

A study in savings

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Financial literacy courses abound, but vary widely; banks avoid opportunism

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For Whitney Cheatham, it was as if her financial literacy class had parted the clouds and clearly laid out her future.

Beyond the din of her Arsenal Technical High School classmates, chattering about buying cars and trendy clothes, Cheatham could glimpse the trade school across town where she wants to study law enforcement.

"It shows me a lot about wants. As teenagers, we just want everything. It's not that we need it, we just want it. The program has shown me to make priorities of needs," Cheatham said of the class that has encouraged her to sock away money for trade school tuition.

The class is taught not by her teachers, but by bankers as part of the Bank One Academy. The program covering everything from financial goal-setting to budgeting is presented twice a month to 23 Tech and 20 Northwest High School students. It also gives students like Cheatham the opportunity to earn a \$1,000 scholarship.

Programs teaching financial life skills to students are on the rise, buoyed by alarming rates of bankruptcies and home foreclosures. Indiana led the nation in personal bankruptcies in 2001 and ranked sixth-worst last year. Just two years ago, the state had the nation's highest rate of home foreclosures.

Another incentive for reaching future consumers in their formative years is the spiraling rate of consumer credit outstanding, which reached a record \$2.02 trillion in February, according to the Federal Reserve. Meanwhile, the personal savings rate as a percentage of disposable income is around 3.4 percent, or less than half that of the early 1990s.

"The school districts are very big into financial literacy right now. . . . The fact is, people are getting more in debt at an earlier age," said Matt Will, a finance professor at the University of Indianapolis who also teaches finance and career skills to high school students.

But financial literacy programs are largely hit-or-miss, depending on the school. They vary in depth and eligibility. And some well-intentioned efforts sponsored by banks to help cash-strapped schools still can smack of opportunism.

"Today's youngsters are tomorrow's financial services consumers," noted a letter the Indiana Bankers Association sent bankers, encouraging them to participate in National Teach Children to Save Day, on April 22.

Liz Georgakopoulos, former Conseco insurance executive who heads Indiana State University's new \$20 million effort to promote financial literacy, said banks are aware of that perception.

"Banks have approached us and have said, 'We also recognize that we are biased and perceived to be biased,' " she said.

It's expected

On one hand, banks need to get acquainted with people in communities with a high percentage of unbanked consumers, said Jean Ann Fox of Consumer Federation of America.

Indeed, banks such as Fifth Third expect all their banking centers to reach out to local schools to help teach kids about money, said spokeswoman Natalie Guzman.

On the other hand, students need to be protected from pure marketing efforts. "It depends on what they (banks) are teaching and how they're doing it. If it is indoctrination to only go to that

one bank, it's another matter," Fox said.

The students in the Bank One Academy wear blue T-shirts with the Bank One logo. They alternate classroom locations -- at their school and at the Bank One Tower in Downtown Indianapolis.

But the bank's products are never promoted, said Bank One spokeswoman Nancy Norris. "Good heavens, no. It's not about selling at all."

Quiet support

She said Bank One also provides financial support that is transparent to students. That includes a \$350,000 contribution to Junior Achievement for its new education center and a \$9,500 donation to the Indiana Council for Economic Education for its stock market simulation program in schools. "They may be potential clients down the road" but "maybe they'll remember that goofy little seminar we put on and learn from it," said Greg O'Connor, first vice president and manager of private banking at First Indiana Bank, of students in the bank's Saturday morning sessions for teens.

The three-hour classes seek to get kids get on the right financial footing before they get their first loans or credit cards. Topics include budgeting, living costs, how credit scoring works and how not to get entangled in credit-card debt.

"Many of them don't understand when you look at a credit card that you really need to pay attention to how they calculate interest," O'Connor said.

Bank One's high school program includes interest-rate exercises. Students learn how long it would take to save a certain amount, at a set annual interest rate.

When teaming up with financial institutions, other schools are using standardized curriculum developed by nonprofit organizations.

For example, Forum Credit Union assists teachers at Hamilton Southeastern High School who use a course by the National Endowment for Financial Education.

No branding

"There is nothing at all that is branded by Forum. . . . We'll either do something that is in the program or talk about something if (the teacher) wants to extend the subject matter in a different way than in the book," said Andy Mattingly, a senior vice president at Forum.

Establishing more uniform curriculum that defines core financial competencies -- and puts in place accountability -- is one of the goals of NetWorks, Indiana State's financial literacy program

"What is the most effective way to reach out to our audience, whether it is K through 12 or an adult community?" asked Georgakopoulos. "You want to know that we are teaching it in an effective way and to make sure they (students) are grasping it in the way we intended."

NetWorks hopes to have a pilot program running this fall.

Meanwhile, schools already have a number of potential resources for financial education. For example, Junior Achievement and the Indiana Jumpstart Coalition long have offered programs and support.

The nonprofit Central Indiana Academy of Finance is working to institutionalize curriculum to expand the teaching of business and personal finance skills to teens. It already is active at eight schools, including Warren Central and McKenzie Career Center in Lawrence Township.

Purdue Extension Service educator George Okantey teaches money skills to a number of high school students in Central Indiana.

Call Star reporter Chris O'Malley at (317) 444-6081.

Teaching teens

National Endowment for Financial Education money tips:

- * Look for teachable moments. If a child wants to purchase a large item, use the opportunity to set up a savings plan for that item and determine how much the child will have to save each week.
- * Teach the value of compound interest. Discuss with your child a compound interest rate chart to show how a dollar grows.
- * Pace spending. Review a child's allowance to make certain the income covers what you expect him or her to pay for. Teach thrift by lengthening the time between paying an allowance, such as every two weeks.

* Introduce budgeting. A spending plan will reduce the chance that you will have to loan a child money between allowance pay periods.

* Teach market concepts. Consider buying the child a small amount of stock and help her keep track of it. This stresses the importance of diversification and goal-setting.

Teens and money

Nationwide survey shows how kids acquire and handle money:

Receives an allowance

Yes: 39.7%

No: 60.3%

Amount of allowance received

Less than \$40: 49.4%

\$40-\$80: 32.2%

\$80-\$140: 9.6%

\$140-\$200: 4.1%

More than \$200: 4.7%

Students who have jobs during the school year

Yes: 52%

No: 48%

Credit-card use

Have own credit card: 12.7%

Do not have own card: 87.3%

Sources: Junior Achievement, Teen Research Unlimited, Ohio State University and Jupiter Communications

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