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Scoring points for your financial future

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Young people are spending big — and investing, too

Financial education is growing in importance, interest

By Mindy Fetterman
USA TODAY

Chris Stallman is 21.

His mom (a banker) taught him to balance a checkbook at 8. His dad (a pharmacist) "would sit me down in front of CNBC while he was in the shower so I could watch the ticker to see how Walgreen's was doing."

Today, from his dorm room at the University of Michigan in Ann Arbor, he runs a Web site — www.TeenAnalyst.com — that aims to educate young people on how to manage their money and invest. "I'm really into 401(k)s," he says. "They're a-maaaaa-zing!"

Sarah Harper is 20.

She wants to be a CPA when she graduates from Hampton University in Hampton, Va. In April, she started an investment club at school that has 100 members. "I'm learning the

fundamentals right now," she says. "I have a vision of what I want, but I'm not an expert." Yet.

Both are part of a growing group of young people who are interested in personal financial planning, investing, even saving for retirement. Now. When they're young. Just like you're supposed to.

"Kids want to know: How can I become a millionaire with just an average salary?" says Harper. "They think that unless they're in sports or entertainment making six figures, they'll never be a millionaire. But you can. If you start early."

Twentysomethings who are in college today or have just graduated have more money, more debit cards, more bills for such things as cellphones and high-speed Internet, and more debt for such things as student loans than any generation before them. Yet, they have investments at an earlier age than their parents, according to Student Monitor, a marketing firm that specializes in studying young people. It surveyed 1,200 college kids this year

and found 23% own Savings Bonds, 13% hold individual stocks, 11% have bonds and 7% are in mutual funds.

The survey shows they're most likely to get Savings Bonds from family, but more likely to make their own decisions to buy stocks (40% decided themselves), mutual funds (42%), certificates of deposit (63%) and money market funds (48%).

These young adults learned about the stock market at the kitchen table when Mom and Dad were making a killing in the late '90s, saw the shock on their faces when the bust hit, and have listened carefully to warnings of, "Don't count on Social Security."

"It's cool to be an investor today," says Todd Romer, executive director of Young Money magazine, which is distributed free inside 35 college newspapers. "Students are a lot more savvy."

An industry has sprung up to educate young people about personal finances and investing. The government this month launched its

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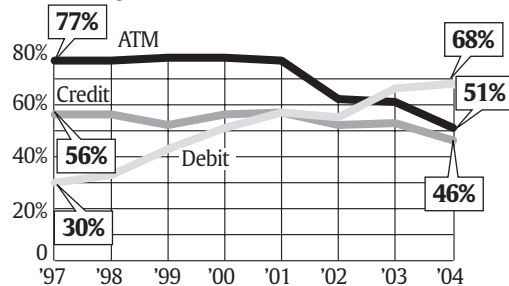
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first Web site dedicated to financial education, mymoney.gov, and a hotline, 888-MYMONEY (888-696-6639). The Treasury Department and the American Bankers Association partnered last week for the second annual "Get Smart about Credit Day" at high schools and a community college.

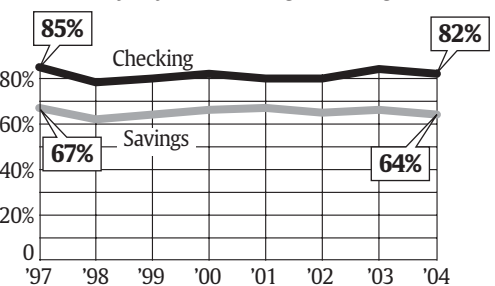
Two organizations that have pushed for financial education of high school students have expanded to include college students. The JumpStart Coalition, a non-profit group of banks, credit card companies and organizations such as Junior Achievement, this year pushed into the college market. Young Money shifted its focus to the college-age market two years ago.

How college kids manage their money

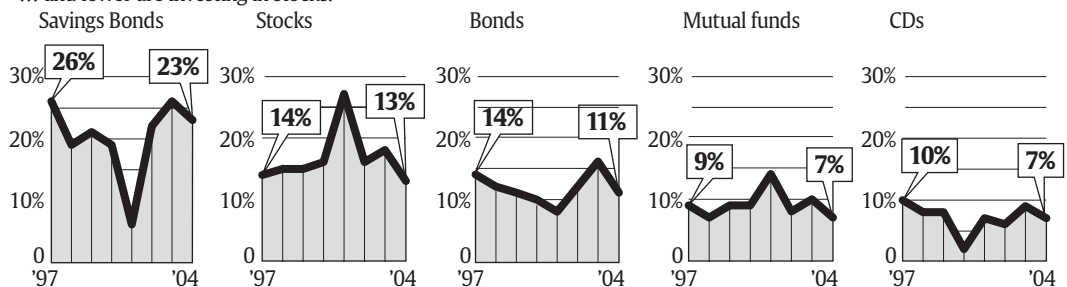
More are using debit cards instead of credit cards ...



... while a majority have checking and savings accounts ...



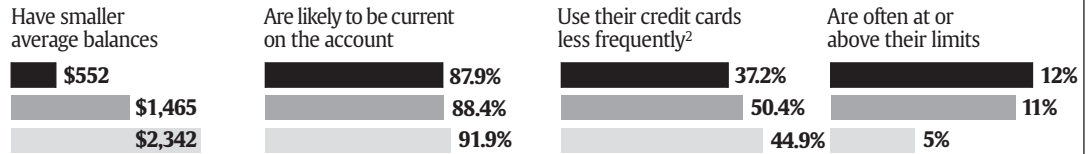
... and fewer are investing in stocks.



Source: 2004 survey of 1,200 full-time students at 100 four-year colleges and universities by Student Monitor.

How they spend

How college students use credit cards compared with peers and other age groups. They:



1 - 18-to-24-year-old non-student

2 - Percentage of credit line used

Sources: Georgetown University Credit Research Center October 2004 study of 310,000 credit card accounts nationwide. The study was sponsored by Your Credit Card Companies, a financial literacy program of major credit card companies.

By Adrienne Lewis, USA TODAY

Obstacles to overcome

But the education programs and the financial advisers to the young face two problems in preparing kids to start planning now for homeownership and retirement:

► **Many of them have too much.**

Unlike earlier generations, they have more money and they want more stuff. Now. Cellphones, laptops, iPods, cars.

"It's like in the military; they think it's 'basic issue,' like six pairs of socks," says Eric Weil, managing partner of Student Monitor. "Here's your cellphone and your car keys. They don't think of them as discretionary things."

Ask Jessica Bailey, dean of the Sidney Lewis School of Business at Virginia Union University in Richmond, Va., what's up with this generation, and she laughs gently.

"You talk about starving students, but they don't want to starve anymore. When my husband and I were in grad school, we were soooooo poor. But we didn't care. You're a student. You're supposed to be poor."

She says she hears a lot of students complain because they have to work while going to school. "I say: 'Why are you working?' And it's because 'I have

a car,' or 'I have this or that.' It's for things far beyond the necessities of life."

► **Many of them have too little.** Not every college student is financially prepared or comes from a home where laptops and electronic toys were showered on them.

Particularly for young minorities, financial education is growing in importance, says Theodore Daniels, president of the Society for Financial Education and Professional Development, a non-profit group that holds personal finance and other

seminars at historically black colleges and universities.

A recent study by the Pew Hispanic Center, a Washington think tank, found that during the past recession, the average net worth of Hispanic and African-American households fell, while the net worth of white households rose.

"Just look at the statistics," Daniels says. "There's a big gap between African-Americans and white Americans in their net worth. It's amazing. A lot of our kids are hearing this information for the first time because they come from households where financial matters aren't discussed."

Virginia Union, a historically black university, hosted a personal finance session by Daniels' group as part of its freshman orientation.

"Some of the questions I heard, frankly, surprised me," Bailey says. "Kids are already in trouble with credit cards. Here they are, 18, and already in a hole they're trying to dig out of. That's sad."

No matter the ethnic group, the generation in college and just out needs the information. They're grappling with student loan debt of nearly \$60 billion and credit card debt of \$500 million. In the late '90s, people under 25 became the fastest-growing group to file for bankruptcy, according to a 2000 study by a Harvard University law professor.

On the other hand, college kids are using debit cards more than credit cards. They have smaller balances on their credit cards than young adults who aren't in college or older adults. They use their credit cards less frequently, according to a recent study

by the Georgetown University Credit Research Center in Washington.

Not reality television

Many of them also have unrealistic expectations of what they can afford and what they could or should buy, an attitude some blame on an overhyped view of life they get from TV, movies and the media.

"You know the TV show Friends?" asks Sanyika Calloway Boyce, a "financial fitness coach" in New York and author of personal finance books aimed at young investors such as *Crack Da Code: What Every College Student Needs To Know About Money, Love and The Dream Job*. "I've lived in New York and had friends who worked in coffee shops, and believe me, their apartments didn't look like that."

Stallman says twentysomethings also are impatient when it comes to investing. "I tell them to stick with a mutual fund until they get used to it. Don't jump into buying a stock. Once they're older than, say, 15, they have a slightly better chance of succeeding (in individual stocks). But with young investors, it's hard. They really are impatient."

Harper is trying to preach to her investment club the importance of learning to budget first, then invest later, and only when you understand what you're doing.

Her biggest piece of advice on saving money? "Your cellphone: Don't take it with you to class. I learned the hard way. Turn it off."

To help young people get a grip on their money, at least 16 states require financial education in high school, and 39 have passed resolutions supporting it, according to the U.S. Treasury's

Office of Financial Education (www.treasury.gov/financial_education). Some classes are available at universities, mainly through the business schools, or at community colleges.

"When you get into college, you get the bigger stuff, like the global economy," says Laura Levine, executive director of the JumpStart Coalition. "They don't teach you how to balance your checkbook."

Student Monitor's Weil agrees, and he sheepishly admits that the same is true for his daughter, who "finally graduated from grad school at 27 and was a stellar student."

She got her first job and was so proud of the amount of her paycheck that she bragged to her dad. He asked: "Is that net or gross?" She replied: "Daddy, what's the difference?" You'd think, says Weil, that "someone should have taught her the difference." (Answer: Net is after taxes; gross is before.)

Stallman worries that too many young people don't realize the importance of financial education. "Don't put off learning about personal finance, especially if you're getting your first job," he says. "Those are the years you can get behind, get on the wrong track, get big credit card debt." He has friends who have \$6,000 to \$7,000 charged up on their cards. That, he says, is not good.

It's that kind of expertise that's made his Web site slightly profitable. He's even helping a sibling with her finances. "I have an older sister who just got engaged. I told her I'd help set up her 401(k)."

Young people are spending big – and investing, too

Objectives:

Students will:

- read a recent article about financial education on college campuses.
- check their comprehension of key facts in the article.
- decide how they would spend a given amount of discretionary income and defend their choices in writing.
- identify the three functions of money and find examples of each in a recent issue of USA TODAY.

Concepts:

- budgeting
- decision making
- investing
- functions of money
- net/gross income
- debt

Preparation:

Pre-reading: Ask students how important they think it is for high-school and college students to receive a sound financial education. What financial topics should every young person understand thoroughly?

Distribute the article, “Young people are spending big – and investing, too.” Have students read the story silently. As a class, discuss the questions on the following page.

For homework, have students complete the activity. Encourage them to seek their parents’ advice.

Finally, direct individuals or pairs to consult USA TODAY and complete the graphic organizer on the functions of money. Then, ask students: Of the three uses of money, with which are you most familiar? Least familiar? Describe the circumstances in which you learn about each of the functions of money.

Activity at a glance:

- Grade level: 9-12
- Subjects: personal finance, language arts
- Estimated time for this activity: 1-3 hours, including 1 hour of homework

Materials:

- Reading: “Young people are spending big – and investing, too” (one copy per student)
- Graphic organizer: “What is money?”

Young people are spending big – and investing, too

Discussion:

Why are financial education and know-how becoming more important to today's youth? At what age should individuals begin learning about financial planning, investing and retirement options? Why do today's twentysomethings have more bills, credit/debit cards and overall debt than any other previous generation? How does investing at an early age change a person's financial future? What obstacles do financial advisers face when counseling young adults? What factors contribute to youths' unrealistic financial expectations?

Activity:

Discretionary income is money left over for “nonessential” items (e.g., cellphones, Internet connections, video games, etc.). Imagine that you are a new wage-earner and have only \$75 worth of discretionary income to spend each month. Determine which products or services you would allocate your money to and which you would have to cut from your current lifestyle. Explain each choice in writing.

Activity extension:

Imagine a future in which: 1.) health care is consumer-driven; 2.) Social Security is privatized (i.e., you are solely responsible for making wise investments for your retirement); 3.) the deregulation of utility companies requires you to select a reliable, cost-effective gas, electric and phone company from a substantial number of choices; 4.) all jobs require computer proficiency. Design a high-school curriculum (four years, seven classes per year) that will adequately equip students to function in this future.

Additional resources:

- The Federal Government's website, mymoney.gov, provides Americans with advice on saving, investing and managing their money.
- The mission of the Jump\$tart Coalition for Personal Finance is to “encourage curriculum enrichment to ensure that basic personal financial management skills are attained during the K-12 educational experience.” For more information, visit www.jumpstart.org.
- Young Money's site tries to make money management “fun and easy to understand.” Go to: www.young-money.com.
- Goodpayer.com offers a handbook entitled “Learn Now or Pay Later” that helps young adults understand the basics of credit and debt. Go to www.goodpayer.com. You will see the book, available in PDF format, at the bottom of the page.

What is money?

We all know that it's necessary to have money to survive in the modern world. You have already made many financial transactions in your lifetime. However, most of us don't consider how money actually functions. In fact, money serves us in three ways: 1. It makes *trading* easier. 2. It is a *measure of value*. 3. It is a *store of value*. Read more about the functions of money below. Then, complete the graphic organizer.

Directions: Look through USA TODAY for articles that illustrate the ways money serves us. In the space below, note each article's headline and page number. Then, explain how it illustrates the particular function of money at left.

1. HELPS TRADE

To appreciate how much money helps us conduct business, consider for a moment the alternative, barter. You have probably traded food, clothes or other items with your friends or siblings. Imagine what would happen however, if businesses and consumers had to negotiate a trade for every transaction. The result would be chaos. A product you produce or want to sell may be desired by some but not by others. Monetary transactions are always acceptable.

Headline/Page:

Explanation:

Headline/Page:

Explanation:

2. MEASURES VALUE

Money is a unit which tells us the value of products and services. So, it is a common measure of value in our economy. A car is worth so many dollars, a computer so many and a shirt so many.

Headline/Page:

Explanation:

Headline/Page:

Explanation:

3. STORES VALUE

Often, people choose to save part of their income for future use. Money provides a convenient way to store purchasing power. Savings may take a variety of forms; however, many people place their money in savings accounts in banks or other financial institutions.

Headline/Page:

Explanation:

Headline/Page:

Explanation: