

What Teenagers Know—and Want to Know—About Money

by Cindy Brady

Since 1981 I've taught a money management class to high school juniors and seniors. I'm fortunate to have wonderful, intelligent students. However, when it comes to matters of finance, their knowledge is woefully inadequate.

Courtney, a 17-year-old junior, recently announced to the class, "I've had a checking account for over a year." Asked to explain her reconciliation method, she admitted it consists of regularly calling the bank for her balance!

Some argue that personal finance instruction should be mandatory in high school and for good reason: Teenagers like Courtney have money to spend. My students regularly report monthly expenditures of \$400—money they've earned and received from parents. One might assume that with all this "practice"

teenagers have handling money, they'd be financially knowledgeable. As Courtney's checkbook balancing method shows, the opposite is true.

A vast store of misinformation

I give a pre-test of basic personal finance questions at the beginning of each semester. The results from fall 2001 were typical: 90% of the students failed. How can this be? One explanation is that students don't build core knowledge of finance in earlier grades as they do for subjects like math or science. Without early instruction, students too often get information (or misinformation) only from movies, TV, and friends. Scott, a street-smart senior, declared that "Bankruptcy can't be so bad—after all, it's legal!"

Besides bankruptcy, students ex-

plore financial goal-setting, credit, banking, insurance, investments, and taxes in the class. The first major unit is budgeting.

To learn about their spending habits, students create personal four-week budgets. Each class begins with students recording their previous day's income and expenses. After each four-week period, students calculate and analyze their cash flows and adjust their budgets for the next four weeks.

Are they surprised where their money goes? Absolutely. Students are amazed at how much they spend on food. When asked how to improve their budgets, the most common response is to "eat at home more often."

Another eye-opener for teenagers is how much non-food "stuff" such as CDs and clothes they purchase. Liz, 17, summed up what many students believe after charting their expenditures: "I found out I buy sales items—but I buy too many of them." Although they try to be sensible consumers, most teenagers simply never think about less-than-immediate financial goals.

The power of a plan

In the financial goals unit, students learn the importance of delayed gratification. They quickly figure out that the dream car or college education won't happen by frittering away cash. Figuring out how to save for each short-, medium-, and long-term goal helps illustrate the power of a savings and investing plan.

Setting aside funds before spending money is a new idea for many students. Often, student savings con-



Students like Lukas (left), Jonathan, and Katelyn thrive with a hands-on curriculum they can apply to their daily lives.

sist of what's left over after spending. Students quickly see the value of paying themselves first to reach their financial goals. Keeping daily records helps students realize "that organizing a plan really does help," as Megan, a senior bound for University of Wisconsin-Madison, explained.

After learning the importance of systematically setting money aside, students in money management explore the "time-value" of money. Several students recently revealed that they'd opened mutual funds—albeit with small amounts of money. One of them, Lena, expressed confidence in taking control. David, a senior, commented, "I should save more money and start to invest in IRAs, stocks, and CDs. The longer it's in, the more it'll earn."

Other students report balancing their own (or their parents') checking accounts and conscientiously saving money. Our virtual online stock investing unit, using an education Web site, has led several students to invest actual funds in the stock market. Lukas, a junior who wants to be a financial consultant, continually badgers his mother for more dollars to invest. Students like Lukas thrive with a hands-on curriculum they can apply to their daily lives.

Personal, real-life examples

Today's teenage minds demand variety, and teaching methods must vary as well. Reading from a textbook quickly becomes old, but teenagers love to hear personal stories and real-life examples. Unfortunately, I have plenty. Last semester, for example, someone stole several blank checks of mine and forged my signature to cash them. I used this incident to explain fraud and security techniques and ways they can protect themselves against similar situations.

During our auto insurance unit, my newly licensed son became an example when he ran a red light and damaged three vehicles. While I wasn't particularly happy about it, the accident stimulated discussions

My students regularly report monthly expenditures of \$400.

about insurance premiums, risk factors, liability, and the difference in insurance rates for females vs. males. It's always interesting to hear from students about the insurance premiums they pay after their own driving mishaps.

One year, during the federal income tax unit, Michael shared that his father had evaded taxes for some time. Because of the penalties, bankruptcy was the only option left for his family. The impact of Michael's story on the class was greater than anything I could have told them about the responsibility to pay taxes.

Classroom speakers also engage students. Area professionals provide

a wealth of information—from credit to finance-related careers. During a presentation by a Consumer Credit Counseling Service counselor, Thomas, a senior, was infuriated that people with adequate incomes could "be so stupid!" Thomas' reaction led to a class discussion in which students identified themselves as "spenders" or "savers." They talked about the importance of choosing life partners with similar financial values.

Teachers are always hoping to entice students like Thomas into meaningful conversations. I was delighted to learn about the National Endowment for Financial Education (NEFE) materials last year from CUNA, and I have since used them to supplement my regular curriculum. The "Can You Believe?" sections that precede each unit are great conversation starters—students love guessing the correct answers.

They listen and respond

I'm told that stories from class often find their way into family discussions. Opening up these dialogues is always beneficial because parents



Brian and Courtney are typical of today's teenagers, who have money to spend—an estimated \$170 billion a year.

can provide information about financial and personal values. Katie claimed that while she couldn't remember many home talks regarding money, "as I got into this class, we talked more and more. Now when my parents talk about money, they try to include my sister and me."

"Bankruptcy can't be so bad—after all, it's legal!"

**—Scott,
a high school senior**

Knowing their children are getting a strong foundation of financial knowledge pleases parents and sometimes benefits them as well. Before a recent parent-teacher conference, one student, Kelly, told the

class she was now reconciling her mom's checkbook. At the conference Kelly's mom shared that "I wish a class on personal finance had been available when I was in school." The mother of Justin, a senior, was relieved her son finally understood the importance of paying off a credit card debt from a summer school trip to France.

No matter the source of the instruction, it's crucial for students to receive the information before graduation. They listen, and they respond. In fact, on a questionnaire I gave on the final day of the last semester, 75% of the class reported they had changed their habits—they were saving more and spending less. In recently-graduated Garrett's words, "I believe this class has shown me options about what—aside from just spending—I can do with my money."

I'm committed to preparing my students to becoming responsible consumers. Parents and business people are strong supporters of my efforts. Because of our collective ef-



Parents and business people are strong supporters of efforts to prepare students such as Shawn (left) and Jason to become responsible consumers.

orts, I feel confident that teenagers like Courtney, who depend on the bank to balance their checkbooks, can learn to make sound decisions about their money and take control of their financial futures. *

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