

Networks Program Takes on Financial Literacy Problems

July 26, 2004

Indiana Business Journal

Networks Program Takes on Financial Literacy Problems

Group aims to educate Hoosiers about their finances

Brent Adams

Statistics tell an alarming tale about the financial situation of many Hoosiers.

According to the Administrative Office of the U.S. Courts, more than 55,000 people in Indiana filed for bankruptcy between March 31, 2003, and March 31, 2004. Indiana ranked sixth in the nation in 2003 in the proportion of bankruptcy filings per household, according to the American Bankruptcy Institute.

In recent years, Indiana's mortgage foreclosure and payment-delinquency rate has been either the worst or next-to-worst in the nation -- nearly twice as high as the national average.

In addition, borrowers in Indiana have had more trouble keeping up with home-equity loans than consumers in other states. Earlier this year, the American Bankers Association reported the percentage of such loans at least 30 days past due stood at 9.2 percent for Indiana borrowers, compared with a national average of 2.5 percent.

In an attempt to improve the state's poor personal-finance status and educate the public on wise ways to manage finances, the Indianapolis-based Networks Financial Institute of Indiana State University is becoming more aggressive in its education, community outreach, research and lobbying efforts.

"There is a rapid deterioration [of financial literacy] and we feel like we can draw from our resources to address some of the issues people are confronted with," said Liz Georgakopolous, executive director of Networks and former president of Conseco Insurance Group.

Founded in early 2003 with a \$20 million grant from the Lilly Endowment, Networks is developing a wide array of financial literacy initiatives.

On Networks' plate over the next 12 months are plans for preparing students for careers in the financial services field, teaching financial management skills to students in grades K-12, conducting financial literacy research, and lobbying state and federal lawmakers to create financial services reform and financial literacy education legislation.

"It's fair to say that there is a great need for more [financial literacy] information from the cradle to the grave, and it's a true national issue," said Charlie Richardson, chairman of the insurance and financial services team for Indianapolis-based law firm Baker & Daniels.

Richardson also serves as an adviser to Networks, working as a liaison between the group and lawmakers, lobbyists and trade associations in Washington, D.C.

"Networks has the objectivity to make a significant impact on the American financial services industry," Richardson said.

Starting them young

Part of Networks' mission is to help students at ISU in Terre Haute find their way into the financial services field. The school has 29 Networks scholars on campus, all of whom have received scholarships, laptop computers and additional grants to attend conferences or study abroad.

But Networks wants to begin stressing financial management skills to students as early as kindergarten, Georgakopolous said.

The idea isn't to turn all students into financial planners or bankers, but rather responsible consumers able to manage their own finances.

"We want to connect university research to the needs in the financial field," Georgakopolous said.

"We can also partner with organizations like Junior Achievement and the Department of Education to tailor programs for public and private schools."

Networks currently is reviewing curriculum designed by organizations throughout the United States, and hopes to begin entering classrooms around the state beginning in the spring of 2005.

"The program will be created in a way that it meets the comprehensive standards of the Indiana

Department of Education," Georgakopolous said.

And not only will the program be tailored to the students, it will be geared toward parents, as well. "It all comes back to the parents," she said. "Most parents say, 'I've taught them everything I know,' but that's just not enough. The bottom line is many [parents] have fear when it comes to finances, so they won't teach their kids about the subject."

Without action, the problem will grow, said Georgakopolous, who pointed out the growing usage of credit cards by today's college students.

"The fact is that spending by children is higher than it's ever been..." she said. "Something has to be done to educate these kids before they run into trouble."

It will be up to individual school corporations to decide whether to invite Networks into their schools, said Indiana Department of Education spokeswoman Mary Wilhelmus.

"Grade-by-grade finance is covered under social studies and math standards, and we have certain requirements students must meet," said Wilhelmus, who was unfamiliar with the Networks program.

"It wouldn't be for us to say" if the Networks program should be used in Indiana schools, Wilhelmus said. "Every [school] corporation of Indiana has the right to choose [whom] they contract with, and there is a wide variety of communitybased programs they can choose from."

Conducting research

Another aim of Networks is to conduct research into the practices of the financial services industry and use the findings to help in education and financial policy lobbying efforts.

"We want to be a catalyst for change," Georgakopolous said. "We want to objectively inform the decision makers both in the corporate and legislative arena."

That will become increasingly important as Networks seeks funding to support programming in the schools. Initially, the organization will use the Lilly Endowment money to fund pilot programs, she said. Then, Networks officials will seek state and federal funding sources to ensure the program can continue to grow and reach as many Hoosiers as possible.

"We are still trying to identify opportunities," Georgakopolous said. "A significant amount of money is coming to bear from the federal level that we can tap into. It's just a matter of time."

Creating a national presence

And the federal money may be easier to come by as Networks continues to get its name out on the national scene, said Lloyd Benjamin, president of Indiana State University's College of Business.

Networks in February played host to a mutual fund regulatory reform summit in Washington, D.C., that attracted the likes of House Financial Services Capital Markets Subcommittee Chairman Richard Baker, R-La., and Sen. John Sununu, R-N.H.

The organization also hopes to open a satellite office in the nation's capital in the future, Georgakopolous said.

"I hope that the state is able to benefit from Networks' services, but I believe we are creating something that can enhance the awareness of the quality of [the ISU business] school, and attain prominence both on a national and international scale," Benjamin said. "Indiana State has, for quite some time, had a reputation for having strong financial services and risk management programs. We want to leverage that reputation to benefit all of Indiana, and maybe create a program that becomes a model for programs around the country."