

SCR97 / SR51

Measure Title: REQUESTING THE DEPARTMENT OF EDUCATION TO ESTABLISH A HAWAII PUBLIC SCHOOLS FINANCIAL LITERACY TASK FORCE.

Report Title: Financial Literacy; Public Schools; Task Force

Description:

Companion:

Package: None

Current Referral: EDU

Introducer(s): KIDANI, HARIMOTO, TOKUDA, Inouye, Kouchi, Nishihara



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 04/01/2015
Time: 01:30 PM
Location: 229
Committee: Senate Education

Department: Education
Person Testifying: Kathryn S. Matayoshi, Superintendent of Education
Title of Resolution: SCR 097 REQUESTING THE DEPARTMENT OF EDUCATION TO ESTABLISH A HAWAII PUBLIC SCHOOLS FINANCIAL LITERACY TASK FORCE.

Purpose of Resolution:

Department's Position:

The Department of Education (Department) appreciates the intent of SCR 97 which proposes to establish a financial literacy task force. However, the Department respectfully suggests that SCR 97 should be held in committee and provides the following comments:

On July 1, 2014, the Department presented the College, Career & Civic Life (C3) Framework for Social Studies State Standards to the Board of Education (Board) Student Achievement Committee. (Refer to <http://goo.gl/GuzumA>, in particular Attachments F and H.) The C3 Framework supports the three main goals of the Department's Strategic Plan and its purpose is:

- To guide states on upgrading state social studies standards;
- To provide a rigorous, inquiry-driven pedagogy that builds 21st century critical thinking and problem solving skills; and
- To foster engaged and effective citizens who can successfully transverse the worlds of college, career, and civic life.

In applying disciplinary tools and concepts, the C3 Framework includes Civics, Economics, Geography, History, Anthropology, Psychology, and Sociology. *"Economic understanding [is focused] on help[ing] individuals, businesses, governments, and societies choose what resources to devote to work, to school, and to leisure; how many dollars to spend, and how many to save; and how to make informed decisions in a wide variety of contexts. Economic reasoning and skillful use of economic tools draw upon a strong base of knowledge about human capital, land, investments, money, income and production, taxes, and government expenditures."* (See the attached C3 Framework document at <http://goo.gl/3nH67I> and refer to pages 35 - 39 for suggested K-12 Pathway for Economic Decision Making, Exchange and Markets, The National Economy, and the Global Economy.)

During School Year 2014-15, the Department is in the process of:

- Working with the Social Studies Content Panel to examine how the C3 Framework may be used to update our existing Hawaii Content and Performance Standards III to specify 21st

century learning targets.

- Developing and providing C3 Framework professional development and resources for a rigorous, inquiry-driven pedagogy that will guide social studies teaching and learning in the 21st century.

This fall, the Department will solicit feedback from social studies partner organizations and provide another update to the Board. Partner organizations include but are not limited to the Hawaii Council on Economic Education (HCEE), Hawaii Council for the Humanities, and the Federal Reserve Bank of St. Louis. Free classroom resources for educators to use to teach about money and banking, economics, personal finance and the Federal Reserve are available at www.stlouisfed.org/education.

While C3 is under review, the department currently maintains the following subjects are offered to students:

1) Economics is one of the five strands in social studies education, from kindergarten through grade twelve. This strand either deals directly with financial literacy, or provides a foundation for discussion of financial literacy concepts in all grade levels.

2) All high school students are required to take one year of social studies elective credit. Students may choose to take Economics to fulfill part of their elective credit.

Within the larger Economics framework course, major aspects of financial literacy include but are not limited to the understanding the function of stock markets, creating personal financial plans related to income saving and spending, the role of loans, credit, and investment options in personal financial plans.

3) The Common Core State Standards for mathematics allow students to address financial literacy in real-world situations.

Modeling links classroom mathematics to everyday life, work and decision making. It is the process of choosing and using appropriate mathematics and statistics to analyze empirical situations, to understand them better and to improve decisions. Real world situations are not organized and labeled for analysis, thus analyzing them is appropriately a creative process. Examples of such situations may include:

- Designing the layout of the stalls in a school fair so as to raise as much money as possible.
- Analyzing different interest rates.
- Evaluating and comparing strategies on the basis of expected values. e.g., compare a high-deductible versus a low deductible automobile insurance policy.
- Modeling savings account balance, bacterial colony growth, or investment growth.
- Engaging in critical path analysis, e.g., applied to turnaround of an aircraft at an airport.

As financial literacy is incorporated into curriculum opportunities, the department suggests that this measure is not necessary at this time.

Finally, in January 2010, the "Final Report of the Hawaii State Asset Building and Financial Education Task Force" was provided to the Legislature. Based on research carried out by the Task Force, the report included policy recommendations addressing financial education as it pertained to the Department and University of Hawaii at Manoa. A link to the report is provided here for the Committee's perusal - <http://goo.gl/rqbM9p>

Should this measure continue, SCR 97 will impose a workload increase on the Department. Effective implementation of SCR 97 to support the task force would require additional funding of \$75,000 for travel costs, substitute teachers, curriculum review, and the development of data metrics, etc. The Department also requests that additional funding does not replace or

adversely impact priorities indicated in our Executive Budget.

Thank you for the opportunity to testify on this measure.



SCR97/SR51

**REQUESTING THE DEPARTMENT OF EDUCATION TO ESTABLISH A HAWAII PUBLIC
SCHOOLS FINANCIAL LITERACY TASK FORCE.**

Senate Committee on Education

April 1, 2015

1:30 p.m.

Room 229

The Administration of the Office of Hawaiian Affairs (OHA) will recommend to the Board of Trustees a position of **SUPPORT** for SCR97/SR51, which requests the Department of Education to establish a financial literacy task force. This bill aligns with OHA's strategic priority of improving the economic self-sufficiency of Native Hawaiians.

Without knowledge and understanding of complicated and non-intuitive financial considerations, many people may have difficulty managing their personal finances and making sound decisions regarding such matters as purchasing, saving, investing, and borrowing. According to the Corporation for Enterprise Development (CFED) Assets and Opportunity Scorecard, while Hawai'i may rank high in some areas of household financial security, our residents may also lack important financial skills that would otherwise contribute to their economic self-sufficiency. For example, Hawai'i ranks 29th in its percentage of underbanked households, or households without a bank account or that must use often-costly alternative financial services for their basic transaction and credit needs. Particularly troubling is recent Federal Deposit Insurance Corporation (FDIC) data showing that over 34% of Native Hawaiians and Pacific Islanders in Hawai'i are unbanked or underbanked, compared to the 23.5% state average.

Such a lack of financial literacy can be especially damaging to students and families during hard economic times, when budgeting and planning for economic self-sufficiency is particularly critical.

Accordingly, these measures may facilitate greater financial literacy and economic stability in future generations, by helping to determine whether Hawai'i's public schools can include financial literacy as part of their educational curriculum.

Accordingly, OHA urges the Committee to **PASS** SCR97/SR51. Mahalo nui for the opportunity to testify on this important measure.



Pauahi Tower, Suite 2010
1003 Bishop Street
Honolulu, Hawaii 96813
Telephone (808) 525-5877

Alison H. Ueoka
Executive Director

TESTIMONY OF ALISON UEOKA

COMMITTEE ON EDUCATION
Senator Michelle N. Kidani, Chair
Senator Breene Harimoto, Vice Chair

Wednesday, April 1, 2015
1:30 p.m.

SCR 97 / SR 51

Chair Kidani, Vice Chair Harimoto, and members of the Committee on Education, my name is Alison Ueoka, Executive Director of the Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately thirty-six percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council supports these Resolutions whose purposes are to explore the implementation of a mandatory program in the DOE for financial literacy. Although there are some programs available now on financial literacy, a mandated program in the public school system would reach a broader segment of our children and give them practical tools to manage their financial lives at an early age and into adulthood.

We urge you to pass these resolutions. Thank you for the opportunity to testify.



Board Members

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Malachi Krishok
AmeriCorps VISTA

Date: March 31, 2015

To: Senator Michelle N. Kidani, Chair, Senator Breen Harimoto, Vice Chair, and members of the Committee on Education

From: Brent Kakesako, Hawai'i Alliance for Community-Based Economic Development (HACBED)

Re: Support for SCR 97 / SR 51

Aloha Chair Kidani, Vice Chair Harimoto, and Committee Members,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) supports SCR 97 / SR 51, which requests the Department of Education to establish a Hawai'i Public Schools Financial Literacy Task Force.

HACBED was established in 1992 as a nonprofit statewide intermediary to address social, economic, and environmental justice concerns through community-based economic development and asset building strategies. It advances its mission with core competencies in the areas of community and organizational capacity building, community and economic development planning, and asset policy development and advocacy. HACBED played a facilitating role in the State Asset Policy Task Force and was a key contributor to the State Asset Policy Road Map. As such, HACBED sees a Financial Literacy Task Force as the logical next step.

The Family Economic Self-Sufficiency Standard (FESS) depicts the obstacles that Hawai'i families are facing. The FESS measures the amount of money that individuals and families require to meet their basic needs without government and/or other subsidies and the data shows the following percentage of families who fall below the self-sufficiency standard statewide:

- 25.9% of families with two adults and two children;
- 77.3% of single-adult families with one child; and
- 74.3% of single-adult families with two children.

Financial literacy is a critical need from a young age to help youth understand the situations they are facing. SCR 97 / SR 51 would establish a Task Force that would determine the best way to integrate financial literacy into existing public school curriculum with the help of community partners

Mahalo for this opportunity to testify,

Brent N. Kakesako
Executive Director
Hawai'i Alliance for Community-Based Economic Development

Senate Committee on Education – **Hearing on April 1, 2015 at 1:30 pm**

Senator Michelle N. Kidani, Chair

Senator Breene Harimoto, Vice Chair

SCR 97 / SR 51: Requesting the Department of Education to Establish a Hawaii Public Schools Financial Literacy Task Force

Chair Kidani, Vice Chair Harimoto and members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii is made up of life insurance agents throughout Hawaii, who primarily market life, annuities, long term care and disability income insurance products.

SCR 97 and SR51 are requesting that the DOE establish a “financial literacy task force”.

We **support** the resolutions. Teaching students at an early age to develop financial management skills to navigate real world situations is beneficial to society as a whole.

NAIFA has local and state associations across our nation and was founded in 1890 as the National Association of Life Underwriters and changed its name in 1999 to better reflect the membership. Part of our purpose is to protect and promote the critical role of insurance in a sound financial plan and the essential role provided by our professional agents and advisors.

NAIFA has an ongoing partnership with the “Life Happens”, a non profit organization dedicated to helping Americans take personal financial responsibility through the ownership of life insurance and related products. Life Happens (www.lifehappens.org) does not endorse any product, company or insurance professional. Its only interest is seeing that consumers get the coverage they need to protect themselves and their loved ones by educating the public about important insurance planning topics.

Life Happens has a high school program called “Next Generation Financial Literacy Program” that has already reached more than 28 million students & more than 80,000 teachers nationwide since its launch in 1007. In 2013, Life Happens joined with Scholastic for its newest iteration of the program which is designed to provide high school teachers with tools to educate students about the importance of proper financial planning and risk management, as well as life, health and disability insurance. **The program is entirely web-based and free of charge at: www.scholastic.com/nextgeneration.**

Each module has a teacher's guide on how to teach the segment, corresponding student activities, videos, and interactive quizzes. Teachers can utilize the complete program of teach the modules as stand alone segments.

We ask for your favorable consideration by adopting these resolutions. Mahalo for this opportunity to testify.

Cynthia Takenaka
Executive Director
Phone: 394-3451

Presentation To
Senate Committee on Education
April 1, 2015 at 1:30pm
State Capitol Conference Room 299

Testimony in SUPPORT of Senate Concurrent Resolution 97, Senate Resolution 51

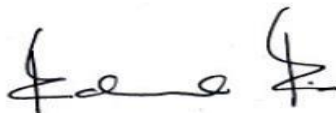
TO: The Honorable Michelle N. Kidani, Chair
The Honorable Breene Harimoto, Vice Chair
Members of the Committee

My name is Edward Pei and I am the Executive Director of the Hawaii Bankers Association (HBA). HBA is the trade association representing eleven FDIC insured depository institutions with branch offices in the State of Hawaii.

The Hawaii Bankers Association is in strong support of any and all efforts to include financial literacy in the curriculum of Hawaii's public schools. The experience of our institutions suggests that many young adults are ill equipped to handle even the most basic financial concepts, such as writing a check and balancing a check book, or using and managing a credit card. Managing personal finances, household budgeting, and planning for their financial future, or major expenditures, are critical skills that most are not prepared to handle. Some independent schools are beginning to introduce these concepts to their students and we believe these topics should also be taught in public schools.

Education seems to be evolving across the country and more schools are beginning to teach "life skills", rather than just the basic academic subjects. It is encouraging to see skills such as project and time management, human interaction, and communications be important focuses in the schools of the future. One of those life skills should definitely be managing personal finances and, while it is not necessary to make every child a financial expert, it is important that they enter adulthood equipped with a basic understanding of personal finances.

Thank you for the opportunity to submit this testimony and please let us know if we can provide further information.



Edward Y. W. Pei
(808) 524-5161



March 30, 2015

SCR 97/SR 51 – REQUESTING THE DEPARTMENT OF EDUCATION
TO ESTABLISH A HAWAII PUBLIC SCHOOLS FINANCIAL
LITERACY TASK FORCE

Senate Committee on Education
April 1, 2015, 1:30pm, Conference Room 229

Aloha e Honorable Committee Members,

I am writing on behalf of the Hawaii Jump\$Tart Coalition to request the Senate Committee on Education to support SCR 97/SR 51 – Requesting the Department of Education to Establish a Hawaii Public Schools Financial Literacy Task Force.

The Hawaii Jump\$Tart Coalition is a nonprofit organization that consists of 20 member individuals and organizations across the state supporting and delivering financial literacy to children from birth through college-age. In 2013 our Coalition members collectively trained 3,000 volunteers/teachers and served 15,000 children with financial education through our various programs.

Our membership **STRONGLY SUPPORTS** SCR 97/SR 51 – Requesting the Department of Education to Establish a Hawaii Public Schools Financial Literacy Task Force as a vehicle for the Department of Education, financial educators, and other key stakeholders to identify areas of collaboration and partnership that will serve to increase the financial life skills of our Hawaii children so they may raise families in Hawaii, become active contributors to our local economy, and help build strong, self-sufficient communities for generations to come.

Our Hawaii Jump\$Tart Coalition stands ready to provide support and partner with the Hawaii Department of Education to identify cost-effective, efficient, and evidence-based approaches to integrating financial education into the public school system. We see the task force as an opportunity to create an “economic sustainability plan” for the State of Hawaii – an opportunity that not only will serve to increase the financial life skills of our children, but will serve as an investment in our children as our most untapped resource for building and sustaining a strong local economy. Please let us have the opportunity to come together for this purpose.

Members

Bank of Hawaii

Council for Native
Hawaiian
Advancement

Ewa Beach CBDO

Experian

First Hawaiian
Bank

Gary Baumer

Hawaii Council on
Economic
Education

Hawaii State
Federal Credit
Union

Hawaiian
Community Assets

Homestreet Bank

INPEACE

Junior
Achievement

Kelly Lee

Palama Settlement

Prince Kuhio
Federal Credit
Union

Queen Liliuokalani
Children’s Center

Rising T’s

University of
Hawaii
Cooperative
Extension Office

Zen Banx



Increase Financial Life Skills of Our Children

Research has shown that as little as 10 hours of personal financial education positively affects students spending and savings habits (*National Endowment for Financial Education, 1998*). More specifically, 86% of participants of a NEFE financial education project demonstrated an increase in financial knowledge or behavior when dealing with money after completing 10 hours of personal financial education.

While children often cite “parents” as their primary source of learning financial skills, we are faced with a reality that us as parents may not have even a basic understanding of how to manage our own finances. As a result, there is a growing marketplace of financial educators who are taking up the charge to provide financial education to our Hawaii children. However, for this work to have a long-term, systemic impacts on the financial life skills of our children.

Investing in Our Children to Strengthen Our Economy

According to Young Invincibles, a D.C.-based organization that focuses on educating and empowering young Americans on policy issues regarding higher education, health care and employment, Hawaii reports that 13.8% of our 16-24 years are out of school & work which “could depress economic opportunity for all Hawaii (residents) for years to come.” While our counterparts in the European Union have committed to investing an unprecedented \$8 billion to fight youth unemployment through innovative job/career training programs like Youth Guarantee, our nation has dedicated its resources toward a national education framework that promotes career- and college-readiness among our public school students as a plan to address our alarmingly high youth unemployment rate. This national approach was supported and furthered by President Obama's Council on Financial Capabilities, which in its final report released February 2013 ranked youth financial education as the nation's #1 priority for building long-term financial stability among our US families. The Council went on to highlight the need for youth financial education to be both “academic” and “hands on”, taking place in schools and communities through afterschool programs, youth-serving nonprofit organizations, and social service/housing providers.

According to the Hawaii Department of Education, Hawaii's high school dropout rate jumped 4.9% between 2000 & 2010 to 32.8%. This means nearly 1 in 3 of our high school students will not receive their high school diploma, and as a result, will earn, on average, \$9,245 less per year than those students who do graduate. Without a comprehensive approach to youth financial education that includes in-school financial education, we risk missing a critical opportunity to educate our children on how to become active contributors to our local economy.



For our local youth fortunate enough to graduate from high school and pursue college, they are faced with an economy that has limited career prospects, increasing tuition costs and student loan debt, and a high student loan default rate. According to the US Department of Education, the student loan debt rate that is growing at \$2,853/second, while the student loan default rate that has doubled since 2005 due to the widespread economic recession. As a result, an astounding 94% of student borrowers surveyed in 2012 were concerned about the debt burden they will face after college (College Savings Foundation). Both children who do not attend college and those who graduate with student loan debt are less likely to become homeowners, qualify for auto loans, start small businesses, and save for retirement, which are foundational to the economic recovery of our local communities (Consumer Financial Protection Bureau).

2008 Financial Education and Asset Building Task Force

In 2008, the State Legislature created a Financial Education and Asset Building Task Force to develop a report including policy recommendations addressing the need for financial education in public and private settings. The Task Force held meetings from September 2008 to December 2009. Our members included representatives from the government sector, universities, nonprofit organizations, business, community-based organizations, financial institutions, and the Legislature. No representatives from the Department of Education were present.

As a member of the Task Force, I can say that our meetings consisted primarily of identifying financial educators in Hawaii and the target populations they were serving. There were no formal discussions with the Department of Education, nor any other entities to determine the logistics and opportunities as they related to the delivery of financial education within the public school system.

While the 2008 Task Force was able to get a general sense of the State of Financial Education for children and families in Hawaii, it is critical for us as advocates, teachers, principals, and financial institution representatives to take the recommendations of that Task Force to the next level and apply them by having a conversation with the Department of Education about the need for financial education within our public school system. It is not to have a discussion about a mandate, but rather, a sustainability plan for our State that seeks to build the financial skills of our children so they can be our next generation of homeowners, business owners, college graduates, teachers and principals, and state senators.

Conclusion

Mahalo for the opportunity to provide testimony in support of SCR 97/SR 51 – Requesting the Department of Education to Establish a Hawaii Public Schools Financial Literacy Task Force.

Our Hawaii Jump\$Start Coalition stands ready to provide support and partner with the Hawaii Department of Education to entertain cost-effective, efficient, and



evidence-based approaches to integrating financial education into the public school system. We see the task force as an opportunity to create an “economic sustainability plan” for the State of Hawaii – an opportunity that not only will serve to increase the financial life skills of our children, but will serve as an investment in our children as our most untapped resource for building and sustaining a strong local economy.

Please feel free to contact me at 808.587.7653 or via email at jeff@hawaiiancommunity.net should have you any questions or need clarification.

Sincerely

Jeff Gilbreath
President

SENATE COMMITTEE ON EDUCATION
Wednesday, April 1, 2015 — 1:30 p.m. — Room 229

I Strongly Support SCR 97, Requesting the Department of Education to Establish a Hawaii Public Schools Financial Literacy Task Force

Dear Chair Kidani, Vice Chair Harimoto, and Members of the Committee:

My name is Brandon Lee and **I strongly support SCR 97**, which creates a public schools financial literacy task force.

Money, and our ability to earn it and manage it, plays an overwhelming part of our daily lives. Furthermore, this challenge impacts people of all ages. Yet, financial literacy education is sporadic at best in Hawai'i's public school system.

In an economic system a generation ago, a person could expect to obtain a high school diploma to get a livable wage job, which included benefits such as a pension and medical coverage. Furthermore, Social Security was expected to cover and subsidize retirement costs and the cost of homes was more affordable to the average Hawai'i resident. Most importantly though, this meant that the average Hawai'i resident did not have to be as knowledgeable about finances to both be and feel financially secure.

In today's globalized economy, the government and businesses are cutting benefits including pensions and medical coverage. Furthermore, budgets in both the public and private sector are tight to remain economically competitive. This means workers will need to find ways to navigate their financial realities on their own. At the same time, financial instruments and programs have become increasingly complex and difficult to understand. In their lifetime, a young student will have to understand simple financial literacy topics like opening a savings account and using interest to their advantage to understanding long term care insurance and the value of a Roth IRA.

In the chart below "Financials Over a Lifetime," I've listed many of the financial considerations a young person will need to successfully navigate. In the end, there is little time and room for mistakes.

Financials Over a Lifetime

An estimated lifetime budget for a two parent household with two children:

Income

Your Salary (Age 25 to 67):	\$	45,000	x	42 years	=	\$	1,890,000
Your Spouse's Salary (Age 25 to 67):	\$	45,000	x	42 years	=	\$	1,890,000
Investment and Retirement Earnings:	\$	10,000	x	42 years	=	\$	420,000
Social Security Earnings:	\$	3,500	x	240 months	=	\$	840,000

Income Total: = **\$ 5,040,000**

Student Needs to Learn: Pay of Job Desired, Importance of Working, Financial Impact on Relationships, How to Open a Checking and Savings Account, How to Invest, What is Social Security, etc.

Expenses

Cost of Home:

20% Down Payment:	\$	675,000	x	20%	=	\$	135,000
30 Year Mortgage (Interest Included):	\$	540,000	with 4% interest rate		=	\$	940,000
Federal and State Taxes on Salary:		20%	of salaries		=	\$	756,000
Utilities (Electricity, Water):							
Electricity:	\$	250	x	720 months	=	\$	180,000
Water and Sewer:	\$	250	x	720 months	=	\$	180,000
Cable and Internet:	\$	100	x	720 months	=	\$	72,000

Food, Clothing, and Entertainment

Food:	\$	13,000	x	60 years	=	\$	780,000
Clothing:	\$	4,000	x	60 years	=	\$	240,000
Entertainment:	\$	6,000	x	60 years	=	\$	360,000
Mobile Communications:	\$	150	x	720 months	=	\$	108,000
Automobile Costs:	\$	20,000	x	10 cars	=	\$	200,000
Education (K-12 or College):							
K-12:	\$	1,000	x	26 years (2 kids)	=	\$	26,000
College:	\$	10,000	x	8 years (2 kids)	=	\$	80,000
Wedding Costs:	\$	25,000	x	3 (yours and kids)	=	\$	75,000
Travel Costs:	\$	4,500	x	20 times	=	\$	90,000
Healthcare Costs:	\$	6,000	x	60 years	=	\$	360,000
Insurance and Retirement Costs:	\$	11,000	x	40 years	=	\$	440,000
Funeral Costs:	\$	7,000	x	2 people	=	\$	14,000

Expenses Total: = **\$ 5,036,000**

Student Needs to Learn: Identifying Their Dream Expenditures, Cost of Housing, Understand Taxes, Understand Paying Their Bills, Importance of Becoming Financially Disciplined, What are Different Retirement Accounts, Different Health Care Options, Different Insurance Needs, Need for Wills and Trusts, etc.

Net Difference: = **\$ 4,000**

Student Needs to Learn: How to Create a Budget to Accomplish their Goals and Dreams

Takeaway Lesson: Financial literacy is a complex methodical skill, but can be taught. At the same time, individual plans are often required to ensure a young person's financial plan matches their goals and dreams. Furthermore, economic structures such as the loss of pensions, means young people are increasingly having to navigate their financial course on their own, but with little to no financial literacy training. Yet, there is also little time and room for mistakes.

A study conducted by Fidelity Investments found that 86% of millionaires are self-made and did not grow up wealthy. Financial literacy, while complex, is a methodical skill that can and needs to be taught in all Hawai'i public schools. This should be a goal for all education administrators and a public policy mandate as one of the greatest tools to prevent generational long-term poverty in some of our most dire communities.

At the same time, each student is an individual with his or her own dreams and aspirations. We know that not everyone in life is able to accomplish his or her dreams and it is often due to a lack of financial literacy. Currently, with few schools exposing Hawai'i's public school students to financial literacy training, our children are not adequately prepared to face the financial realities they will encounter when they enter into the real world. This will only make their lives more difficult.

As the world becomes more sophisticated and complex, it becomes more punishing for a young person to not immediately establish a path for financial self-sufficiency. For example, only some people understand the concept of compounding, and few understand how powerful it really is. In the chart below "The Power of Compounding", you diligently save and invest \$2,000 every year in your 20s and then stop. Meanwhile, a friend does not save in his/her 20s, but saves and invests \$2,000 every year from 30 to 60 years old. At the stock market's long-term growth rate of 8%, you would have more money than your friend when you both turn 60 while also putting in only 1/3rd of the amount of money. This demonstrates how extremely harmful it is for young people to be set out into the world without adequate financial training, only to potentially figure out financial literacy later in life after many years of trial and error.

The Power of Compounding

Compounding interest is powerful. Suppose you start right now, investing \$2,000 annually, tax-deferred, for 10 years. Now suppose your pal puts it off, investing \$2,000 in a similar account from year 10 through year 40. Assuming 8 percent interest a year for 40 years, look who comes out ahead.

Age	Years	YOU		YOUR PAL	
		Investment	Value	Investment	Value
21	1	\$ 2,000	\$ 2,160	\$ 0	\$ 0
22	2	\$ 2,000	\$ 4,493	\$ 0	\$ 0
23	3	\$ 2,000	\$ 7,012	\$ 0	\$ 0
24	4	\$ 2,000	\$ 9,733	\$ 0	\$ 0
25	5	\$ 2,000	\$ 12,672	\$ 0	\$ 0
26	6	\$ 2,000	\$ 15,846	\$ 0	\$ 0
27	7	\$ 2,000	\$ 19,273	\$ 0	\$ 0
28	8	\$ 2,000	\$ 22,975	\$ 0	\$ 0
29	9	\$ 2,000	\$ 26,973	\$ 0	\$ 0
30	10	\$ 2,000	\$ 31,291	\$ 2,000	\$ 2,160
31	11	\$ 0	\$ 33,794	\$ 2,000	\$ 4,493
32	12	\$ 0	\$ 36,498	\$ 2,000	\$ 7,012
33	13	\$ 0	\$ 39,418	\$ 2,000	\$ 9,733
34	14	\$ 0	\$ 42,571	\$ 2,000	\$ 12,672
35	15	\$ 0	\$ 45,977	\$ 2,000	\$ 15,846
36	16	\$ 0	\$ 49,655	\$ 2,000	\$ 19,273
37	17	\$ 0	\$ 53,627	\$ 2,000	\$ 22,975
38	18	\$ 0	\$ 57,917	\$ 2,000	\$ 26,973
39	19	\$ 0	\$ 62,551	\$ 2,000	\$ 31,291
40	20	\$ 0	\$ 67,555	\$ 2,000	\$ 35,954
41	21	\$ 0	\$ 72,959	\$ 2,000	\$ 40,991
42	22	\$ 0	\$ 78,796	\$ 2,000	\$ 46,430
43	23	\$ 0	\$ 85,100	\$ 2,000	\$ 52,304
44	24	\$ 0	\$ 91,908	\$ 2,000	\$ 58,649
45	25	\$ 0	\$ 99,260	\$ 2,000	\$ 65,500
46	26	\$ 0	\$ 107,201	\$ 2,000	\$ 72,900
47	27	\$ 0	\$ 115,777	\$ 2,000	\$ 80,893
48	28	\$ 0	\$ 125,039	\$ 2,000	\$ 89,524
49	29	\$ 0	\$ 135,042	\$ 2,000	\$ 98,846
50	30	\$ 0	\$ 145,846	\$ 2,000	\$ 108,914
51	31	\$ 0	\$ 157,514	\$ 2,000	\$ 119,787
52	32	\$ 0	\$ 170,115	\$ 2,000	\$ 131,530
53	33	\$ 0	\$ 183,724	\$ 2,000	\$ 144,212
54	34	\$ 0	\$ 198,422	\$ 2,000	\$ 157,909
55	35	\$ 0	\$ 214,295	\$ 2,000	\$ 172,702
56	36	\$ 0	\$ 231,439	\$ 2,000	\$ 188,678
57	37	\$ 0	\$ 249,954	\$ 2,000	\$ 205,932
58	38	\$ 0	\$ 269,951	\$ 2,000	\$ 224,566
59	39	\$ 0	\$ 291,547	\$ 2,000	\$ 244,692
60	40	\$ 0	\$ 314,870	\$ 2,000	\$ 266,427

\$ 48,443 Greater Savings by You in Year 40 (Age 60)

Takeaway Lesson: If you save and invest in your 20s and then did nothing else, you will have more money than your pal who did not save in their 20s and then every year saved and invested in their 30s, 40s, and 50s. Furthermore, you would have only put in a 1/3rd of the money as your pal. Therefore, it is imperative to get young people to become financial knowledgeable and disciplined from a young age.

Another example of how important your early financial path can be is the impact of interest rates. Everyone has a FICO score, which determines the interest rate you receive on a loan such as a mortgage. The FICO score is dependent upon how financially disciplined you are, including your historical financial track record. In the chart below “FICO Score and Interest Rates,” you and your friend are both 31 years old and want to buy a single family home on O’ahu, whose 2014 average price is \$675,000. You each were able to provide a 20% down payment of \$135,000, not including fees – you from diligently saving in your 20s and your friend through an inheritance. Due to your better financial discipline and better credit history, you are able to get a 30 year fixed rate mortgage at 3.5%. Meanwhile, your friend whose FICO score was not as high, obtains a 4.5% interest, which is only a 1% difference and does not sound like a lot.

But, after those 30 years, that 1% difference in interest rates means you friend pays ~\$114,000 more in total payments to the mortgage company. On a pre-tax salary basis, this is the equivalent of an average Hawai’i worker (who makes ~\$45,000 a year), having to work an additional 3.5 years to make up the difference.

These seemingly small differences in paths at a very young age, end up in monumental gaps in wealth by the time one gets to be of retirement age. Financial literacy is absolutely critical for Hawai’i’s young people to learn early so they can be in a better position to experience the life they hope and dream about.

FICO Score and Interest Rates

Your FICO score is an individual's personal rating used by most banks and loan institutions to determine a loan rate. Your FICO score is based on your payment history (longer = higher FICO score), amount of debt outstanding (less debt = higher FICO score), amount of credit history (longer = higher FICO score), types of credit used (more types = higher FICO score), and search for credit (less credit and loan applications = higher FICO score). Your FICO score is a representation of how trustworthy you are, financially speaking. To obtain a higher score, a person needs to demonstrate their financial trustworthiness. A higher credit score can provide a lower interest rate on loans such as mortgages, car loans, credit cards, and student loans. This is how a lower interest rate impacts the average person:

Let's say you and your pal (both 31 years old) each just signed up for a 30 year fixed interest rate mortgage for an average Oahu single family home (\$675,000 in 2014). You both managed to put a 20% down payment (\$135,000 not including fees). Therefore, each 30 year mortgage is \$540,000. Your higher FICO score meant you received a 3.5% interest rate. Meanwhile, your pal, who has a lower FICO score, received a 4.5% interest rate. Look who comes out ahead.

Age	Years	YOU			YOUR PAL		
		Principal Payment	Interest Payment	Total Paid Over Time	Principal Payment	Interest Payment	Total Paid Over Time
31	1	\$ 10,461	\$ 18,900	\$ 29,361	\$ 8,851	\$ 24,300	\$ 33,151
32	2	\$ 10,827	\$ 18,534	\$ 58,721	\$ 9,250	\$ 23,902	\$ 66,303
33	3	\$ 11,206	\$ 18,155	\$ 88,082	\$ 9,666	\$ 23,485	\$ 99,454
34	4	\$ 11,598	\$ 17,763	\$ 117,442	\$ 10,101	\$ 23,050	\$ 132,606
35	5	\$ 12,004	\$ 17,357	\$ 146,803	\$ 10,555	\$ 22,596	\$ 165,757
36	6	\$ 12,424	\$ 16,937	\$ 176,163	\$ 11,030	\$ 22,121	\$ 198,909
37	7	\$ 12,859	\$ 16,502	\$ 205,524	\$ 11,527	\$ 21,625	\$ 232,060
38	8	\$ 13,309	\$ 16,052	\$ 234,884	\$ 12,046	\$ 21,106	\$ 265,211
39	9	\$ 13,775	\$ 15,586	\$ 264,245	\$ 12,588	\$ 20,564	\$ 298,363
40	10	\$ 14,257	\$ 15,104	\$ 293,605	\$ 13,154	\$ 19,997	\$ 331,514
41	11	\$ 14,756	\$ 14,605	\$ 322,966	\$ 13,746	\$ 19,405	\$ 364,666
42	12	\$ 15,272	\$ 14,088	\$ 352,326	\$ 14,365	\$ 18,787	\$ 397,817
43	13	\$ 15,807	\$ 13,554	\$ 381,687	\$ 15,011	\$ 18,140	\$ 430,969
44	14	\$ 16,360	\$ 13,001	\$ 411,047	\$ 15,686	\$ 17,465	\$ 464,120
45	15	\$ 16,932	\$ 12,428	\$ 440,408	\$ 16,392	\$ 16,759	\$ 497,271
46	16	\$ 17,525	\$ 11,836	\$ 469,768	\$ 17,130	\$ 16,021	\$ 530,423
47	17	\$ 18,138	\$ 11,222	\$ 499,129	\$ 17,901	\$ 15,251	\$ 563,574
48	18	\$ 18,773	\$ 10,587	\$ 528,489	\$ 18,706	\$ 14,445	\$ 596,726
49	19	\$ 19,430	\$ 9,930	\$ 557,850	\$ 19,548	\$ 13,603	\$ 629,877
50	20	\$ 20,110	\$ 9,250	\$ 587,210	\$ 20,428	\$ 12,724	\$ 663,029
51	21	\$ 20,814	\$ 8,546	\$ 616,571	\$ 21,347	\$ 11,804	\$ 696,180
52	22	\$ 21,543	\$ 7,818	\$ 645,931	\$ 22,308	\$ 10,844	\$ 729,332
53	23	\$ 22,297	\$ 7,064	\$ 675,292	\$ 23,312	\$ 9,840	\$ 762,483
54	24	\$ 23,077	\$ 6,283	\$ 704,652	\$ 24,361	\$ 8,791	\$ 795,634
55	25	\$ 23,885	\$ 5,476	\$ 734,013	\$ 25,457	\$ 7,695	\$ 828,786
56	26	\$ 24,721	\$ 4,640	\$ 763,373	\$ 26,602	\$ 6,549	\$ 861,937
57	27	\$ 25,586	\$ 3,775	\$ 792,734	\$ 27,800	\$ 5,352	\$ 895,089
58	28	\$ 26,482	\$ 2,879	\$ 822,095	\$ 29,050	\$ 4,101	\$ 928,240
59	29	\$ 27,408	\$ 1,952	\$ 851,455	\$ 30,358	\$ 2,794	\$ 961,392
60	30	\$ 28,368	\$ 993	\$ 880,816	\$ 31,724	\$ 1,428	\$ 994,543

\$ 113,727 Greater Savings by You at end of Mortgage (Age 60)

Takeaway Lesson: Through financial discipline in your 20s, you can save lots of money, not only on mortgage debt but other forms of debt as well. In the example above, you saved ~\$114,000 more than your pal in post-tax earnings due to a 1% lower interest rate, which stemmed from financial literacy. \$114,000 in post tax money is about the equivalent about three to four years of an average worker's earnings in Hawaii. Therefore, it is imperative to get young people to become financial knowledgeable and disciplined from a young age.

These examples are just some of the challenges that young people will face and are likely to find trouble navigating. Sadly, in education, you don't know what you don't know until you learn what you don't know. Therefore, they will not be able to understand that one of the reasons for their financial difficulty is that the Hawai'i public school system did not create a systemic policy that would have taught them financial literacy throughout their educational formative years.

Policy makers often discuss the "brain drain" of our children having to leave their families, friends, and our state to start lives elsewhere, often due to economic reasons. This permanently reshapes the very culture of who Hawai'i is.

I am 30 years old and I watch a lot of my peers stress over work so they can meet their basic needs and then stress with their remaining time because they worry about never getting ahead of their financial situation. It places great stress on their significant others, their families, their friends, and most importantly on their own self-esteem and self-worth.

I also believe the great recession of 2008 – 2011, changed the millennial generation. They understand how important money is to their success and began to save more judiciously. However, the next generations of students need to learn the financial literacy lessons that can help prepare them to make more informed decisions. It should not have to take an economic downturn for a generation to learn to be proactive about their financial future. It is no longer acceptable to avoid the taboo subject of money with our children.

A starting point for solving the lack of financial education is in 2008, the Legislature passed Senate Concurrent Resolution 92 and Senate Resolution 52, which created a task force to focus on asset building strategies and mechanisms. The stated goals at the time included:

- Universal, matched savings accounts for newborns
- Statewide standards for financial and economic education for public and private sector employees
- The elimination of asset limits as a bar to eligibility to public benefits programs

While not directly focused on financial literacy in schools, the report does briefly note financial education in schools in a few places in the report. One goal of the five goals set forth by the financial education subcommittee notes, "All Hawaii residents will receive (or have opportunity to receive) financial education when participating in the public education system from entry to exit."

The committee noted that the current status of K-12th grade includes:

- Financial literacy content and/or courses are at the discretion of the teachers and principal at any particular school
- The Hawaii Content and Performance Standards III do not currently include any significant financial literacy standards
- Schools are not required to offer financial literacy courses

- Students are not required to take financial literacy courses

Possible recommendations by the committee included:

- Teach basic financial needs, including budgeting, financial terms, etc. within the public education system. Incorporate these basic financial behaviors and concepts in a range of course subject matters, including math and economics.
- Make financial literacy an elective within the public education system.
- Make financial literacy a graduation requirement within the public high school system.
- Require financial education to those receiving post-secondary scholarships and financial aid.

The above bullet points are all the task force noted about financial literacy. Perhaps, most importantly, it did not indicate how to achieve any of these goals. Currently, the task force members have not implemented any of these goals since the recommendations were put forth in 2010. The task force this current resolution is trying to create would build upon the goals set in the previous task force and work on the details required to implement those recommendations.

For financial education to exist in all schools, I believe the proposed task force is the necessary start of a long-term process that begins with getting experts and stakeholders to come together in a formal, serious, task force whose sole focus is to make financial literacy education apart of the curriculum in every public school in the state.

In addition, part of the reason for a task force as a first step is to uncover what are the additional challenges, concerns, and funding levels required to implement a successful program. Through the task force bringing in many key stakeholders, the goal is also to obtain buy-in from many different and influential people and organizations. If successful, this initiative could require lots of time, financial resources, and a lot of compromise. However, if financial literacy is not implemented throughout the public schools, the status quo will remain and another generation of our children will desperately struggle to find answers to the financial challenges that await them in their future.

I urge this committee to pass this resolution and become champions for a long-term vision of providing our keiki with the financial literacy tools they will need to thrive within the public school education system.

Respectfully,

Brandon Lee

Email: bran1322@yahoo.com

HOUSE COMMITTEE ON EDUCATION
Friday, March 20, 2015 — 2:00 p.m. — Room 309

**[Kelly Lee- Mother of 2 Elementary school children] Strongly Support HCR 172 / HR 108,
Requesting the Department of Education to Establish a Hawaii Public Schools Financial
Literacy Task Force**

Dear Chair Takumi, Vice Chair Ohno, and Members of the Committee:

My name is Kelly Lee,

I strongly support the establishment of a Hawaii Public Schools Financial Literacy Task Force. I attended a private school here on Oahu and went on to graduate from college with honors with a degree in Business Management. I thought since I was “well educated” I would be prepared for life beyond school. I was not financially prepared at all. I made all the mistakes many of us make. I did not know how to handle a check book, credit cards, taxes, saving 401K, personal loans, car loans, student loans-the list goes on and on.

In today’s world, we no longer get an education and then go work for a company who will provide us with pensions, retirement accounts etc. We are on our own. Our children will most definitely be on their own to figure out how to navigate the financial decisions they will need to make and a daily basis. They may not even have Social Security by the time they are too old to work.

There is literally nothing more important than learning how to earn, save and manage money. We deal with finances and money every day-several times a day. I love history, math, science and all those things that we learn in school but, if I cannot figure out a way to feed my family, I have failed-no matter how many Cum Laude honors I receive.

This issue is too huge to ignore. I know we are far from getting financial education into the schools that so desperately need it but, we are completely failing our children, if we do not as parents and you as their advocates, do something to pave the way for a better understanding of the need for financial education.

I ask you, how many times did money come up in your life today?

I, Kelly Lee strongly support HCR 172 / HR 108

Respectfully,

Kelly Lee

Email: kellyreports@gmail.com