

Why Students Can't Bank on Financial Literacy *Los Angeles Times*

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Even as many young people are about to start their first jobs or head to college with the prospect of enormous student loans, some often don't know basic money skills.

Those include understanding the differences between checking and savings accounts, the terms of a credit card or the finances of buying a car, to name just a few topics.

Courses explaining personal finance often aren't part of a high school curriculum, so many students have to look elsewhere — mainly at home — for answers.

Loyola Marymount University in Los Angeles is trying to help, offering financial literacy “boot camps” for high school students.

David Choi is director of the school's Center for Entrepreneurship and Ron Rishagen is an entrepreneur in residence at the university. Both are involved in the boot camps, and we asked them to walk us through the problem. Here's an edited excerpt:

What grade would you give high school seniors for their knowledge of basic money matters, such as how to write a check or how banks sometimes put a hold on a deposited check?

Choi: Probably a C-minus. More important than those mechanics is their understanding of the value of money and the idea of budgeting and not overspending. There's also the sense of delayed gratification and not spending all you've got but saving for a better tomorrow. That kind of mind-set is where they really lag. On that, the grade would be even worse.

Why is there a lack of understanding?

Choi: There's no place in the child's development and through their education where they get any kind of lessons on money. At home, you have a couple of extra hours a day, and the students do their homework or study for the SAT or practice baseball. It doesn't take a lot of time [for money matters] but there isn't time in the kids' schedule to fit that in.

What about learning these things in school?

Rishagen: I taught at a high school for 12 years. It's really a travesty that educators have not made a requirement for financial literacy to be on the curriculum. Why do we learn how to calculate the area of a triangle in high school but not the power of compound interest?

What if financial literacy was taught in the public schools? How would that affect the poverty level or the crime level?

The parents are lacking in this kind of knowledge as well. We have had requests from parents if they could sit in on the workshops.

Choi: The lack of financial literacy is not just K through 12. I think most college students by the time they graduate probably know little about financial money matters.

Other than the mechanics of money, what else must students know about personal finance?

Rishagen: They need to save more than they spend. They need to invest early and frequently. They need to pay off any debt they have and use credit sparingly. They need to build assets. And they need to learn how to create passive income, say interest from certificates of deposits or other savings accounts.

At each of these workshops we've had, we started off asking the students if they want to be financially successful. You get 100% show of hands. Then the last question I ask is how many of you have had financial education in your schooling? Zero hands go up.

High school seniors often are looking at obtaining a credit card; do they have enough basic knowledge about credit cards?

Rishagen: They have the mind-set that a credit card is free money for them, not realizing [there are] interest charges and that if they don't pay on a timely basis, their credit scores are going to be affected.

How hard is it to get across the idea of delayed gratification to a high school student?

Rishagen: It's kind of a tough sell because they're 17 or 18, and they don't look past next week. We try to tell them that if they start now, their money can grow substantially through the power of compound interest.

Have advancements in banking, such as debit cards, changed how young people think about money?

Choi: It has made spending money easier, so I think the importance of self-control and learning about budgeting is even more important.

Rishagen: We encourage the use of debit cards because that helps track their spending, which in turn helps them develop and control their budget. We try to instill the discipline that if they're on a budget, they should stick to that budget and not just have short-term gratification.

Our students are required to prepare a budget of their own. In one semester, I probably kicked back 90% of the budgets because they were incorrect. For instance, they thought their gross income is what goes into the bank and didn't take into consideration all the deductions [such as taxes]. They were overstating their budget.

Choi: Even at the college level, I think most kids have never budgeted.

What's the students' reaction in your workshops? Personal finance can be pretty boring for a high school student.

Rishagen: Their reaction overall is very positive because we don't just stand there and lecture. They work in groups on various projects.

In one case, we gave them a budget for lunch. They were required to buy four different things — an entrée, a side, a drink and a dessert — and they couldn't go over \$15 and couldn't go below \$10. That kind of activity gets them stimulated, and they learn how to budget their food expenses.

Another of our objectives with the workshops is for the students to "save it forward," where they can go home and instruct their friends, siblings, even their parents and make [the education] a domino effect.

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