

Teaching Financial Literacy In Our Public Schools

Being able to manage money prudently is as essential a life skill as reading, writing, and arithmetic. That's why I believe that learning the ins and outs of personal finance should be included in Hawaii's public school curriculum.

The generations of Americans who lived through the Great Depression painfully learned the lessons of living within your means and saving up for a rainy day. Their discipline bolstered the overall financial health of the country. The following generations lived in relative prosperity and comfort, however, giving them a dramatically different sense of spending and saving.

In one survey on personal finance, 40% of those Americans polled indicated they lived beyond their financial means. This reliance on credit is a significant indicator of our country's spending habits. Before this decade's recession began, in 2004, Americans paid more than \$24 billion in credit card fees, a staggering amount considering there are 300 million people living in our borders. That \$24 billion on fees is 18% higher than it was just a year earlier.

Our average savings rate is another important measure of household finances. In 2005, the personal savings rate was -0.5%. A negative rate means that Americans were not saving, but were either increasing their borrowing or dipping into past savings. The significance of the negative rate was that it was the first time since the Great Depression that the rate was negative, which was one reason economists were so dire about the country's financial condition.

Defaults on borrowing is also a concern. The highest rate of bankruptcy was among adults aged 35-44 years of age, with young adults between the ages of 25 and 34 having the second highest bankruptcy filing rate.

As critical a life skill as money management is, one survey showed that only 26% of youth reported that their parents taught them how to do so. Making and living within a budget, differentiating between "wants" and "needs", spending prudently, managing debt and credit, saving and investing, saving up for goals and a rainy day, dealing with mortgages – these and many more are tasks that everyone needs to do. Even still, a 2004 study by the Jump\$tart Coalition for Personal Financial Literacy reported that 65% of all participating high school students failed an exam on personal finance basics.

Recognizing the importance of financial skills in light of statistics like these, eight states (Idaho, Illinois, Georgia, Kansas, Kentucky, New York, Texas, and Utah) either require a course in personal financial education for high school graduation or require that high schools offer the course. Hawaii includes the subject of personal finance in its public school educational standards but does not require students to be tested on it or that any courses on it to be offered at schools.

Research shows that as few as ten hours of personal financial education has a positive effect on students' spending and savings habits. Even Federal Reserve Chairman Ben Bernanke weighed

in on the importance of youth learning how to manage money early in life to prepare them to decide financial matters and comprehend the complex financial market as adults.

In 2007, I introduced a bill to mandate financial literacy in our public school system. The bill did not pass the Legislature. The state Secondary Students Conference, recently held at the State Capitol, considered a measure, Resolution 29, recommending that financial literacy education be required in Hawaii public schools to educate students about the importance of money management and personal finance.

The many measures of how Americans spend, save, borrow, pay fees and charges, and default, all point to the need for preparation in this critical life skill. I plan to introduce a bill on financial literacy in next year's legislative session. I believe that our young people will be better prepared for the responsibilities of adulthood by teaching them about budgeting, checking and savings accounts, credit cards, insurance, retirement accounts, stocks and bonds, and loans and mortgages. I hope that you agree and join me in supporting the bill as it winds its way through the legislative process.