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PRESS RELEASE

FINANCIAL FLUENCY: A PRICELESS LESSON FOR YOUR CHILD

Why Money Management Skills Must Start In the Home

SAN DIEGO, October 6, 2008 – In a financial literacy survey given to high school seniors by the Jump$tart Coalition early this year, students correctly answered only 48.3 percent of the questions, a decrease from the 52.4 percent the senior class of 2006 answered correctly. What's to become of these seniors when they graduate from high school and are out on their own?

In a survey conducted by the National Foundation for Credit Counseling (NFCC), results show that one third of Americans have no personal non-retirement savings, and millions struggle to pay bills on time with about 15 million adults getting calls from collectors or considering bankruptcy.

Financial "savvyness" is becoming more important in an increasingly complicated financial world. While income has been stagnant over recent years, expenses have soared. The month of May showed the steepest slide ever in home prices according to the S&P/Case-Shiller Home Price Index while the Labor Department reports that unemployment is at a four-year high with 5.7 percent of people jobless. Not to mention, the average college debt for recent grads is more than $20,000 and rising.

With these conditions teens are at an even larger risk to be in debt than ever before. Yet, less than half of parents surveyed said they teach their 11 to 14-year-olds how to keep track of their expenses or set a budget. Leaving financial education to the school system is not enough as 79 percent of students between 16 and 22 have never taken a personal finance class in school. It is important for parents to teach their kids financial literacy, even if they don't feel so literate themselves. The NFCC reports that about half of those who closely monitor their finances reported learned those money-management skills at home.

In discussing the following basics with them, they will become aware of the importance of money management – and knowing is half the battle. From there, they will be more inclined to pick up good habits on their own.

Debt-Free America would like to offer the following guidelines on how to be financially savvy and teach kids crucial personal money management skills:

- **Discuss the importance of personal financial management with your child.** Explain to them the basics of financial responsibility. Also, discuss with them the concepts of owning a home, investing in the market and retirement planning, and emphasize that all are important items they need to become aware of in order to survive in today's world.

- **Discuss general money management behaviors**:
    - Paying bills on time to avoid fees, and to maintain good credit
    - Reading bank statements regularly
    - Keeping an emergency fund worth 3 months of pay
    - Comparison shopping for mortgages, auto loans, insurance, etc.
    - Following a budget

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- **Discuss the difference between needs and wants**. Our needs are limited: we need food, shelter, water, clothes and companionship –everything else is a want. In a materialistic and consumer-crazed country as America, it's easy to forget a need versus a want.

Spending is also a choice. A homemade meal is a need, while steak at a fancy restaurant is a want. Wants come second to rent, food, retirement and that three month emergency fund. If, and only if, after all the needs are covered and bills are paid, there's money left over, then head on over to the steak house.

- **Do a budgeting activity**. Although many of us do not like to discuss our bills with others, it is your responsibility to see that your child sets out into the world armed with proper knowledge:
    - Collect all of your household bills, and go over them with your teen. Explain to them how much money you have to pay and have your child write out the checks.
    - If you pay your bills online, then have them go through that process with you as well.
    - After bills are paid, discuss how much money is left over and what will be done with it.
    - Plan out how you will use it: write out groceries, consider the co-pay for baby's visit to the doctor this month, how much will be anticipated for gas, etc.
    - Make sure you budget for one exciting "want" to reward your child for budgeting effectively, and to show them that once needs are met, you can then purchase a want as long as these are in moderation.

- **Start early by giving an allowance.** A good method for kids to apply these lessons is with an allowance that acts as their own personal budget:
    - Decide how much to give based on your child's spending habits and maturity, and your comfort level.
    - Always encourage your child to save some of their allowance and don't reach for your wallet if he or she runs out for the week.
    - Consider charging interest when your child wants an advance and soon he'll learn that borrowing is costly.

- **Discuss credit cards**. Explain to your children that a credit card's sole purpose is to help them build credit – that's it. Unfortunately, many of us use credit cards as extra income – we want that pair of shoes, so we put them on our credit card. Without the card, we wouldn't have been able to afford the item. This train of thought is what gets many consumers into trouble. Help your child with these credit tips:
    - Let's say you budgeted for a $100 shopping trip at your local grocery store, so $100 is what will be coming out of your paycheck for food this month.
    - Spend your $100 at the store and charge it to your credit card.
    - When the credit card bill comes, pay $100. Now you've used the card and paid it in full. This is what credit cards are for.

- **Do a credit card activity**. Gather all of the credit card offers you receive for the next two weeks, and then sit down with your child and help them decide which is the best offer. (This of course does not mean you are going to actually apply for the card). Go through the offers, and look at interest rates, their annual fees, etc.

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- Explain to them that even though they are trying to get you to open the card because you are “pre-approved” for 0 percent, if you were to apply for the card, it is quite possible you could actually get 9 percent or 14 percent instead. And if that’s the case, don’t use the card. “Pre-approved” only means you were approved to receive the advertisement, but they haven’t run your credit yet so it doesn’t mean you are guaranteed the rate they are offering.

- **Discuss the importance of good credit.** Kids should understand that good credit equals more opportunities in life. Maintaining good credit opens up many opportunities:
    - It will allow you to afford a car and even a home because when you show you are responsible, you are rewarded by receiving trust from lenders and therefore better interest rates and more opportunities.
    - A good credit score is approximately 700 and above (maximum is 850), and credit scores are mathematical equations created out of the information in your report, like whether you have made delinquent payments.

Given these factors, maintaining consistent payments is paramount, and staying away from the credit line on credit cards (not “maxing them out”) is also important. Your teen should plan on opening a credit card as soon as they turn 18, but if, and only if, they are going to use it to build credit, and not as extra income.

- **Discuss why retirement is so important**. In high school, kids are bound to have no understanding of why retirement planning is paramount, so this could be a tricky one. Explain that once they stop working in their old age, they will still have needs, such as shelter, food and clothes.

  Where will they get money to pay for these things? Being able to live in their old age is a need, and therefore more important than a lot of those wants they will have along the way in their life. Once again, putting money toward retirement comes before that steak at the fancy restaurant or that new purse.

Still feeling lost? There are many internet resources and books out there to help parents teach their children about money management. Visit Jump$tart Coalition’s website (www.jumpstart.org), whose sole purpose is to educate kids, or try www.consumerjungle.com, a website for parents on teaching children about credit and finances.

A Debt-Free America representative is available to discuss the basics when it comes to explaining the key basics of personal money management and tips on how parents can communicate about money more effectively to their children.

WHAT: Personal Money Management for Children and Teens

WHO: Debt-Free America
- Nationwide non-profit community service organization
- Offers confidential and professional credit counseling and debt management programs

WHEN: **Interviews are available immediately and ongoing**

WHERE: In-studio or phone interviews with local Debt-Free America counselors

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Debt-Free America is a 501(c)3 non-profit, community service organization offering confidential and professional credit counseling, debt management programs, and financial education to consumers nationwide. Debt-Free America is dedicated to providing FREE services to help financially distressed families and individuals effectively manage their personal finances. The Board members and operations staff have a long-term commitment to helping anyone in debt crisis, and even those not in a debt crisis. Debt-Free America has been in the business since 1997 and is now serving over 16,000 clients nationwide. Visit them on the web at www.debtfreeamerica.com.

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