

# MAKING THE CASE FOR FINANCIAL LITERACY— 2013

*A collection of statistics gathered by Jump\$tart from other sources.*

## Financial Literacy Education

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### Adults and Parents:

1. The 2012 Global Financial Literacy Barometer, a study of the financial literacy levels of people in 28 nations released by **Visa** and **Kiplinger's Personal Finance Magazine**, revealed that:
  - Brazil topped the list as having the most financially literate people, followed by Mexico, Australia, the United States, and Canada.
  - Respondents in more than half of the 28 countries surveyed believe that overall, teenagers and young adults do not understand money management basics, such as budgeting, savings, debt, and spending responsibly.
  - In the US, the average age at which people felt the government should require kids to start learning about money was 11.9.
  - In this study, the US didn't break into the top 5 in any single category, and bottoms out at 27th on question number 4, "To what extent would you say teenagers and young adults in (Country) are adequately prepared to manage their own money?"
  - The US has one of the worst opinions of its teenagers' money management skills, with 70.5% of respondents saying that US teens don't understand money management basics.
  - In the US, 66.1% said that they talked to their kids about money at least once a month.

[Visa and Kiplinger's Personal Finance Magazine, *Federal Reserve Bank of Chicago and Visa Inc. Host Sixth Annual Global Summit on Financial Literacy*, April 23, 2012, [http://www.practicalmoneyskills.com/about/press/releases\\_2012/0423.php](http://www.practicalmoneyskills.com/about/press/releases_2012/0423.php)]

2. The final report of the **President's Advisory Council on Financial Capability** was issued on February 19, 2013, offering 15 recommendations designed to assist the American people in better understanding financial matters and making informed financial decisions:
  - The Council's four top recommendations focused on the consistent and continuing integration of financial education into Americans' lives: in families and schools; in workplaces; in local communities; and through an appropriate balance of research-based education, regulation and product design to benefit consumers.
  - The Council's first major recommendation is a focus on Youth:
    - Integrate important aspects of personal finance into teaching of math and English language arts Common Core State Standards for K-12 education as well as other subjects.

[National Endowment for Financial Education, *Financial Capability Council Presents Report to President Obama*, February 19, 2013, <http://www.nefe.org/press-room/news/financial-capability-council-reports-to-obama.aspx>]

3. A 2012 **American Express** Spending & Saving Tracker survey indicated that:
  - 68% of the parents polled estimated that they would need to make trade-offs in their own lives to afford purchases for their children this season. Over half (52%) were prepared to sacrifice dining out, followed by purchasing clothing for themselves (39%), and spending on entertainment (39%), and travel (33%).
  - With many leaving home for the first time, parents plan to help their newly-independents manage money while away from the nest. About a third (34%) will dole out weekly allowances, consistent with 2011, however more parents are helping them establish good "plastic" practices. Twenty-eight percent will give their students prepaid cards (up 15% from 2011) or opt for a joint credit card linked to their account (17% vs. 13% in 2011).

[American Express, *Gadgets Claim More Space in America's Backpacks; Intent to Buy Electronics for Back-to-School Up 9%*, August 28, 2012, <http://about.americanexpress.com/news/pr/2012/back-to-school.aspx>]

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4. The 2012 annual back-to-school survey of parents and teens from **Capital One** found that:

- 59% of parents said the amount of money they planned to spend on back-to-school shopping this year was impacted by current economic concerns, and 42% of parents said their spending would be impacted by school budget cuts.
- Nearly 70% of parents and 84% of teens say they've discussed needs versus wants for back-to-school items.
- About half of parents and teens said they created a back-to-school shopping budget, while 64% of parents and 71% of teens said they made a list of back-to-school items together.
- Only 33% of parents say they talk to their kids about money more than once a week.
- 76% of teens gave themselves an "A" or "B" grade for their current knowledge of financial responsibility.
- 49% of teens haven't worked with their parents to develop a budget for saving or spending their money, even though 61% report receiving an allowance.
- 52% of teens said they want to learn more about how to manage their money. Teens are particularly interested in learning more about basic personal finance topics such as budgeting (80%), saving (75%), checking accounts (68%), and investing (67%).

[Capital One, *Capital One's Annual Back-to-School Shopping Survey Finds Current Economic Environment, School Budget Cuts Will Impact Back-to-School Spending This Year*, July 31, 2012, <http://phx.corporate-ir.net/phoenix.zhtml?c=70667&p=irol-newsArticle&ID=1720340&highlight>]

5. The seventh annual Financial Literacy Survey of US adults, conducted in 2013 on behalf of the **National Foundation for Credit Counseling, Inc.**, revealed that:

- 40% of adults gave themselves a grade of C, D, or F on their knowledge of personal finance.
- 78% agree that they could benefit from additional advice and answers to everyday financial questions from a professional.
- 57% indicated they are worried over a lack of savings, including 43% who are concerned about not having enough "rainy day" savings for an emergency, and 38% concerned about retiring without having enough money set aside.
- 26%, or roughly 61 million people, were worried about servicing their debt commitments, including concerns around paying credit card debt (13%), repaying student loan debt (8%), an inability to make monthly vehicle payments (7%), and not being able to pay off existing medical debt (6%).
- One in four adults (25%) are worried about health insurance – either not being able to afford it (19%) and/or not having any (17%).
- While 19% were worried about their credit score and/or lack of access of credit overall, 16% were anxious about their score, with 9% concerned over their lack of access to credit.
- Most adults have neglected to review their credit report (65%) or score (60%) in the past year.
- 18%, or more than 42 million Americans, indicated fear of job loss as a major concern.
- 20% of adults indicated they do not have any financial worries.
- When managing their money, convenience and safety were once again some of the top reasons cited by the 6% of Americans who typically use prepaid debit cards to pay for everyday transactions. Further, 81% said prepaid cards were a better value and cost less than using a credit card or debit card attached to a checking account.

[National Foundation for Credit Counseling, Inc., *NFCC and NBPCA Financial Literacy Survey Reveals Consumers' Top Financial Concerns*, April 2013, [http://www.nfcc.org/newsroom/newsreleases/NFCC\\_NBPCA.cfm](http://www.nfcc.org/newsroom/newsreleases/NFCC_NBPCA.cfm)]

6. **DoughMain's** 2012 survey of parents revealed that:

- 81% of parents feel it is their responsibility to teach their kids about money and savings.
- 63% of kids 18 and under have savings accounts, and 73% of those savings accounts were started before the age of three.
- 43% of parents review bank statements with their kids monthly.

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- 51% of parents give their children allowance, but only 4% require them to deposit that money into a bank account.
- Only 28% of children have used online banking to view their savings account balance.
- Only 38% of parents are matching their children's savings.
- Only 30% of children give some of their savings regularly to charity.
- For children without savings accounts, their money is most frequently saved in a piggy bank, bonds/CDs, or checking accounts.

[DoughMain, *Study Reveals Need for Tools to Help Parents Teach Kids About Savings*, February 17, 2012, <http://www.doughmain.com/odmpublic/includes/footer/about/docs/Help%20Parents%20Teach%20Kids%20About%20Savings.pdf>]

7. A 2011 **American Express** Spending & Saving Tracker survey indicated that:

- More than half of parents (57%) with kids in high school and college give schools below-average or failing grades in teaching kids responsible spending, with more than one-third (35%) giving a straight out 'F.' This is compared with 37% of parents who give schools an 'A' or 'B' for teaching safe sex.

[American Express, *No Triple 'AAA' Rating for Schools that Fail to Teach "Safe Spend,"* August 10, 2011, <http://about.americanexpress.com/news/pr/2011/safespend.aspx>]

8. A 2011 survey of parents from **Visa Inc.** found that:

- 37% of adults interviewed say they learned basic money management on their own. Mothers were the primary source for 25% of respondents, while 22% learned about personal finance from their fathers.
- Only 5% of those surveyed say they learned about money matters from a teacher.
- In a related survey conducted in April of 2011, 85% of American parents surveyed thought that a course in personal finance should be a high school graduation requirement.

[Visa Inc., *Mom and Dad 'MIA' on Teaching Money Management?*, May 24, 2011, [http://www.practicalmoneyskills.com/about/press/releases\\_2011/0524.php](http://www.practicalmoneyskills.com/about/press/releases_2011/0524.php)]

### Undergraduate & Graduate Students

1. According to the **College Savings Foundation's** 2012 survey of college graduates (ages 20-35):

- Recent graduates are at least 50% more likely to put off life choices often associated with financial independence than those who graduated seven or more years ago.
- 36% of respondents graduating within the last year said they had to live with their parents longer than expected, as compared to 24% who graduated seven or more years ago.
- Only 70% of recent grads surveyed are employed, versus 79% of those who graduated seven-plus years ago. 73% of those 1-3 years out are employed, as are 76% of those 4-6 years out of school.
- 40% of recent grads are definitely delaying buying a house for financial reasons, versus 22% who graduated at least seven years ago.
- 19% of last year's grads said they were definitely delaying getting married, versus 8% among those who graduated at least seven years ago.
- 21% of recent grads had definitely delayed having children for financial reasons, versus 13.5% among those seven-plus years out of school.
- 87% of recent graduates will definitely or possibly save for their children's college education; 83% of those graduating 1-3 years ago and also 4-6 year ago would; as compared to 74% of those who graduated more than seven years ago.
- 33% of recent grads and 32% of those more than seven years out, definitely thought that a college degree would help them make more money than a high school degree.

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[College Savings Foundation, *College Savings Foundation Survey Shows Delay in Life Milestones for Recent College Graduates*, May 23, 2012, <http://www.collegesavingsfoundation.org/pdf/GradsSurveyPressReleaseFinal5-23-12Updated.pdf>]

2. 2011 research from the third wave of the study, *Arizona Pathways for Life Success in University Students (APLUS)*, co-funded by the **University of Arizona** and the **National Endowment for Financial Education** revealed that:
  - High school and college students who are exposed to cumulative financial education show an increase in financial knowledge, which in turn drives increasingly responsible financial behavior as they become young adults.
  - Researchers document a "snowball effect" that these early efforts exponentially increase the likelihood that students will pursue more financial education as time goes on, including informal learning through books, magazines and seminars.
  - Parents, more than anything, exert the most influence over their children when it comes to developing positive financial attitudes and behaviors—1.5 times more than continuing financial education and more than twice as much as what children hear from their friends.

[University of Arizona and National Endowment for Financial Education, *New Evidence Shows Positive 'Snowball Effect' of Financial Education - Cumulative Education Leads to More Financial Knowledge*, September 6, 2011, <http://www.nefe.org/PressRoom/News/APLUSWave20/tabid/1041/Default.aspx>]

3. A 2011 **Capitol One** survey of graduating college seniors revealed that:
  - 69% have undergraduate student loans to repay.
  - 66% say that having student loans to repay will have an influence on the job they take or the career they pursue.
  - 60% are very or somewhat worried about their ability to pay back their loans.
  - 55% say that they are "very concerned" about building a positive credit history.
  - While 62% of current and recent graduates believe they are "highly" or "very" knowledgeable about personal finance and money management, many admit to impulse buying and overlooking opportunities to improve their finances.
  - Only 43% say that they are putting money in savings on a monthly basis or more.
  - 36% admit they are not setting aside money for savings on a regular basis.
  - 55% of college seniors polled currently have a credit card of their own, while 78% of graduates from 2008-2010 have their own credit cards.

[Capitol One, *College Grads Cite Student Loan Repayment as Top Concern, but Overlook Key Ways to Build a Solid Financial Foundation, Says Capital One Survey*, May 18, 2011, <http://phx.corporate-ir.net/phoenix.zhtml?c=70667&p=irol-newsArticle&ID=1565115&highlight>]

### **American Kids & Teenagers**

1. Results of the 2013 **Junior Achievement/Allstate Foundation** "Teens and Personal Finance" Survey indicate that:
  - Teenagers are more optimistic about their financial futures, with a 20% increase in teens believing they will be financially better off than their parents. However, part of their financial security comes from depending on parents until a later age.
  - The survey found that 25% of teens think they will be age 25-27 before becoming financially independent from their parents, up from 12% in 2011.
  - Concurrently, parents are also expecting their children to be in their mid-20s by the time they are financially independent, as the economy, availability of jobs, and societal norms now indicate a longer dependence on parents.

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- Of the 33% of teens who say they do not use a budget, 42% are “not interested” and more than a quarter (26%) think “budgets are for adults.”
- More than half of teens (52%) think students are borrowing too much to pay for college, yet only 9% report they are currently saving money for college. Nearly 30% have not talked with their parents about paying for higher education.
- The majority of teens (76%) still report the best time to learn about money management is in kindergarten through high school, but only 29% reported programs currently in place.

[Junior Achievement/Allstate Foundation, *Percentage of Teens Who Think They Will Be Financially Dependent on Parents Until Age 25-27 More Than Doubles, New Survey Finds*, March 27, 2013, [http://www.ja.org/about/releases/about\\_newsitem625.asp](http://www.ja.org/about/releases/about_newsitem625.asp)]

### 2. The 2012 *How Youth Plan to Fund College* survey of high school students by the **College Savings Foundation** revealed that:

- 78% of students said that costs would influence their higher education plans, but more planned to go to private schools this year than last (21% versus 16% in 2011) and fewer to generally more affordable public schools (45%, down from 51%).
- 78% said it was their responsibility to pay for at least part of their college education.
- Of the 74% of students who say they have decided to save, fewer are getting jobs to help them: 46%, down from 52% last year.
- 94% of prospective borrowers are concerned about the debt burden they will face. Yet only 25% of them have projected the total loan amount they will need to graduate (down from 30%), and only 20% have projected what they’ll owe each month to pay it (down from 22%).
- 51% wished that their current high school offered financial literacy instruction for them and their families to prepare for college costs.
- 52% have researched tuition costs for specific colleges or post-secondary schools, up from 49% last year.
- 35% have researched ways to save including personal savings and 529 college savings plans.

[College Savings Foundation, *High School Students Unprepared for Rising Costs of College with Deep Divide Between Funding Plans and Actions, Says College Savings Foundation’s Survey of American Youth*, February 22, 2012, <http://www.collegesavingsfoundation.org/pdf/YouthSurveyExecSummaryFinal2012.pdf>]

### 3. According to a 2011 survey of high school seniors sponsored by **Capital One**:

- 75% expected to receive gift money for their graduation. Yet only 19% had created a budget and mapped out a plan for the cash, and only 45% planned to put their graduation gift money into savings.
- 87% reported that their parents are their primary resource for information about money management and personal finance issues, but only 22% reported that they talk to their parents about money management “frequently” and 44% said that they “sometimes ask their parents questions” about personal finance.
- Overall, 49% believe that they are “highly” or “very knowledgeable” about personal finance, but of the students who reported frequent conversations about money with their parents, 70% rate themselves as “highly” or “very knowledgeable” about personal finance.
- 38% say that they are unsure or unprepared to manage their own banking and personal finances.
- Of those students planning to take out student loans for college, 44% said that they have either not discussed with their parents how student loans work, or they have had a brief conversation with little detail.
- 37% received an allowance, and of those, 54% said that their parents “sometimes” talked with them about how it should be handled, and 30% said that these conversations “rarely” or “never” took place.
- 50% of those who received an allowance reported that they were using a budget to manage their expenses and savings, compared with 35% of students who didn’t receive an allowance. Similarly, 55% of students who received an allowance reported that they balanced their checkbook at least monthly compared with 40% of students without an allowance.

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- Of those who have had a job before, 72% thought that their job experience had prepared them for their financial future in some way. Only 51% of high school seniors surveyed currently had a job lined up for the summer.

[Capital One, *As High School Graduates Open their Gifts, Parents Have Key Opportunity to Talk Money Management*, June 14, 2011, <http://phx.corporate-ir.net/phoenix.zhtml?c=70667&p=irol-newsArticle&ID=1573673&highlight>]

4. A 2011 survey of high school seniors conducted by **Sallie Mae** revealed that:

- About half of senior girls shopped for two or more weeks to pick out their dream dress for prom and half of senior boys spent two or more weeks deciding whom to ask for the big event.
- In contrast, nearly half of high school seniors spent five or fewer hours learning how to pay for college.

[Sallie Mae, *Sallie Mae survey reveals high school seniors spend more time planning for prom than financial planning for college*, May 11, 2011,

[https://www1.salliemae.com/about/news\\_info/newsreleases/Sallie+Mae+survey+reveals+high+school+seniors+spend+more+time+planning+for+prom+than+financial+plann.htm](https://www1.salliemae.com/about/news_info/newsreleases/Sallie+Mae+survey+reveals+high+school+seniors+spend+more+time+planning+for+prom+than+financial+plann.htm)]

5. According to **Charles Schwab's** 2011 Teens & Money Survey:

- Nine out of 10 teens say they were “affected by the recession,” causing major shifts in perspective that include a greater appreciation for what they have and an increased awareness of financial hardship.
- 64% are more grateful for what they have, and 58% reported they are less likely to ask for things they want as a result of the recession.
- 56% now have a greater appreciation for their parents’ hard work, and 39% appreciate their families more.
- Three-quarters of teens surveyed responded that their parents or guardians have talked to them about their financial situation during the past year.
- While teens aren’t overly optimistic about an economic recovery—with most (80%) believing the recession isn’t over yet and almost half (45%) responding that the recession will continue beyond this year—the majority feel they eventually will do better financially than their parents (59%).
- 77% consider themselves “Super Savers,” as opposed to 23% who characterize themselves as “Big Spenders.”
- On average, teens have nearly \$1,000 saved, and 76% say their main reason for saving is to pay for college. Fewer than 5% agree that “you might as well spend as much as you can today, because you never know what tomorrow will bring.”
- 86% indicate they’d rather learn about money management in a class before making mistakes in the real world.
- 82% say their parents have taught them the basics of money management, and 77% say their parents are great role models when it comes to money management. Parents talk to their teens most about saving, how to be a smart shopper, how to pay for college and the importance of budgeting.

[Charles Schwab, *2011 Teens & Money Survey*, April 2011,

[http://www.schwabmoneywise.com/public/moneywise/calculators\\_tools/families\\_money\\_surveys/teens\\_money\\_survey?cmsid=P-4579457&lvl1=calculators\\_tools&lvl2=families\\_money\\_surveys](http://www.schwabmoneywise.com/public/moneywise/calculators_tools/families_money_surveys/teens_money_survey?cmsid=P-4579457&lvl1=calculators_tools&lvl2=families_money_surveys)]

### **American Families**

#### **Saving & Investment:**

1. The 2013 How America Saves for College survey, conducted by **Sallie Mae** and **Ipsos**, reveals that:

- While nearly all parents believe college is an investment in their child’s future, only one-third have a plan to pay for college.

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- When asked to describe their feelings about saving for college, parents' top answers were: overwhelmed, annoyed, frustrated, scared, or that they don't like thinking about it at all.
- Among those not saving, 47% cite a barrier other than money. Top reasons included thinking that children would be awarded enough financial aid to cover the cost of college, children are too young or too old, uncertainty about which savings option to use, procrastination, and feeling it is the child's responsibility to save and pay for college.
- Starting to save is most frequently prompted by major milestones such as a child's birth (34%), starting school (24%), or learning about college costs from friends and family (20%).
- Slightly more than one quarter (27%) of parents who are saving for college use a 529 college savings plan. However, more parents save for college using general funds or CDs (42%).

[Sallie Mae and Ipsos, *Families Report High College Savings Goals, But Don't Have a Plan to Meet Them, Reveals New National Study from Sallie Mae*, February 26, 2013, [https://www.salliemae.com/about/news\\_info/newsreleases/2013/Families-Report-High-College-Savings-Goals.aspx](https://www.salliemae.com/about/news_info/newsreleases/2013/Families-Report-High-College-Savings-Goals.aspx)]

### 2. According to the 2012 How America Pays for College survey, conducted by **Sallie Mae** and **Ipsos**:

- 83% of college students and parents strongly agreed that higher education is an investment in the future, college is needed now more than ever (70%), and the path to earning more money (69%).
- Drawing from savings, income, and loans, students paid 30% of the total bill, up from 24% four years ago, while parents covered 37% of the bill, down from 45% four years ago.
- The percentage of families who eliminated college choices because of cost rose to the highest level (69%) in the five years since the study began. Virtually all families exercised cost-savings measures, including living at home (51%), adding a roommate (55%), and reducing spending by parents (50%) and students (66%).
- In 2012, families continued the shift toward lower-cost community college, with 29 percent enrolled, compared with 23 percent two years ago. In fact, overall, families paid 5 percent less for college compared with one year ago.
- 35% percent of students borrowed education loans to pay for college: 25% borrowing federal loans only, 9% using a mix of federal and private loans, and 1% tapping private loans only.

[Sallie Mae and Ipsos, *While Strongly Valuing College, Families Continue to Cut Costs, Says National Study by Sallie Mae and Ipsos*, July 16, 2012, [https://www.salliemae.com/about/news\\_info/newsreleases/Sallie%20Mae%20Releases%202012%20How%20America%20Pays%20Study.aspx](https://www.salliemae.com/about/news_info/newsreleases/Sallie%20Mae%20Releases%202012%20How%20America%20Pays%20Study.aspx)]

## Debt:

### 1. US household consumer debt profile through March 2013:

- Average credit card debt: \$15,266
- Average mortgage debt: \$149,667
- Average student loan debt: \$32,559

In total, American consumers owe:

- \$11.31 trillion in debt
  - A decrease of 1.5% from last year
- \$850.9 billion in credit card debt
- \$7.98 trillion in mortgages
- \$986.8 billion in student loans
  - An increase of 11.2% from last year

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[NerdWallet, *American Household Credit Card Debt Statistics through March 2013*, <http://www.nerdwallet.com/blog/credit-card-data/average-credit-card-debt-household>]

### **Bankruptcies, Defaults, & Foreclosures:**

1. Total bankruptcy filings in the United States decreased 21% in February over last year, according to data provided by Epiq Systems, Inc.
  - Bankruptcy filings totaled 82,285 in February 2013, down from the February 2012 total of 104,537.
  - Consumer filings declined 21% to 78,611 from the February 2012 consumer filing total of 99,378.
  - Total commercial filings in February 2013 decreased to 3,674, representing a 29% decline from the 5,159 business filings recorded in February 2012.
  - Total commercial chapter 11 filings also decreased 21%, to 609 filings in February from the 756 commercial chapter 11 filings recorded in February 2012.

[American Bankruptcy Institute, *February Bankruptcy Filings Decrease 21 Percent from Previous Year, Commercial Filings Fall 29 Percent*, March 5, 2013, <http://news.abi.org/press-releases/february-bankruptcy-filings-decrease-21-percent-from-previous-year-commercial-filings>]

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