviors than other regions of the country (Shields, 1999). In all reality, the two groups have about a thousand dollars difference in their credit card debt. This doesn't reflect the whole financial picture, but it does suggest that there is a problem if respondents can't pay their bills in full each month. These results suggest that both groups on average are spending more

than they are making. The difference of one thousand dollars is not much in indicating ones personal financial success. But if this trend continues, and these figures reflect the same percentage, one could see more differences between the two groups within several years.

The results that indicated the majority of both groups wished they had learned more about managing money when they were younger was very enlightening. Now that the respondents are out on their own, the topic of finances has become more important in their lives. The group with the education was not much different in their desire for more financial knowledge than the group without the education. A good follow-up question to the respondents would be to ask them "why"? The answer from the non-educated group may be obvious, but the answers from the educated group would be very insightful. Did the respondents not learn enough? Did they not pay attention at the time of the class? Now that these young adults are on their own, do they think they missed pieces of education that would have been beneficial to them? What lessons have they had to learn from the "school of hard knocks"? Or, are they just ready to move to the next level of financial knowledge.

The questions on the survey that displayed a stark contrast between the two groups were the questions that dealt with the respondents'

"feeling of well being". Specifically, questions three, eight, and thirteen (attitude section) asked about feeling in relation to moving out on your own, being clear about financial goals, and knowing how to manage money better than your peers. In all three cases, over 75% of the respondents in the educated group agreed with the statements, while over 84% in the non-educated group did not agree with the statements. These findings support the theory that financial education decreases ones stress and anxiety about money matters. These respondents indicated by their responses that they "were" better because they "felt" better, not necessarily because they "are" better off financially.

The financial behaviors of the two groups did have some difference in their responses, but overall, there was not a marked contrast between the groups. Saving for the future, purchasing more than you can afford, and reconciling your checking account are all "self-control" issues. The survey results indicated that many people have trouble with self control. Whether or not a respondent had financial education played a lesser role in their behaviors in comparison to their level of self control or personal values.

Conclusions

The findings of this study suggest that personal financial education is

beneficial for students. The survey responses showed that the respondents with financial education "felt" better about their money situation both now and when thinking about the future. Even when they knew they spent too much or couldn't pay their bills in full, they felt that they had their finances under control. Thus suggesting they experienced less stress and anxiety about money matters.

The study also showed that the respondents with financial education were somewhat better off financially than their non-educated peers. If this survey was given to adults in the thirty to forty age range, the results could possibly show a larger financial gap between the two groups. This study was given to young adults just starting in the financial "game of life", and the difference between the two groups may not be as evident because of the time factor.

Recommendations

A follow-up study could yield additional insight. The findings of the study were different than I expected, yet understandable. The research anticipated a larger difference in debt obligation between the two groups. However the findings indicated significant differences in the thinking and feeling of the two groups. A follow-up study could explore the difference in the personal views and feeling of the different groups. In

addition, a study to look at the impact of financial education in older adults (ages 30-40) could question to see if a) the good feelings of financially educated respondents led to less family stress and/or divorce, b) the behavior differences had a larger impact on financial standing with more time in "the game", and c) personality and values continue to play a larger role in decision making than sound financial choices.

Based on the results of this study, I would recommend that every student have some kind of personal financial education course before completion of high school. The study showed that the respondents who had financial education were more comfortable and less anxious about their financial independence. This is information that is simply too risky not to know.

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Appendix A: Survey

Consent Form for Research Involving Human Subjects

I understand that by returning this questionnaire, I am giving my informed consent as a participating volunteer in this study. I understand the basic nature of the study and agree that any potential risks are exceedingly small. I also understand the potential benefits that might be realized from the successful completion of this study. I am aware that the information is being sought in a specific manner so that only minimal identifiers are necessary and so that confidentiality is guaranteed. I realize that I have the right to refuse to participate and that my right to withdraw from participation at any time during the study will be respected with no coercion or prejudice.

NOTE: Questions or concerns about the research study should be addressed to Boni Caine, the researcher, (651) 464-2089 or Dr. Diane Klemme, the research advisor, (715) 232-2546. Questions about the rights of research subjects can be addressed to Sue Foxwell, Human Protections Administrator, UW-Tout Institutions Review Board for the Protection of Human Subjects in Research, 11 Harvey Hall, Menomonie, WI, 54751, phone (715) 232-1126.

SECTION 1: General Information

1. Your age ____ years old.
2. Gender ____ Male ____ Female
3. Do you ____ Own ____ Rent your home.
4. How many children do you have? ____
5. Are you: ____ Married (Check one)
____ Separated
____ Divorce
____ Single
6. Education level of my **mother**: ____ 12th grade or less (Check one)
____ High school diploma
____ Some college courses
____ Two year college degree
____ Four years or more of college
7. Education level of my **father**: ____ 12th grade or less (Check one)
____ High school diploma
____ Some college courses
____ Two year college degree
____ Four years or more of college
8. My education level: ____ 12th grade or less (Check one)
____ High school diploma
____ Some college courses
____ Two year college degree
____ Four years or more of college
9. My financial education ____ Little to none. (Check all that apply)
____ Parent advice
____ Strong parental instruction
____ High School personal finance course
____ College personal finance course
____ Other _____
10. How many credit cards do you have? ____ 1-3, ____ 4-7, ____ 8 or more
11. Your combined credit card balance today is: ____ under \$1000.00
____ over \$1000.00, but under
\$3000.00
____ over \$3000.00, but under
\$5000.00
____ over \$5000.00, but under
\$8000.00
____ over \$8000.00

SECTION 2: Attitudes

Indicate the extent to which you agree with each of the attitude statements below by selecting a number from 1 to 5.

If you agree strongly with the statement, enter a 5. If you disagree strongly, enter a 1, etc.

Consider each statement carefully, and choose the best response according to your personal opinions. Remember to answer all of the questions.

Strongly disagree disagree not sure agree strongly agree

 1 2 3 4 5

- ___ 1. I think saving some money from each paycheck is important.
- ___ 2. I am comfortable talking about my money and finances.
- ___ 3. I was well prepared to handle my own finances when I moved out on my own.
- ___ 4. It is important for me to appear to be well off to my family and friends.
- ___ 5. I never have enough money.
- ___ 6. I feel that my parents talked enough to me about money.
- ___ 7. To me, living in a big house and driving a nice car are more important than having a lot of leisure time.
- ___ 8. I am clear about my financial goals and my plans to achieve them.
- ___ 9. There are many things that I want to buy, but can't afford.
- ___ 10. I wish I had learned more about managing my money when I was younger.
- ___ 11. Saving and investing for retirement is something that can wait until I'm much older.
- ___ 12. Borrowing money from my parents or friends regularly is acceptable.
- ___ 13. I know how to manage my money better than my friends.
- ___ 14. I feel good about the way I budget my money.
- ___ 15. Shopping is one of my favorite activities.
- ___ 16. I feel secure knowing that I have adequate savings for emergencies.
- ___ 17. I feel proud of my spending habits.

SECTION 3: Behaviors

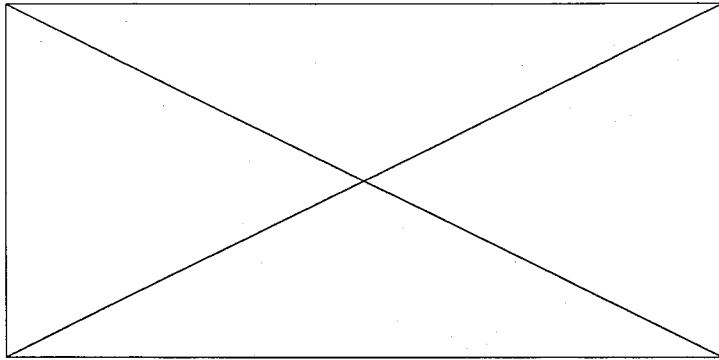
Please read each statement below and mark the response that applies to how often you engage in the behavior. Please mark only **one** response.

Never	Rarely	Sometimes	Often	Very Often
1	2	3	4	5

How frequently do you:

- ____ 1. Save or invest some of your money for the future.
- ____ 2. Only pay the minimum balance due on your credit card statement.
- ____ 3. Borrow money from friends or family.
- ____ 4. Balance your checking account.
- ____ 5. Purchase items on credit.
- ____ 6. Pay the total amount on a bill.
- ____ 7. Bounce a check.
- ____ 8. Buy something you can't afford.
- ____ 9. Read articles about personal finance.
- ____ 10. Worry about your financial future.
- ____ 11. Buy a less expensive copy of an item to save money.
- ____ 12. Use one credit card to pay off another one.
- ____ 13. Think that you are in financial trouble.

Appendix B: Human Subjects Approval Letter



Date: October 31, 2003

To: Boni Caine

CC: Diane Klemme
College of Human Development

From: Sue Foxwell, Research Administrator and Human
Protections Administrator, UW-Stout Institutional
Review Board for the Protection of Human
Subjects in Research (IRB)

Subject: **Protection of Human Subjects--Expedited Review**

Your project, "Personal Financial Education Research," has been approved by the IRB through the expedited review process. The measures you have taken to protect human subjects are adequate to protect everyone involved, including subjects and researchers.

This project is approved through October 31, 2004. Research not completed by this date must be submitted again outlining changes, expansions, etc. Annual review and approval by the IRB is required.

Thank you for your cooperation with the IRB and best wishes with your project.

***NOTE: This is the only notice you will receive * no paper copy will be sent.**

SF:pe