Making the Case For Financial Literacy – 2015

A collection of findings gathered by Jump$tart from other sources.

2015 Consumer Financial Literacy Survey

National Foundation for Credit Counseling/NerdWallet

According to the 2015 Consumer Financial Literacy Survey, conducted by the National Foundation for Credit Counseling:

- 59% of American adults said they deserve an “A” or “B” when it comes to their own personal financial knowledge.
- 75% agree however, that they would benefit from advice and answers to everyday financial questions from a professional and 70% are currently worried about their personal finances.
- 60% continue to spend without a budget. That is nearly the same as last year, which was the highest percentage in six years.
- About one in five (21%) say they are now spending more than they did in 2014.
- Although 33% carry credit card balances from month to month, the percentage with balances below $2,500 has increased by 4 percentage points over last year, while the proportion of those with balances of $2,500 or more has decreased by the same amount.
- The number of those who pay off their balances each month has remained unchanged (49%) from the previous year. Nearly one quarter (24%) are not paying their bills on time.
- Only 6% feel that their student loans were a good investment. More adults would advise against student loans than would recommend them (11% vs. 7%, respectively).
- Of those who are repaying their own student loans or their children’s educational loans, 58% expressed that they are unable to establish emergency or retirement savings or purchase a car as a result of that financial commitment.
- While 57% are saving for their retirement and 66% maintain non-retirement savings, 28% are worried that they do not have enough savings.
- Although 65% use a savings account, less than three in ten use potentially higher-yielding investment vehicles such as a 401(k) (29%) or IRA (25%).

[April 7, 2015. http://tinyurl.com/NFCC-Consumer-Survey]

2015 Prom Spending Survey

Visa Inc

Visa’s annual survey found economic disparities in what families spend on prom, with elaborate “promposals” adding significantly to overall spending.

- The cost of “promposals” averaged $325 in 2015; over one-third of the average $919 an American family spends on the prom.
- Northeastern families will spend an average of $738 on prom night and $431 on “promposal” for a total of $1169.
- Western families will spend $596 on prom night and $342 on “promposal” for a total of $937.
- Southern families will spend $544 on prom night and $305 on “promposal” for a total of $849.
- Midwestern families will spend $515 on prom night and $218 on “promposal” for a total of $733.
- Canadians plan to spend $508 overall on prom of which $151 will be on “promposal.”
- Dads plan to outspend moms by 63%, $1160 vs. $710.
- Families with a total household income below $50,000 a year plan to spend $1109 on the prom.
- Disconcertingly, those families making under $25,000 will spend a total of $1393 for the prom.
- Families who make over $50,000 will spend an average of $799.
- Last year, parents were planning to pay for 56% of prom costs. This year, that number has jumped to 73%, with teens expected to cover only the remaining 27%.

[March 31, 2015. www.practicalmoneyskills.com/prom]

2015 Teens and Personal Finance Survey

Junior Achievement/The Allstate Foundation

- 48% of teens think their parents will help pay for college but only 16% of parents (of teens) report planning to pay for post-secondary education.
- 84% of teens report looking to their parents for information on how to manage money, but 34% of parents says their family's approach to financial matters is to not discuss finances with their children and "let kids be kids."
- Millennial parents, ages 18-34, are the least likely to be confident about explaining money management to their kids: 60% report feeling confident, while 76% of parents ages 35-44 and 79% of parents ages 45-54 report feeling the same.
- When asked to consider the rising cost of college, a larger number of teens in 2015 are considering attending a local community college instead of another college or university: 22% in 2014 rose to 29% in 2015.
- The gender gap continues in personal finance lessons from parents. Teen boys (31%) are more likely than teen girls (20%) to report that their parents help them keep track of money. Teen boys (88%) also are more likely than teen girls (80%) to report they learned to take care of money from parents.
- The number of teens who think their parents don't spend enough time talking to them about managing money significantly rose (21% in 2014 to 32% in 2015).

[March 25, 2015. http://tinyurl.com/JA-Allstate-2015]

Findings from Focus Groups of LMI Youth Regarding Saving and Spending

America Saves

In 2015, America Saves released a report on focus groups with first-time youth workers regarding their saving and spending. They were asked questions about their thoughts, experiences, and behavior regarding saving, spending, and borrowing. Here are the top 10 insights about what these low- and moderate-income youth think:

- They know it's important to save, but don't know how.
- They know it's important to start saving early and that they can start with small savings.
- While aware of savings best practices, many had difficulty actually saving money and/or meeting their savings goals.
- They are familiar with direct deposit but do not view it as a savings tool.
- The most successful savers had two accounts–one for spending and one for saving.
- They have contradicting feelings about prepaid cards.
- They understand that spending is about temptation.
- They understand that living within their means and saving is the way to accumulate wealth.
- They feel proud earning money.
- They don't like the idea of borrowing money.

[March 16, 2015. http://tinyurl.com/AmericaSaves-LMI-Focus-Groups]

8th Annual America Saves Week Survey

America Saves/American Savings Education Council

The 2015 America Saves-American Savings Education Council survey of adults revealed:

- Those who said they are spending less than their income and saving the difference increased from 68% to 71% in the past year.
- Those who said they are saving at least 5% of their income grew from 47% to 52%.
- In the past year, the portion of respondents who said they had no consumer debt, or were reducing their consumer debt, rose from 76% to 78%.
- Respondents who said they had "sufficient emergency savings to pay for unexpected expenses like car repairs or a doctor visit" rose from 64% to 66%.
- In the past year, there was also an increase in the portion of respondents who said they were making good or excellent savings progress–from 35% in 2014 to 40% in 2015.
- 43% reported knowing their net worth, 42% have a spending plan to meet savings goals, and 43% are saving automatically outside of work.
- Almost half of respondents said they were "saving enough for a retirement" with "a desirable standard of living" (55%), save at least 10% of their income (52%), and, among the non-retired, save at work (49%).

[February 23, 2015. http://tinyurl.com/8th-Savings-Survey]

2015 State Financial Education Mandates

FINRA Investor Education Foundation/Montana State University

Results from a study by researchers at Montana State University, the Federal Reserve Board and the University of Wisconsin-Madison examined the effectiveness of state mandates on financial education for high school students. The study, entitled *State Financial Education Mandates: It's All in the Implementation,* was funded by the FINRA Investor Education Foundation and found young adults exposed to the rigorous financial education programs in the states examined had better credit outcomes later in life relative to young adults in control states. For example:

- Credit scores improved by 11 points in Georgia, 16 points in Idaho and 32 points in Texas.
- These gains translate into a 2%, 3% and 5% increase in credit scores in Georgia, Idaho and Texas, respectively.
- Ninety-day delinquency rates on credit accounts decreased in all three states.
- Texas had the largest decrease in delinquency rate—a 6 percentage point drop, which translates to a relative decrease in delinquency rate of 33 percent.

[January 2015. http://tinyurl.com/State-Mandates]

Getting Financially Fit in 2015

National Endowment for Financial Education

A December 2014 survey from the National Endowment for Financial Education (NEFE) finds:

- 64% of adults in the top 10 US markets will make a financially-focused goal in 2015.
- One in three (31%) rate the current quality of their financial life as worse than they expect it to be.
- When faced with an unforeseen major expense (of which 63% said they experienced in 2014), Americans still rely on credit card use above all else at 36%.
- Many are realizing the benefit of an emergency savings account, as 32% would use this option.
- Since nearly half of respondents (48%) qualify themselves as living paycheck to paycheck, financial agility planned ahead of time is necessary to stay on track with resolutions.

[December 2014. http://tinyurl.com/Financially-Fit-2015]

Millennials & College Planning

Junior Achievement/The Allstate Foundation

Results of the Junior Achievement/Allstate Foundation "Millennials & College Planning" Survey of young adults between the ages of 18 and 29, indicates that:

- 24% believe their student loan debt will ultimately be forgiven. The research also found that only one-in-five (21%) believe that student loans are still a good investment, down from nearly half in 2012.
- For 60% of Millennials, financial aid is a deciding factor in their school choice. Among those not attending their first choice school this year, 62% said it was because they couldn't afford it.
- College tuition and loans top the list of money matters that are worrying Millennials ages 18-29, with one in five (21%) claiming it as their family's main financial problem.
- One-third of those students with loans are shelling out over $300 per month and 5% are actually paying more than $1,000 per month.
- In April 2013, 40% of those with student loans were "very confident" in their ability to pay off their student loans. In 2014, that number rose to 50%.

[November 12, 2014. http://tinyurl.com/Millennials-College-Planning]

Students Head Back to Class with Technology in Tow

American Express Spending and Saving Tracker

- Back-to-school spending is up 5% since last year, as parents say they'll spend an average of $1,151 (vs. $1,094 in 2013 and $867 in 2012).
- Parents expect to spend an average of $529 (46%) of their back-to-school budgets on electronic devices.
- More than two-in-five parents usually pay for their back-to-school items with a credit card (44% vs. 39% in 2013), and cash (43% vs. 48% in 2013).

[August 13, 2014. http://tinyurl.com/AmEx-Back-to-School]

Eighth Annual State of College Savings Survey

College Savings Foundation

The 2014-15 State of College Savings Survey found that:

- 71% of parents said that increased public awareness of student loan debt had caused them to look at different strategies for funding their child's education, including saving (45%), grants/scholarships/direct aid (30%), loans/borrowing (15%), and current income (7%).
- 51% of all parents are already saving, with 46%, have saved more than $5,000 per child.
- 55% of parents had started saving early–between the time their child was born through five years of age.
- 24% are saving more for college than one year ago, up from 15 percent last year.
- 33% of all parents own 529 college savings plans, and 25% said that 529s were their primary savings vehicle, higher than any other savings category.
- 74% of parents expect their children to contribute to college; and 44% of those expect them to get a job.
- 54% would ask friends or family for college savings gift rather than a material gift.
  [August 6, 2014. http://tinyurl.com/State-of-College-Savings]

How America Pays for College 2014

Sallie Mae /Ipsos Public Affairs

- While the average amount spent on college was consistent with prior years, families spent more out of pocket (42% of college costs) while overall borrowing (22% of college costs) was at the lowest level in five years.
- Families used grants and scholarships to cover 31% of college costs, and contributions from relatives and friends paid another 4%.
- Families reported the highest enrollment in two-year public colleges since the survey began (34%, up from 30% last year). In addition, students opted to attend in-state institutions (69%), cut back on entertainment (66%), or live closer to home (61%) or at home (54%), among other cost-saving measures, to help reduce the cost of college.
- 30% of students were the first in their family to attend college. These students were more likely to apply cost-saving measures (76% chose a school close to home and 72% lived at home), spent less on college overall, and received less financial support from their parents.

[July 31, 2014. http://tinyurl.com/America-Pays-For-College]

Arizona Pathways to Life Success for University Students (APLUS)

Take Charge America Institute at the University of Arizona/Citi Foundation/National Endowment for Financial Education

Wave3 of APLUS, *Life After College: Drivers for Young Adult Success*, an investigation at the University of Arizona that follows young adults from their college years to the workforce, is discovering how this time of passage affects financial attitudes, behaviors and overall well-being:

- 50% of the more than 1,000 participants continue to rely on their family for financial support after finishing school—including 49% of those who are employed full time.
- Patterns of financial behaviors practiced during the college years were drivers for three distinct pathways to young adulthood:
    - High-Functioning participants (12%) maintained consistently high levels of responsible financial behavior across all three waves;
    - Rebounding participants (61%) started college with moderately responsible financial behaviors that had declined by year four but rebounded by Wave 3 two years later;
    - Struggling participants (26%) started college with poor financial behaviors, which had further declined by year four; though their behaviors had improved two years on, they were still worse than during their first year of college and significantly lower than all other participants.

[June 2014. http://aplus.arizona.edu]