

MX

Finances for **Kids**



Training in financial management can be an effective way to improve knowledge in **five areas**:



Predatory Lending Practices



Public and Work-Related Benefits



Banking Practices



Savings and Investing Strategies



Credit Use and Interest Rates

Financial Literacy Affects Everyone

Financial literacy is critical for making well-informed decisions about money matters. But the truth is that financial decisions are not always easy and straightforward. So how proficient are Americans when it comes to their finances? Recent research by Raddon, “compiled from 1,200 online surveys of U.S. citizens 18 and older, found that nearly half of respondents (44%) reported that they are extremely or very financially literate. However, when asked to take a financial quiz, fewer than half passed, and only 6% scored an “A” grade of 90% or better.”¹


These scores reflect a wider problem, which is that “84% of U.S. consumers have not attended a financial literacy program.” Today, “40.2% of those with low levels of financial literacy rely on parents, friends, and acquaintances as their most important source of financial knowledge, compared to 20.8% of those with the highest levels of financial literacy.”

Financial illiteracy is more common among low-income individuals because they typically do not have wide access to accurate financial information. With such illiteracy, youth in low-income households can fall victim later as adults to scams, high-interest rate loans, and increasing debt.

Moreover, according to a study by the University of Illinois “about a third of young adults (32%) were considered “financially precarious,” meaning they had few money management skills and little income stability. And 36% of participants were considered financially “at risk” because they had an unexpected drop in income within the year and had no savings to support themselves.”³ The study went on to find that “approximately 10% said they struggled with money management, such as budgeting and credit-card usage, and would put their health in jeopardy by avoiding doctor visits and prescriptions because of costs.”³

What’s even more telling is that overall “Americans are woefully behind in financial literacy. Last year, the U.S. ranked seventh out of 15 countries in the Program for International Student Assessment, which evaluates 15-year-old students’ knowledge in science, reading, math and financial literacy.”³

Not having the financial education necessary to make important life decisions can be detrimental in the long run, making it nearly impossible to set goals and achieve important milestones in life. Fortunately, there are ways to help improve the situation and eventually solve this growing epidemic.



“Financial illiteracy affects everyone: men and women, young and old, across all racial and socioeconomic lines. No longer can we stand by and ignore this problem. The economic future of the United States depends on it.”

President's Advisory Council on Financial Literacy

Parents' Saving Habits = Childrens' Saving Habits

69% of parents surveyed admit to feeling less prepared to talk about **investing** than the **birds & bees** with their teens.

40%

of those with **low levels of financial literacy** relied on parents, friends, and acquaintances as their **most important source of financial literacy**.

23%

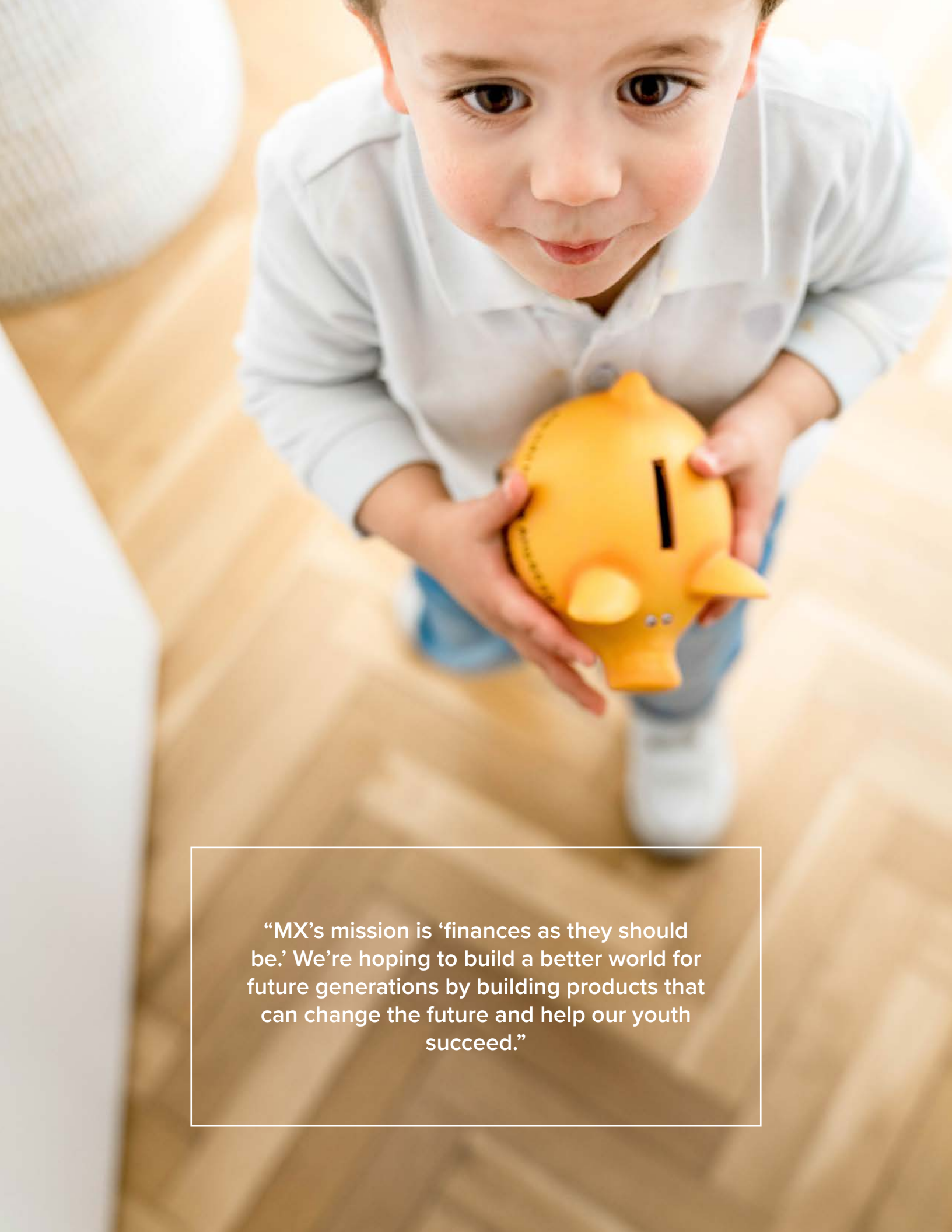
of kids surveyed **talk to their parents about money** frequently.

Parents and Financial Literacy

When it comes to learning good habits, it's usually helpful to start at a young age. And when it comes to healthy financial habits, parents can play a positive role in their kids' lives. A research study analyzing the effects of parents' values on children found a statistically significant positive association between parents' savings rates and children's savings rates.⁴

However, despite the positive influence parents can have on their children, a study by Money Confident Kids found that "only 23% of kids surveyed indicated that they talk to their parents frequently about money."⁵ Additionally, "only about 34% of parents have taught their teen how to balance a checkbook, and less than that has explained how credit card interest and fees work."⁶ It seems that at the root of the problem is that parents lack the financial knowledge to arm their children for the future. In fact, "around 69% of parents admit to feeling less prepared to give their teenager guidance about investing than they do having the 'sex talk' with them."⁶

Unfortunately, the lack of financial literacy in early childhood inevitably carries into young adulthood and beyond. "Students and parents agree that college students are not well prepared to deal with the financial challenges that lie ahead. Less than one-quarter of students or about 24% and only 20% of parents say students are prepared to deal with the financial challenges that await them in the real world."⁷ And about "76% [of students] report that they wish they had more help preparing for their personal finances."⁷



“MX’s mission is ‘finances as they should be.’ We’re hoping to build a better world for future generations by building products that can change the future and help our youth succeed.”



The Role Schools Play in Financial Literacy

say that college students are prepared to deal with the financial challenges that await them in the real world.

Luckily, schools can help fill in the financial literacy gap for kids and young adults that parents may lack. In a study conducted by the National Bureau of Economic Research, the research team decided to test students in two different scenarios, “one group underwent financial education training while the other group did not. After 12 weeks... over half the students in the group that received training were able to successfully construct a budget, a statistically significant amount over the only 1 student who were able to do so before the training.”²

The research conducted by NBER suggests that with the right education, kids can pick up the necessary skills required to become financially literate. Furthermore, this fundamental change in behavior is likely to lead to more positive outcomes as those kids become parents themselves and are faced with similar financial scenarios in the real world.

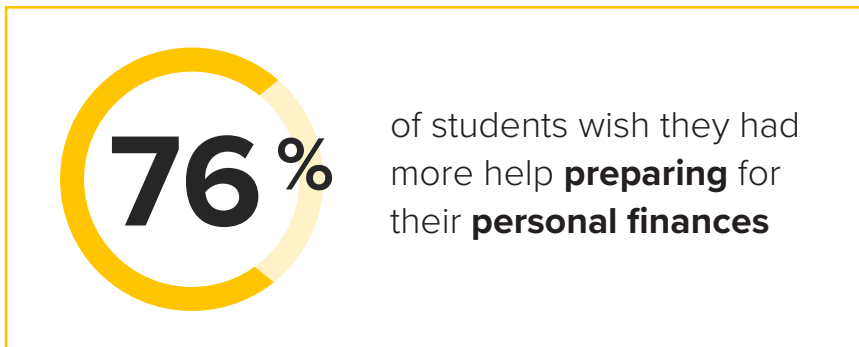
When it comes down to it, “financial illiteracy is not an issue unique to any one population. It affects everyone: men and women, young and old, across all racial and socioeconomic lines. No longer can we stand by and ignore this problem. The economic future of the United States depends on it.”⁸ The good news is that financial institutions are well positioned to fill the void in financial literacy with advocacy.

At the root of financial stress is that financial matters can be daunting, so many people are reluctant to face them. However, new innovations in the financial industry are making it easier for financial institutions to help parents and their kids manage their finances more proactively. At MX, we’re dedicated to finding new ways to boost financial literacy with innovative tools that focus on advocacy. We’re actively working on a kids app that gamifies the experience of managing finances, helping kids learn how to budget and save from a very young age—skills that will become fundamental to their success as they enter the real world. And our personal finance management tool gives that same level of financial confidence and awareness to adults and parents.

100% of students benefit from financial education programs

— COMPARED TO —

19% need high school level algebra in their job



The Solution?

The good news is that financial institutions are well positioned to fill the void in financial literacy with advocacy. New innovations in the financial industry are making it easier for financial institutions to help parents and their kids manage their finances more proactively.

If you'd like to learn more,
visit **MX.com** or call us at **801-669-5500**.



1. <https://www.pymnts.com/consumer-finance/2018/study-americans-financial-literacy-personal-finance-knowledge/>
2. <http://www.nber.org/papers/w13565.pdf>
3. <https://www.marketwatch.com/story/most-young-americans-are-living-on-the-edge-financially-2018-08-27>
4. <https://home.uia.no/ellenkn/WebleyNyhus2006.pdf>
5. http://www.moneyconfidentkids.com/content/dam/money-confident-kids/PDFs/PKM-Surveys/2017_PKM_Results.pdf
6. Charles Schwab's 2008 "Parents & Money"
7. The Hartford Financial Services Group, Inc.
8. President's Advisory Council on Financial Literacy

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