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This We Believe About Personal Financial Literacy

In a 2008 message at the annual Jump\$tart Coalition Conference, Benjamin Bernanke, Chairman of the United States Federal Reserve Bank, stated that the financial preparedness of our youth is essential to their well-being and vitally important to the nation's economic future. He further affirmed the critical importance of individuals becoming financially literate at an early age so they are better prepared to navigate an increasingly complex financial marketplace. Promoting financial literacy must be a high priority, according to Bernanke.

The National Business Education Association's standard for Economics and Personal Finance addresses the importance of financial literacy to consumers as they make economic decisions related to their personal lives and careers. **Therefore, we believe** personal financial literacy is an essential component of business and economic education.

Research indicates a serious lack of personal financial literacy among both students and adults. Various media outlets have responded to the need for personal financial literacy with an increase in television and radio programs. Additionally, many local and national newspapers, including *The Wall Street Journal*, now have sections covering personal financial issues. With the increasing complexity of the financial world, teaching students to become financially literate is more important than ever. **We believe** personal financial literacy is a fundamental life skill. Credit card abuse, high debt levels, increased bankruptcies, and low savings rates illustrate the necessity for personal financial literacy at all educational levels. The well-being of individuals, households, and governments depends on citizens making effective financial decisions. **Therefore, we believe** personal financial instruction should begin during early elementary school and continue throughout life.

The President's Advisory Council on Financial Literacy, in its 2008 Annual Report to President George W. Bush, recommended the U. S. Department of the Treasury specify the requisite skills a person should have upon completion of a comprehensive personal financial literacy program. Research indicates that instruction and competency testing should include, but not be limited to, the following:

- consumer protection and fraud prevention
- credit and credit cards
- debt management
- financial institutions

- investments
- money management skills
- postsecondary funding plans
- retirement and estate planning
- risk management
- savings
- taxes

According to a recent Charles Schwab & Company survey, nearly two-thirds of U. S. teens believed they were prepared to deal with the adult financial world after high school. However, less than half of the teens responding considered themselves knowledgeable about budgeting, saving, investing, paying bills, or wisely using check-cashing services and credit. Even fewer teens believed they understood income taxes and retirement plans. **We believe** students who have the knowledge, skills, and understanding of personal financial principles will be better prepared to avoid excessive debt, safeguard assets, and make sound financial decisions.

Personal financial literacy is also vitally important to the overall welfare of consumers. Today's financial indicators show that the level of personal debt has been scaled back from its peak in 2008 but still remains high compared to historical data. U.S. citizens are starting to save more; however, personal savings rates continue to trail the 50-year average of 7 percent of disposable income. **Therefore, we believe** personal financial literacy is critically needed by people of all ages.

Based on the 2008 Survey of States, conducted by the Council for Economic Education, personal finance concepts were included, to some extent, in the educational standards of 44 states, with 34 of these states requiring implementation of personal finance standards. Thirteen states—representing nearly 31 percent of the entire United States population—have mandated a personal finance course (or personal finance concepts in an economics course) as a high school graduation requirement. **Therefore, we believe** all states should mandate a personal finance course for high school graduation.

Because business educators have undergone rigorous training and are certified to teach accounting and finance, they are the most qualified to teach personal financial literacy. **We believe** business educators must be vigilant in assuming the sole responsibility for teaching personal financial literacy and maintaining course integrity. Further, **we believe** business teacher education programs must continue to include personal financial literacy concepts and principles in required coursework.

Many web sites provide resources for instruction in personal financial literacy. One of the most comprehensive is the Jump\$tart Coalition for Personal Financial Literacy (www.jumpstart.org). A second comprehensive web site (www.mymoney.gov) was developed

in response to the 2008 President's Advisory Council on Financial Literacy to aid all consumers. Another excellent resource is the web site for National Endowment for Financial Education or NEFE (www.nefe.org). These three web sites were specifically selected because of their extensive resources and curricula tied to state standards.

CALL TO ACTION

We believe personal financial literacy is essential, beginning in early elementary school and continuing throughout life.

We believe personal financial literacy should be a high school graduation requirement in all states.

We believe business educators must lead the effort to teach students to make sound personal financial decisions and to accept the responsibility for providing personal financial literacy education to people of all ages.

We believe business teacher educators must ensure that new teachers are well prepared to teach personal financial literacy.

We believe that professional development opportunities must be provided so teachers remain current in their knowledge of personal financial literacy and instructional strategies.

Thus, we believe personal financial literacy education better prepares consumers to make tough—yet smart—financial decisions, building a stronger, more effective and efficient economy. Personal financial instruction by business teachers will have a positive impact on students' economic well-being and will help shape their futures.