

## CONTRA COSTA TIMES

### **Jack O'Connell and Jean Chatzky: Combating California's Financial Literacy Crisis**

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Jack O'Connell and Jean Chatzky

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Too many consumers today, unfortunately, don't understand how to make their hard-earned money work for them. In fact, according to a new survey by AARP, more than half of survey respondents said they have made investment mistakes simply because they felt confused or didn't understand how investments work.

While this is a big problem for adults, especially those nearing retirement age, it is an even more troubling sign for current and future generations who are not learning financial basics at home or in school.

The warning signs that America is in a financial literacy crisis are clear. Across the country, the most basic financial literacy measure, the national savings rate, has sunk in recent years into the negative.

Thousands of families have lost their homes due to foreclosure after agreeing to mortgage rates they didn't understand. And results from a recent survey of high school students by the national Jumpstart Coalition for Personal Financial Literacy show that the average American high school senior answered less than half (48.3 percent) of the questions about basic personal finance correctly.

California's high school seniors fared even worse, answering only 44 percent of the questions correctly.

These are failing grades by any measure.

Because the amount of financial responsibility individuals will be asked to shoulder is only going to grow for our children and our children's children, it is imperative that we take steps now to combat financial illiteracy effectively.

We must begin by helping to build and strengthen the financial muscles of our nation's young people at an early age. The solution is education and increasing the financial literacy of the next generation requires a three-pronged approach involving parents, educators and businesses each doing their parts.

First, financial learning should begin in the home with guidance from parents.

Dinner table conversations should include talk of how to earn money and then how to make wise choices with those dollars. The value of saving money, paying bills on time to maintain good credit and understanding needs versus wants are all topics that should be openly and honestly discussed.

Second, learning must extend to the classroom because financial illiteracy is not a problem parents can fight alone. Many surveys show parents want financial education in the schools, and we think schools have an important role to play in helping students become savvy consumers.

We are encouraged to see that many states are beginning to take steps to ensure that financial literacy is part of every student's education.

Here, the California Department of Education has worked with the private sector to provide a library of financial literacy resources that teachers can use to strengthen their financial education efforts.

We strongly encourage teachers at all grade levels to incorporate personal finance learning into the classroom.

Finally, nonprofit organizations and businesses, including financial services companies that have the budgets to assist the schools, must also step up and provide financial education resources.

In California, for example, a public-private partnership between the California Department of Education, State Board of Equalization member Betty Yee and Visa Inc. brought an NFL-themed money management video game called Financial Football to every high school in California, free of charge.

It is critical that parents, teachers, government and the private sector create a united front in this effort. Nowhere was that more visibly on display than last month in Sacramento, where businesses, educators, government officials and community groups gathered for the biennial California Summit on Financial Literacy.

Co-sponsored by the California Society of Public Accountants and the California Jump\$tart Coalition, the goal of this summit was to find ways to help combat financial illiteracy in California.

As participants in this summit, we welcomed the opportunity to come together to discuss constructive ways we can help ensure that California's young people have the skills to manage their personal finances responsibly.

If we fail, we not only put this generation of students at risk but future generations and the stability of our economy. But by infusing the value of financial literacy throughout our homes, schools, and businesses, we can protect our future and the future of California's students.

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