Closing the Financial Literacy Gap

By: Randall P. Hallier CFP®
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The third biennial survey of financial literacy finds 68.1% of high school seniors with failing scores. The national survey of over 4000 12th graders conducted by the Jump$tart Coalition for Personal Financial Literacy, found an average score of just 50.2% on a practical 31 multiple-choice financial examination. Although adolescents identified parents as their primary source of financial information, 56% of parents could name only one example of specific financial advice provided to their child. Interestingly, 81% of parents who said they do a fair to poor job of managing their own money still consider themselves effective in giving their children financial advice.

In this age of information is there, in fact, a financial literacy gap? What are the long-term effects for a lack of financial knowledge on the financial futures of American workers?

Lack of financial education and the proper application of financial planning fundamentals have reaped a bumper-crop of woes. According to the American Bankruptcy Institute filings have risen 44% since 1992 with 2002 ranked as the highest number of filings in U.S. history.

Whereas 66% of American workers surveyed in the 2003 Retirement Confidence Survey felt somewhat to very confident that they would have adequate resources in retirement, only about 37% said they have actually calculated how much money they will have to have accumulated by the time they retire.

Universally, the often-touted solution to these issues is adequate financial education starting as young as possible. Despite the fact that some employers have taken steps to help educate employees, there remains a wide spread lack of knowledge about key financial issues to which workers must give considerable thought before retirement.

Notably, the President of the American Savings Education Council, Don M. Blandin, stated in is testimony to the Senate Committee on Banking, Housing and Urban Affairs that “more employers need to offer finance courses in the workplace” and “legislators need to provide public policy initiatives that offer incentives to employers to do so.” The main reasons that were cited were [1] Empowering participants to take control of their financial lives, [2] Help participants to get out of or avoid financial problems [3] Comply with regulations of requirements imposed by outside authorities, see ERISA Sec.404{c}, [4] Meet the organization’s increased stewardship responsibility and increase employee satisfaction or productivity.

For more information on providing worksite financial education and closing the financial literacy gap, contact Financial Workshops, LLC at (800)-875-1919, or email inquiries to FWLLC@financialworkhshops.info, or visit us on the web at www.financialworkshops.info.