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Boosting Kids' Financial IQ

By David Bogoslaw

There's nothing like the worst financial crisis in 70 years to inject a note of urgency into the idea of developing responsible money habits at an early age.

The renewed push for financial literacy is gaining momentum, but the effort to introduce a curriculum for kids as early as first grade goes back 10 years or more. In 2008, the President's Advisory Council on Financial Literacy recommended more education for students of all ages, and created the National Financial Literacy Challenge, a voluntary competition that allows high school students to test their knowledge.

The concerns go to the nation's top financial officials. Federal Reserve Chairman Ben Bernanke has placed a heavy emphasis on financial literacy, having addressed the topic in recent speeches. Even Federal Deposit Insurance Corp. Chairman Sheila Bair has written two books for kids about the importance of saving money toward short- and long-term goals.

Piggy Bank with a Twist

Teaching young children of low- and moderate-income families is just as important as more advantaged kids, since parents in all income brackets put money into their kids' hands, says **Susan Beacham**, a former private banker who started Money Savvy Generation with her husband, Michael, 10 years ago. "As soon as a child has currency, you have to teach them what to do with it or else their impulse is going to be to spend it," she says.

A child's attitude toward a relationship with money is pretty much set by age 13, says Rancourt. That understanding has driven Money Savvy Generation and the Jump\$tart Coalition for Personal Financial Literacy to develop personal finance curricula for elementary school-age children. Financial education isn't new, though. The first such course was created by Catherine E. Beecher, older sister of Harriet Beecher Stowe, in 1842 and lay the foundation for what came to be called home economics, according to Leslie Linfield, executive director of the Institute for Financial Literacy in Portland, Maine.

Money Savvy Generation provides a more nuanced version of the traditional piggy bank to give kids a better understanding of all the uses of money. The transparent pig is divided into four compartments with a coin slot for each, representing saving, spending, investing, and donating. "The **Money Savvy Pig** frames the spend impulse for kids, helping those who can't delay gratification to distract themselves from the impulse by thinking of alternatives," says Beacham. "Delayed gratification is a learned behavior. This has great implications for retirement savings."

Money Savvy's personal finance curriculum is now being taught in at least 30 states. Guidance counselor Vicky McKinlay has taught the eight-week program to second graders, once a week, since it was incorporated into Washington State's math curriculum five years ago. Kids in her classes visit a local credit union and see how an ATM machine works from the back end and how banks detect counterfeit bills. A core aim of the curriculum: to teach kids they can withdraw or

spend only as much money as they have put into the bank, says McKinlay. Sounds pretty basic, but it's a lesson many adults are now relearning painfully after 20 years of easy credit.

Too Soon to Tell

The second-grade program ends with a family money press conference where kids interview their family members about what they learned on their first job and about managing money in general. "It gets them in touch with the world of work and the world of money," says McKinlay.

While independent research shows the curriculum has positively affected children's attitudes when it comes to the four choices," Beacham says. "What we don't know yet is whether we're changing behavior," since the first students to have gone through the six levels of curriculum are just now becoming seniors in high school.

The lessons stick, Beacham says, because kids are more receptive when they're learning other life skills and have years to exercise those skills.

Parents Learning, Too

Educational efforts directed at young children inevitably spill over to include adults, who tend to be more involved when their kids are in the younger grades than they are later on, says Beacham. Elementary school teachers are the first adults who need to be won over since they won't take on the curriculum unless they're comfortable with it. The pig helps. "It's such a traditional icon that's been tweaked. As soon as they see it they say, 'I get it,'" she says.

Getting kids to grasp the essentials of money management is hard as long as the concepts remain abstract.

Making the curriculum come alive is the aim of the 14 Finance Parks that Junior Achievement has built in cities around the U.S. Near the end of a 10-week program, eighth graders spend a day at one of these mini-cities, where they get to apply classroom lessons in a simulated real-life situation. Each student is given an identity and life circumstances, such as a mother of three earning \$42,000 a year, and has to balance a monthly budget. Students visit 18 storefronts to negotiate goods and services that correspond to an 18-line budget learned in class.

"We let students through the day get ahead of themselves...[which requires] recalculating," says Edward Grenier, president and chief executive president of Junior Achievement of the National Capital Area. "Everybody needs to have a balanced budget by the time they leave."

Preparing for a New Reality

More than the financial crisis itself, it's all the reporting on the dramatically different financial world that today's children will inherit that has awakened parents as they weren't before to the need to teach their kids about finances to prepare them for that new reality, says Beacham. "And it's going to take more than money. It's going to take knowledge of how to manage money," she says. "[Parents are feeling] 'the sooner I start, the more successful they'll be as adults.'"

Bogoslaw is a reporter for *BusinessWeek's* Investing channel.