

Hearing Room: 137

Education Committee

Mr. or Madam Chair and members of the committee – My name is Jennifer Lehman from Great Falls. I am here today representing RDI-Rural Dynamics, Incorporated. Our agency was formed in 1968 as Consumer Credit Counseling Services. We are a non-profit community organization that provides financial counseling, education and programs that move Montana consumers toward financial security.

I am here today to support of Joint Resolution No. 14, the successful completion of a financial literacy course as a requirement for graduation.

Financial literacy is defined as the possession of knowledge and understanding of financial matters. This includes the ability to make financially sound decisions. The absence of this knowledge can lead to poor choices that may have adverse effects on the financial health of an individual, and ultimately on our economy. Median household debt in the US is \$75,600, with the average debt of 20 to 30 year olds at about \$45,000. Our young people today face a very complex economy that is credit-driven and puts more responsibility than ever on individuals to manage their finances from a young age.

It is important to start teaching financial skills to school aged youth. By doing this, we will tackle the economic issues that lead individuals to financial devastation before they occur, by taking the problem on at the root, before the next generation enters the workforce, or secures debt.

Individuals who do not have a knowledge base regarding personal finance are less likely to make sound decisions in borrowing, saving and purchasing. **48.6% of Montana consumers have subprime credit<sup>1</sup>**, which makes it difficult for them to make affordable investments in homes, vehicles, and other assets.

In 2012, RDI provided Credit Counseling to more than 5,000 consumers. Currently, our clients who are enrolled in a debt management plan owe 24.3 million dollars in debt.<sup>2</sup>

*This significantly impacts the growth of Montana's economy.* This happens, in part, because we are allowing students to pass into adulthood knowing very little about how to responsibly conduct their finances, which has a negative impact on everybody:

- 52% of high school seniors don't understand that paying only the minimum amount on a credit card bill each month maximizes the amount of money it will take to pay off their debt.<sup>3</sup>
- Only 46% of high school seniors realize that banks share information with one another, so bad debt with one bank will affect their ability to secure loans at all banks.<sup>4</sup>

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<sup>1</sup> CFED, 2013. "Assets & Opportunity Scorecard: Montana"

<sup>2</sup> As of, February 24 2013, RDI has 1050 DMP clients, resulting in 24.3mil dollars owed.

<sup>3</sup> Mandel, L., 2008. "The Financial Literacy of Young American Adults." Jump\$tart Coalition.

<sup>4</sup> Mandel, L., 2008. "The Financial Literacy of Young American Adults." Jump\$tart Coalition.

Financial education in schools can change this. By teaching youth the value of saving, they develop lifelong habits. According to Washington University, youth who have a savings account in their name are seven times more likely to attend college.

- Studies have shown that students who complete a personal finance course at the high school level demonstrate significantly better *financial behavior*, in both the year following completion of the course<sup>5</sup> and later on in life.<sup>6</sup> They are more likely to save and have a budget.<sup>7</sup>
- Research shows that individuals graduating from high schools in states that require personal finance education<sup>8</sup> have higher savings rates and net worth as a percentage of their earnings than individuals graduating from high schools in states where financial education is not mandated.<sup>9</sup>
- The Department of Treasury also reported that people who have had financial education participate more often in retirement programs, make larger contributions to the program and have a much higher savings rate than others.<sup>10</sup>

RDI is completing its 8<sup>th</sup> year bringing the Financial Fitness for Life (FFL) course to the students of Paris Gibson Alternative High school in Great Falls. To date, over 75% of these students have opened savings accounts and continue to utilize those accounts. We have also partnered with the 5<sup>th</sup> grade classes at Long Fellow Elementary for the past 2 years, bring FFL into their classrooms. On average, the students scored 90% or better on the post test, demonstrating an increase in collective personal finance knowledge.

There is widespread support for financial education in schools.

- 86% of 16 to 18 year olds surveyed said they would rather learn about money management in a class than make financial mistakes in the real world.<sup>11</sup>
- 84% of Montanans support mandatory financial education in schools.<sup>12</sup>

Thank you for the opportunity to speak today in support Joint Resolution No. 14. It is our hope that you encourage the Board of Public Education to require students to demonstrate proficiency in financial literacy by successfully completing a financial literacy course as a requirement for graduation.

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<sup>5</sup> Mandel, L., 2009. "The Impact of Financial Education in High School and College on Financial Literacy and Subsequent Financial Decision Making."

<sup>6</sup> Bernheim, D. et. al., 2001. "Education and Saving: The Long-Term Effects of High School Financial Curriculum Mandates." *Journal of Public Economics*, Vol. 80, Issue 3, pp. 435-465.

<sup>7</sup> Boys & Girls Club and Charles Schwab Survey.

<sup>8</sup> States include Georgia, Idaho, Illinois, Missouri, New Jersey, New York, North Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia

<sup>9</sup> "Integrating Financial Education into School Curricula," The Department of the Treasury

<sup>10</sup> "Integrating Financial Education into School Curricula," The Department of the Treasury

<sup>11</sup> Charles Schwab Survey, 2011. "2011 Teens & Money Survey."

<sup>12</sup> Montana Chamber of Commerce, "2012. "2012 Power Base Survey."