President’s Advisory Council on Financial Capability
Youth Subcommittee Report
November 8, 2011

Subcommittee Members: Amy Rosen (Chair), Ted Beck, John Bryant, Samuel Jackson, Beth Kobliner, John Rogers (ex-officio), and Carrie Schwab-Pomerantz

Background:

As most agree, it is imperative for young people to understand their own personal finances, and yet it has never been more challenging. Many young adults are starting out in debt, or without access to basic savings and checking accounts, making it harder to achieve a solid financial foundation later in life. To illustrate:

- A full 22% of young adults do not have bank accounts, one-third are not saving at all, and 41% of those who have credit cards pay only the minimum due each month, according to a 2009 study from the Treasury and the FINRA Investor Education Foundation.

- Nearly two in five federal student loan borrowers were delinquent on payments at some time during their first five years of repayment, according to a 2011 report from the Institute for Higher Education Policy.

- Two thirds of students who take private loans don't exhaust Federal aid first.

- Two million enrolled college students eligible for a Pell grant didn't apply for Federal aid. Most in this group (over 60%) said they didn't think they were eligible.

- Students are not comparing financial aid packages, cost, and overall value when deciding where to attend college. Over 60% of entering freshmen list just a single school on the Free Application for Federal Student Aid (FASFA). Among independent students, it's over 90%.

- College students leave school with an average of $25,250 in student loan debt, according to the Project on Student Debt.

One of the key objectives of the President’s Advisory Council on Financial Capability is to ensure that the responsibility for modeling and teaching financial capability begins with the family and then extends to businesses, financial institutions, schools, nonprofits, and even places of worship.

Purpose:

There is a need for age-appropriate developmental guidelines to understand money. Research is coalescing around the idea that in order to raise financially capable adults, we must start teaching them the fundamentals of money at a young age. Professor Emeritus Karen Holden at the

University of Wisconsin-Madison has found that even children as young as preschoolers can absorb basic lessons about personal finance.

An obstacle to teaching good financial habits both at home and in the community is that many adults do not feel confident about their own knowledge, access, and skills in regard to personal finance. And while there is a plethora of standards and curricula available, these materials have not yet been woven together into a cohesive set of guidelines geared specifically toward children and families. It is difficult for teachers and parents to discuss personal finance with children, because they themselves struggle with understanding these concepts. In fact, a study by the National Endowment for Financial Education (NEFE) found that while 89% of teachers feel that kids should know money basics before graduating from high school, fewer than 20% feel competent to teach these topics.

One tool that the Youth Subcommittee believes can facilitate this process of teaching children about money—either at home or in a community organization—is the concept of "Money Milestones." Money Milestones are an age-appropriate set of 20 financial competencies for children ranging from preschoolers to young adults, designed to help teach kids the most essential money lessons that they need to know as they grow. These competencies are culled from existing national guidelines such as Treasury's Core Competencies, Common Core State Standards for Mathematics from the National Governors Association and the Council of Chief State School Officers, Council for Economic Education's Financial Fitness for Life, Jump$tart Coalition's National Standards, NEFE's High School Financial Planning Program, NFTE's Your Financial Future, and Schwab MoneyWise.

Money Milestones are written in easy-to-understand language, aimed at parents and children. They are not intended to serve as a substitute for educational standards used in the classroom, nor do they lessen the need for effective financial literacy curricula. Rather, the proposed Money Milestones would be a complementary effort, so that children benefit from similar messages at home and at school.

Like the President's Challenge from the President's Council on Fitness, Sports, and Nutrition, which suggests age-appropriate guidelines for leading a physically fit life, we need age-appropriate guidelines for leading a *financially* fit life.

Action step:

Now that the milestones have been created, we recommend that these be submitted for public comment.