



## **Position Paper: FINANCIAL LITERACY**

### **Background – Where we are, the issue of financial illiteracy**

There is considerable evidence that financial illiteracy has reached record proportions. Financial illiteracy has contributed significantly to a lower standard of living in general for many Americans. Financial illiteracy can result in poor saving, poor spending, excessive credit card use and bad investment decisions. The stress of financial insecurity can lead to divorce, suicide, domestic violence and other crimes. The recent economic crisis and the increasing complexity of our financial system make it clear that strengthening the financial knowledge and skills of our young people is critical to the future success and financial stability of our country. Just like reading and writing, financial education impacts the well-being of every student, as well as the economic and social fabric of our communities. This is especially true for those whose primary language is not English.

### **The need/consequences**

We face a rising crisis in our country with regard to financial literacy. The consequences are evidenced by rising numbers of bankruptcies, higher credit card debt and lower savings. The Federal Reserve reports that the typical family that files for bankruptcy owes more than one and one half times its annual income in short-term, high interest debt. Financial illiteracy crosses all economic boundaries from low-income to high-income families, and even well-educated, high-income adults may not know how to budget properly or manage their money well. The buying power of young adults is astronomical, estimated at \$150 billion annually for young people between the ages of 5 and 19. With the increased availability of on-line shopping and gambling, aggressive credit card solicitation, and email and phishing scams, our children have become a captive audience and easy victims. It is important to increase the financial knowledge and capability of all our students. To better navigate their financial futures and be prepared to make smart choices, students need to learn about earning and spending, saving and investing, using credit wisely, paying for college, and recognizing and avoiding financial fraud.

### **What we need to do**

PTA must advocate for effective financial literacy laws and for age-appropriate financial literacy education in our schools. Financial education is a complex subject that requires sufficient training. Schools are teaching the skills of reading, writing and arithmetic so that our children can earn a good income, but they also need to teach the financial skills necessary to survive and thrive in today's society. PTA should work to increase financial awareness and self-reliance in the school and community by providing programs for students and their families at all age levels. Parents must also set good examples through proper budget planning, smart spending, financial goal setting, saving and investment. Currently, the only required curriculum related to financial literacy is offered in a half year course in economics at the high school level. Some groups (see the NYS PTA website) have proposed national standards. PTA must encourage the US and NYS Education Departments and local school districts to expand the scope of the existing curriculum at all levels P-16 and develop materials, guidelines and staff development to implement age-appropriate programs of instruction on personal financial literacy. Financial education should include components to help students develop an understanding of the appropriate skills relating to the roles of money, credit, budgets, financial planning and other relevant personal finance topics in order to permit them to understand and appropriately manage their finances.

PTAs can forge partnerships with schools and local community organizations such as banks and credit unions to offer programs for all age levels. Many of these organizations have curriculums already in place and will partner with schools to offer free programs. PTAs can also tie financial literacy to other programs such as core critical thinking skills or Internet Safety to warn about phishing schemes and easy credit or "too good to be true" offers.

Topics for PTA awareness programs could include: school banking, allowances, savings and investments, part-time jobs, car loans, credit, insurance, paying for college, goal setting, bankruptcy, education level vs. expected income and money management skills for life after school on their own such as rent, utilities, cost of cell phones, cable TV. PTA can also offer programs that can help parents work with their children to learn the necessary skills.

There are a wealth of online resources available that describe financial literacy standards, needs, and programs. See the NYS PTA web site for a list of program ideas resource links.

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