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EDUCATION

Survey: Seniors flunking finance

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WASHINGTON (AP) -- They say money talks, but it seems young people in this country are not listening very well.

The financial know-how of high school seniors is "dismal but improving," said Lewis Mandell, a professor of finance and managerial economics at the University of Buffalo School of Management, who conducted and analyzed the results of a new nationwide survey on the subject.



On average, 12th-graders answered only 52.3 percent of questions about personal finance and economics correctly. Still, that was better than the 50.2 percent in the previous survey in 2002 and 51.9 percent in 2000.

"There are some rays of hope out there," Mandell said. "But let's say there is ample room for improvement."

The latest survey was being released Thursday by the Federal Reserve.

The surveys were sponsored by the Jump\$tart Coalition for Personal Financial Literacy, which wants students to have the skills to be financially competent. Merrill Lynch paid for this year's survey.

"What worries me is not that we should expect to raise the next John Maynard Keynes but that people are not getting the backgrounds to cope with financial things," said Carl Tannenbaum, chief economist at LaSalle Bank.

Clueless about cash

Federal Reserve Chairman Alan Greenspan long has advocated that Americans, especially young people, get a better grip on fundamental money matters. Greater financial literacy in this country, he says, is especially important given the ever-expanding financial choices facing consumers.

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Greenspan says improving basic financial education at the elementary and secondary school level would help give young people a foundation to could go a long way in allowing them to avoid financial pitfalls later in life.

In the survey, 52.8 percent said they would have no liability if their credit card was stolen and a thief ran up a \$1,000 bill. (Liability is limited to \$50 after the credit-card issuer is notified.) Only 18.1 percent knew they would be responsible to pay \$50. Two years ago, just 7.7 percent of respondents gave the correct answer.

Nearly 79 percent were right in saying that the primary sources of income for most people age 20 to 35 are salaries, wages and tips. That compares with the 71.4 percent who gave the correct answer in the last survey.

Just over 35 percent knew that a bond issued by one of the 50 states is not protected by the federal government against loss. That is an improvement from the 27.1 percent who answered that question correctly in the 2002 survey.

Forty-six percent correctly answered that older people living on fixed retirement income would have the greatest problem during periods of high inflation. That compares with the 34.7 percent who chose the right answer in the last survey.

Other results

Only 17.2 percent correctly said that stocks likely would offer the higher growth over 18 years of saving for a child's education. That was down from 18.7 percent who knew the right answer in the 2002 survey. In this year's survey, 79.5 percent thought that a U.S. savings bond or a savings account would offer the highest growth.

- Just 23.9 percent knew that income tax may be charged on the interest earned from a savings account at a bank if a person's income is high enough. Fifty-two percent said that earnings from savings account interest may not be taxed. In the last survey, 26.6 percent chose the right answer.
- A little more than 34 percent correctly said that retirement income paid by a company is called a pension. But 62.9 percent thought it was called Social Security or a 401(k). In the last survey, 35.1 percent knew the correct answer.

This is the fourth survey that Jump\$tart has sponsored that looks at high school seniors' financial skills. The first one, in 1997, showed that 57.3 percent answered correctly. Scores dropped for each survey after that until this year's -- reason for Mandell to be hopeful.

"I believe this improvement -- as small as it is -- is the beginning of something because I think people are finally beginning to pay attention," Mandell said "But it probably will take a long time to turn around."

Only four states require students to take a course covering personal finance in order to graduate, according to a 2003 survey by the National Council on Economic Education. Budget cuts have forced some districts to shift money and teachers from other areas into classes at the heart of federal reforms, such as reading and math. That highlights another problem, educators say -- economic training is seen as an extra.

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