Parents, Youth & Money 2001

Executive Summary

Introduction

Two years ago, the 1999 *Youth and Money Survey*[1] revealed that an overwhelming 94 percent of students ages 16–22 say they are likely to turn to their parents for financial information. This raises the issue of how well-positioned parents are to serve as a financial information resource for their children: What are parents' attitudes toward money, spending money, and managing money? What are their financial behaviors and habits? On what level do they interact with their children regarding money and money management? In short, are parents good financial role models and teachers when it comes to money management?

This new report, the 2001 *Parents, Youth and Money Survey*, addresses these questions. One thousand parents with children between the ages of 6 and 17[2] were interviewed by telephone during January and February of 2001.[3] The survey was sponsored by the American Education Savings Council (ASEC) and Employee Benefit Research Institute (EBRI) and conducted by Mathew Greenwald & Associates, Inc. The TIAA-CREF Institute underwrote the survey.

As the primary teachers of money management, parents have a major impact on the financial attitudes and habits—positive or negative—that their children develop. Therefore, a better understanding of parents' strengths and weaknesses in this role is a necessary step toward ensuring an adult population that is capable of making competent financial decisions.

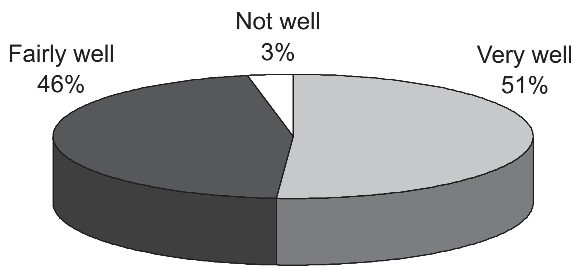
Parents as Role Models

Self-Assessment

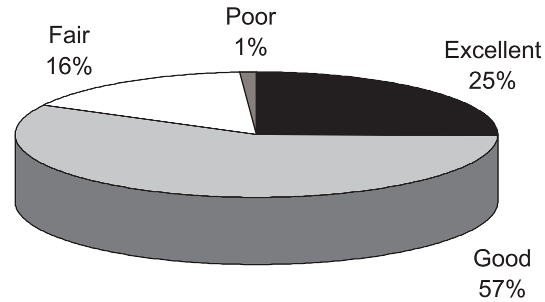
The survey found that almost all parents feel they understand financial matters, such as savings, investing, credit, and budgeting, well. Half say they understand these matters *very* well (51 percent), and 46 percent say they understand them *fairly* well. Only 3 percent report they do *not* understand financial matters well.

Parents are slightly more critical about the job they do managing their personal finances.

In general, how well do you think you understand financial matters like savings, investing, credit, budgeting and so forth?



Overall, how good a job do you think you (and your spouse) do in managing your money?



Source: 2001 Parents, Youth & Money Survey.
Numbers may not add up to 100 due to rounding or missing categories.

One-fourth think they do an *excellent* job (25 percent), but 57 percent think they do a *good* job. Nearly 2 in 10 feel they do a *fair* (16 percent) or *poor* (1 percent) job of managing their money.

In general, parents who think they do a better job of managing their money also think they have a better understanding of financial matters. Among those who feel they do an *excellent* job of managing their money, 77 percent say they understand these matters *very* well and 23 percent say they understand them *fairly* well. Almost half of those reporting they do a *good* job think they understand financial matters *very* well (48 percent), and a similar proportion think they understand them *fairly* well (49 percent). Of the parents who indicate they do a *fair* or *poor* job of managing their money, 21 percent think they understand such matters *very* well, 67 percent think they understand them *fairly* well, and 11 percent say they do *not* understand them well.

The survey results reveal a relationship between household income and parents' perception of money management. Parents with higher household incomes are more likely to report that they do at least a *good* job of managing their money (70 percent of those with annual household income of less than $35,000 versus 85 percent of those with $75,000 or more) and that they understand financial matters *very* well (41 percent versus 58 percent).

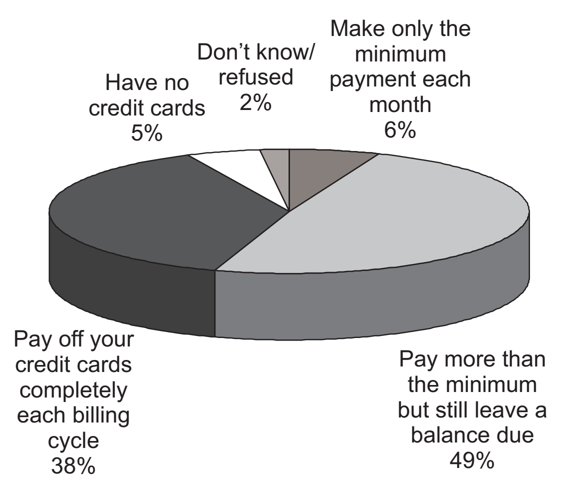
Financial Habits

While most parents think they do an *excellent* or *good* job of managing their money, the financial habits they report suggest that many are overly confident about the money management skills they exhibit on a day-to-day basis. Even those who describe themselves as doing an *excellent* job may not be good role models for their children.

Only about 4 in 10 parents report that they generally pay off their credit cards completely each billing cycle (38 percent). Half state they pay more than the minimum payment but still leave a balance due (49 percent), and 6 percent state they make only the minimum payment each month. Five percent of respondents indicate that they have no credit cards.

When asked about specific financial habits, more than 8 in 10 parents report they compare prices when making purchases *most of the time* (83 percent). Fifteen percent report they do so *some of the time*. More than 7 in 10 say that *most of the time* they are comfortable dealing with large financial organizations (72 percent), and 23 percent are comfortable *some of the time*. Almost 7 in 10 report they track the money they spend to determine where it is going *most of the time* (68 percent), and one-fourth report doing

In managing your credit cards, do you (and your spouse) generally...?



Source: 2001 Parents, Youth & Money Survey.

so *some of the time* (26 percent). Parents are less likely to plan how much they will spend and then stick to their plan. Less than half say they do this *most of the time* (45 percent), while 39 percent say they do it *some of the time*. Twelve percent say they *rarely* make a budget and stick to it, and 5 percent say they *never* do this.

Parents who say they do an *excellent* job managing their money tend to report better financial habits than do other parents. They are more likely to say they are comfortable dealing with large financial organizations, track the money they spend, and stick to a budget. In addition, they are more likely to pay off their credit cards completely each billing cycle. More than 6 in 10 say they pay them off (62 percent), compared with 35 percent of those who do a *good* job and 15 percent of those who do a *fair* or *poor* job. Still, there is room for improvement. Thirty-two percent of those saying they do an *excellent* job do not pay off their credit cards each billing cycle, and 30 percent make and stick to a budget at best only *some of the time*.

Parents with higher household incomes are more likely to say they are comfortable dealing with large financial organizations and they pay off their credit cards each billing cycle. Eighty percent of those with household income of $75,000 or more, compared with 52 percent with income of less than $35,000, report they are comfortable with large financial organizations *most of the time*. Likewise, 48 percent of those with income of $75,000 or more, compared with 24 percent of those with less than $35,000, state they pay off their credit cards completely. On the other hand, 64 percent of those with household income of $75,000 or more say they track the money they spend *most of the time*, compared with 77 percent of those with income of less than $35,000.

Saving

Nearly 7 in 10 parents think it is *very* important to save money on a regular basis (68 percent). Twenty-seven percent think it is *somewhat* important, and 5 percent feel saving is *not* important. Eighty percent say they save money on a regular basis.

Financial Habits of Parents by Their Reported Money Management Ability

	Total			Parents' Reported Money Management Ability								
				Excellent			Good			Fair/Poor		
	Most of the time	Some of the time	Rarely/ never	Most of the time	Some of the time	Rarely/ never	Most of the time	Some of the time	Rarely/ never	Most of the time	Some of the time	Rarely/ never
You compare prices when making purchases	83%	15%	2%	84%	14%	2%	85%	13%	2%	76%	22%	2%
You are comfortable dealing with large financial organizations, such as banks, insurance companies, or mutual funds	72	23	5	85	14	2	74	22	4	47	37	15
You track the money you spend to determine where it is going	68	26	6	85	11	4	67	29	4	43	39	17
You plan how much you will spend—that is, make a budget—and then stick to your plan	45	39	16	70	19	11	42	45	13	16	50	34

Source: 2001 Parents, Youth & Money Survey.

Parents who feel it is *very* important to save money on a regular basis are more likely to actually save (89 percent) than those who feel it is *somewhat* important (67 percent) or *not* important (27 percent). Furthermore, parents who report doing an *excellent* job of managing their money are more likely to save regularly (91 percent) than those who report doing a *good* job (83 percent) or a *fair* or *poor* job (58 percent). Nevertheless, approximately 1 in 10 parents who feel it is *very* important to save or who think they do an *excellent* job managing their money do not save money on a regular basis (10 percent and 8 percent, respectively).

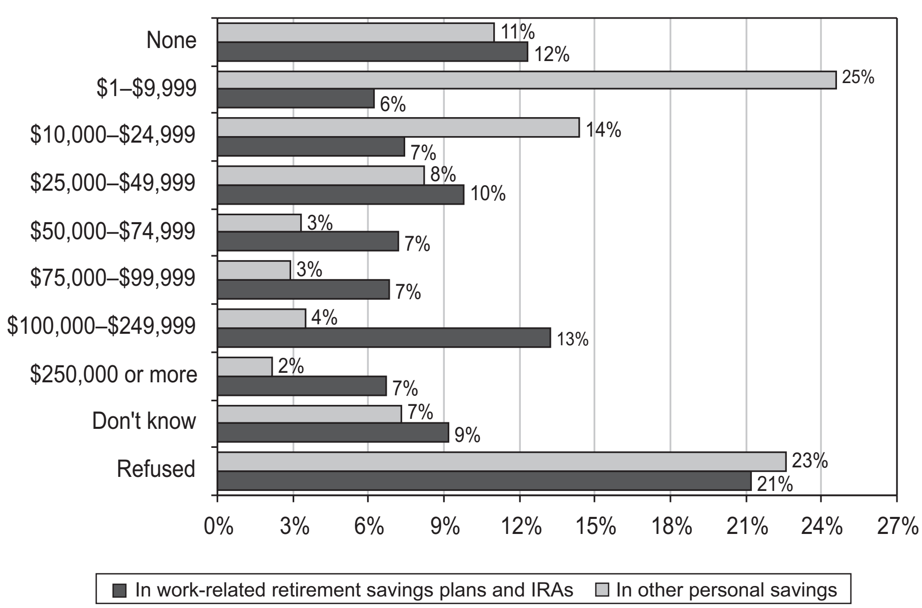
When asked how much they have saved, parents generally report small amounts. Twenty percent say they have saved $100,000 or more in a work-related retirement savings plan or individual retirement account (IRA), but 10 percent have saved $25,000 to $49,999, 7 percent have saved $10,000 to $24,999, 6 percent have $1 to $9,999, and 12 percent have nothing. While 13 percent report having $50,000 or more in other personal savings, 25 percent have less than $10,000 and 11 percent have nothing. Roughly 3 in 10 respondents each did not provide this information.

On average, those who say they do an *excellent* job of money management report saving slightly larger amounts than others, as do those who save on a regular basis. Not surprisingly, the amount saved also increases as household income increases.

Financial Product Ownership

Virtually all parents report they have a checking account (98 percent), and most report having a major credit card or charge card (92 percent) or a savings account (89 percent).

As of today, about how much money in total do you (and your spouse) have in savings?



Source: 2001 Parents, Youth & Money Survey.

Eight in 10 parents say they have life insurance that they purchased on their own (80 percent) and a work-related retirement savings plan (80 percent). They are somewhat less likely to report ownership of an IRA (64 percent), U.S. savings bonds (53 percent), stocks outside of a retirement plan (48 percent), and mutual funds outside of a retirement plan (46 percent). One-third have a tuition savings plan (33 percent) and 8 percent have a Keogh account. Three in 10 parents say they sometimes save by keeping cash in a safe place at home or in a safe deposit box (30 percent).

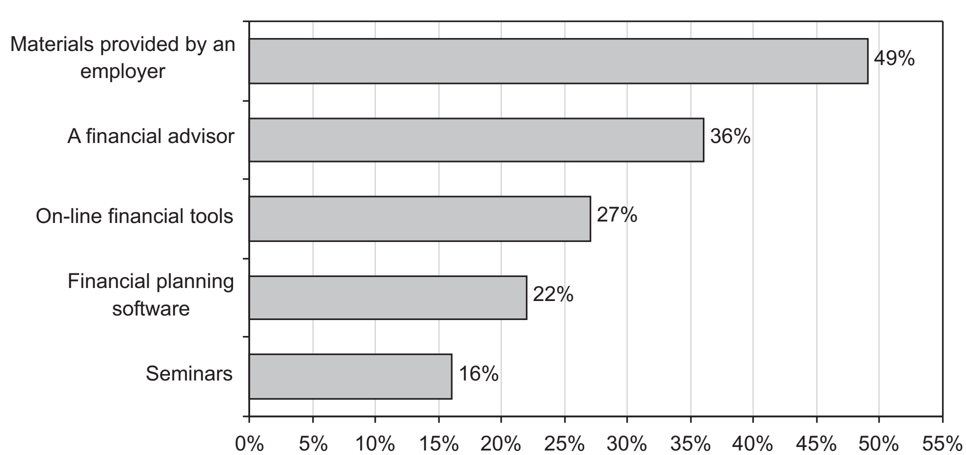
Parents who say they save on a regular basis are more likely than those who do not save regularly to report ownership of savings accounts (91 percent versus 78 percent), work-related retirement savings plans (83 percent versus 68 percent), IRAs (68 percent versus 46 percent), U.S. savings bonds (57 percent versus 35 percent), stocks (54 percent versus 28 percent), mutual funds (52 percent versus 19 percent), and tuition savings plans (37 percent versus 15 percent). Ownership of all items except cash increases as household income increases.

Use of Financial Resources

A variety of resources are available today to help households manage their finances. The most popular resource mentioned in the survey is material provided by an employer—half of parents say they use such materials to help them manage their household's finances (49 percent). More than one-third turn to a financial advisor of some kind (36 percent), while 27 percent use on-line financial tools and 22 percent use financial planning software. Sixteen percent of parents say they attend seminars to help manage their household's finances. However, more than one-fourth report they have not used any of these resources (27 percent).

Parents doing a *good* job of managing their money (54 percent) are more likely than those doing an *excellent* job (44 percent) or *fair* or *poor* job (43 percent) to use materials provided by an

Percentage of Parents Who Report Using Selected Resources to Help Manage Their Household's Finances



Source: 2001 Parents, Youth & Money Survey.

employer. On the other hand, those doing an *excellent* job are more likely than others to say they use a financial advisor (43 percent) and on-line financial tools (33 percent). Parents who save on a regular basis are more likely to use each of these resources, as are those with higher household incomes.

Parents as Teachers

Recognition of Their Role

While 94 percent of students surveyed in the 1999 *Youth and Money Survey* say they turn to their parents for financial information, many parents see themselves as sharing their teaching role with schools. Six in 10 parents say that parents and schools should both have responsibility for providing children with financial education (61 percent). Parents who think they do an *excellent* (40 percent) or *good* (41 percent) job of managing their money are more likely than those who think they do a *fair* or *poor* job (29 percent) to state that teaching children about financial education is their sole responsibility.

It does not appear that parents have given much thought to their role as providers or teachers of financial education. When parents are asked without prompting to describe what they have done to teach their children about financial matters, more than half are able think of only one thing to relate to the interviewer (56 percent) and 3 in 10 identify only two things (31 percent). Nearly 1 in 10 say they have done nothing or do not know what they have done (8 percent). Specifically, parents most frequently mention encouraging their children to save (30 percent) and teaching them to manage their money or about the value of money (25 percent). Other actions parents mention without prompting include giving children an allowance (20 percent) and opening a savings account (18 percent). Less frequently, parents cite requiring their children to get a job or do chores (13 percent), involving them in general financial discussions (9 percent), and involving them in family financial matters (8 percent).

Despite this, parents seem to find it easy to talk to their children about money management. More than 8 in 10 parents surveyed say they are *very* comfortable discussing this topic with their children (82 percent). While parents are more likely to be *very* comfortable talking with their children about movies (87 percent), they are as likely to be *very* comfortable talking about money management as they are about drugs (85 percent) or current events (84 percent). They are more likely to be *very* comfortable talking about money management than about sex education (55 percent). Parents who think they do an *excellent* (86 percent) or *good* (83 percent) job of managing their money are more likely than those who think they do a *fair* or *poor* job (69 percent) to say they are *very* comfortable talking to their children about money management.

Teaching Interactions

Parents participating in the *Parents, Youth and Money Survey* were asked a series of questions focusing on how they interact with one of their children in particular regarding financial matters. This provides a detailed snapshot of what parents are doing to teach children in different age groups about money management.

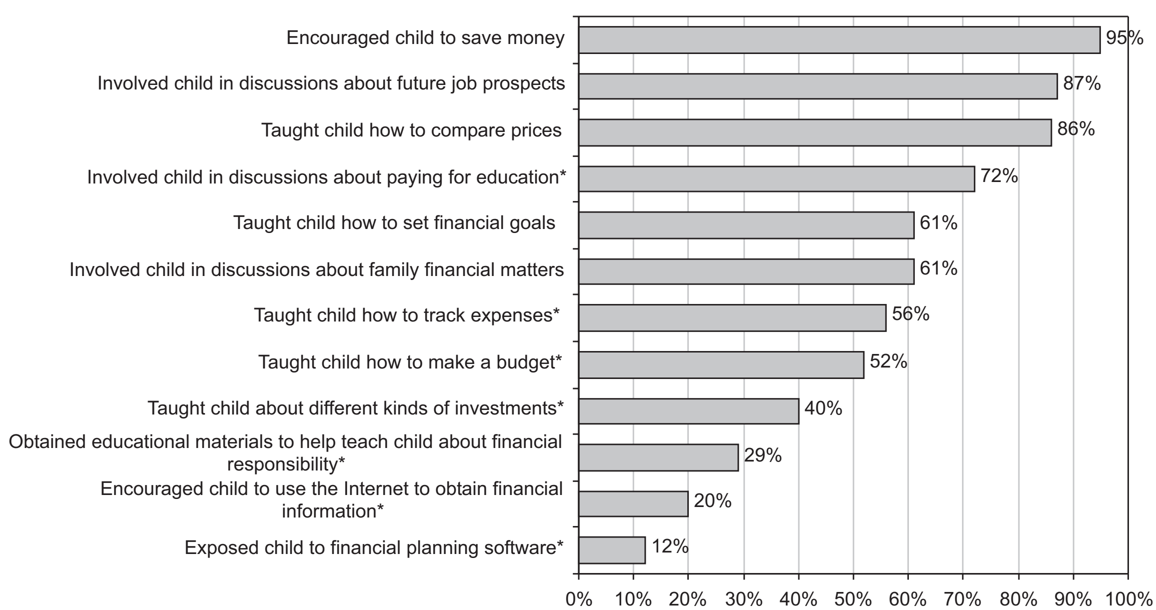
Learning Moments. When asked specifically whether they have encouraged their child to save money, almost all parents respond that they have (95 percent). Well over 8 in 10 report having taught their child to compare prices (86 percent), and 6 in 10 parents say they have taught the child how to set financial goals (61 percent) and involved him or her in discussions about family financial matters (61 percent).

Parents with children ages 11–17 were asked about additional interactions. Nearly 9 in 10 of these parents report they have involved their child in discussions about his or her future job prospects (87 percent), and more than 7 in 10 have involved him or her in discussions about paying for education (72 percent). Roughly half say they have taught their child how to track expenses (56 percent) and how to make a budget (52 percent). Four in 10 say they have taught him or her about different kinds of investments (40 percent).

Parents are less likely to have used outside resources to help teach their children about financial management. Just 3 in 10 have obtained educational materials to help teach their child about financial responsibility (29 percent), 2 in 10 have encouraged their child to use the Internet to obtain financial information (20 percent), and only 12 percent have exposed their child to financial planning software.

Moms are more likely than dads to report having many of these interactions with their child, including discussions about future job prospects (91 percent versus 82 percent), paying for education (75 percent versus 67 percent), family financial matters (65 percent versus 54 percent), setting financial goals (66 percent versus 54 percent), and tracking expenses (61 percent versus 48 percent). Conversely, fathers are more likely than mothers to say they have taught their child about different kinds of investments (45 percent versus 36 percent). Parents who think they do an *excellent* or *good* job of managing their money are more likely than those

Percentage of Parents Who Report Selected Interactions With Their Child on Financial Matters



Source: 2001 Parents, Youth & Money Survey.
*Asked only of parents with children ages 11–17.

who think they do a *fair* or *poor* job to report teaching their child how to set financial goals (64 percent versus 50 percent), how to track expenses (58 percent versus 44 percent), how to make a budget (54 percent versus 41 percent), and about different kinds of investments (44 percent versus 23 percent).

Sixty percent of parents say their child has approached them with questions about financial matters. This percentage is slightly higher for parents talking about children ages 11–17 (64 percent) than for parents talking about younger children (53 percent).

Interestingly, parents who report their child has approached them with questions are more likely than those who do not to say they have had each of the specific interactions discussed above with their child. In particular, they are more likely to have taught their child how to set financial goals (72 percent versus 45 percent), involved him or her in discussions about family financial matters (71 percent versus 46 percent), and taught him or her about different kinds of investments (46 percent versus 29 percent).

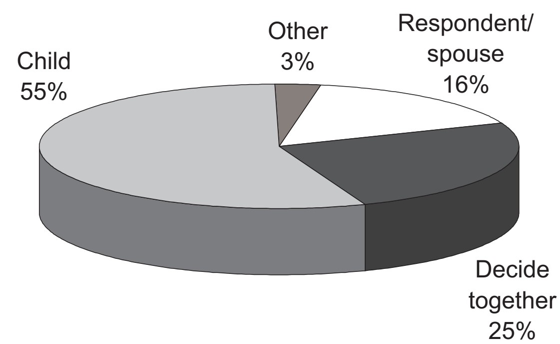
Children's Money. Fifty-five percent of parents say their child receives money, such as an allowance, from them or the other parent on a regular basis. Children ages 11–14 are most likely to receive this type of money (64 percent), although those ages 6–11 (55 percent) are more likely than those ages 15–17 (46 percent) to get an allowance.

Among parents whose child receives an allowance, three-fourths report that this money is tied to a special effort on their child's part, such as good grades or chores (74 percent). Younger children are more likely than older children to have their allowance tied to a special effort. Eighty-one percent of parents responding about a child in the youngest age group say the allowance is tied to a special effort, compared with 73 percent of those with a child ages 11–14 and 63 percent of those with a child ages 15–17.

Two-thirds of parents report that their child earns money through formal or informal paid employment (65 percent). Not surprisingly, 86 percent of parents asked about a child age 15–17 and 73 percent of those asked about a child age 11–14 state their child earns money, compared with 45 percent of those asked about a child age 6–10.

More than half of parents report that when their child receives money from sources other than an allowance or employment, the child is usually allowed to decide what to do with the money (55 percent). One-fourth say they decide with the child (25 percent), and 16 percent say they or their spouse decides. The older the child, the more likely the parent is to say that the child is allowed to decide. Parents reporting about girls are more likely than those reporting about boys

When your child receives money from sources other than an allowance or employment, who usually decides what to do with this money?



Source: 2001 Parents, Youth & Money Survey.
Numbers may not add up to 100 due to rounding or missing categories.

to say their child decides what to do with the money (61 percent versus 49 percent), while parents responding about an oldest or only child are less likely than those responding about a middle or youngest child to do so (48 percent versus 62 percent).

Children's Financial Responsibilities. Three-fourths of parents report that their child is responsible for paying for entertainment such as CDs, video games, or going out with friends (76 percent); 25 percent say their child is responsible for paying for all of these expenses and 51 percent say that he or she is responsible for paying for some of them. More than half of parents responding about a child age 11–17 indicate their child is responsible for paying for clothes (5 percent say all of these expenses, and 46 percent say some of them); and about 15 percent indicate he or she is responsible for paying for school needs, such as books and other supplies (3 percent say all of these expenses, and 11 percent say some of them). Of parents reporting about a child old enough to drive (15- to 17-year-olds), 17 percent report that their child pays for all car-related expenses, and 26 percent report that their child pays for some of these expenses. More than 2 in 10 of all parents volunteer that their child is responsible for paying for some or all of some other type of expense not specifically identified in the questionnaire, such as toys, snacks, gifts, cosmetics, and sports equipment (22 percent).

In general, the parents' responses suggest that a child's level of financial responsibility increases with the age of the child. Parents asked about a girl are more likely than those asked about a boy to say their child is responsible for paying some or all of their clothing expenses (63 percent versus 40 percent).

In addition to the other financial responsibilities that children might have, 2 in 10 parents report they require their child to contribute to charity or to their church (21 percent), while almost half say they encourage them to make charitable contributions (46 percent). Parents responding about a child in the youngest age group (ages 6–10) are somewhat more likely than those discussing a child in the oldest age group (ages 15–17) to say they require their child to make these contributions (24 percent versus 16 percent).

Children's Saving. Fifty-eight percent of parents report they require their child to save some of the money he or she receives. More

What types of things is your child responsible for paying for himself or herself?

	All	Some	None
Entertainment, such as CDs, video games, or going out with friends	25%	51%	23%
A car or related expenses, such as gas or insurance[b]	17	26	55
Clothes[a]	5	46	48
School needs, such as books and other supplies[a]	3	11	85

[a]Asked only of parents with children ages 11–17.
[b]Asked only of parents with children ages 15–17.
Source: 2001 Parents, Youth & Money Survey.

than 6 in 10 parents who think that saving money on a regular basis is *very* important require their child to save (63 percent), compared with 50 percent of those who think it is *somewhat* important and 41 percent of those who think it is *not* important. In addition, parents responding about a child age 6–10 are somewhat more likely than those responding about an older child to say their child is required to save (63 percent versus 55 percent).

Seventy percent say their child voluntarily saves money beyond what is required. While parents asked about a boy are more likely than those asked about a girl to say their child is required to save (65 percent and 52 percent, respectively), those asked about a boy are less likely to say their child voluntarily saves (66 percent and 75 percent).

About half of parents whose child is required to save or saves voluntarily indicate their child is saving for a particular goal (53 percent). The likelihood of saving for a goal appears to increase with the age of the child, with parents reporting about a child ages 15–17 the most likely to say he or she saves toward a goal (67 percent).

Among parents whose child is saving money for a particular goal, 26 percent say their child is saving for his or her education or college, and 23 percent say he or she is saving for a car or related expenses. Smaller percentages cite entertainment equipment (12 percent), entertainment (9 percent), and a vacation, class trip, or travel (8 percent). Only a few respondents mention sports equipment (6 percent), toys (5 percent), clothing (4 percent), and computer equipment (3 percent).

The goals reported by the parent vary by the age of the child. Parents responding about a child age 6–10 are more likely than others to say their child is saving for entertainment equipment (19 percent), toys (15 percent), or entertainment (14 percent). Those responding about a child age 15–17 are more likely than others to say their child is saving for a car or related expenses (43 percent)—particularly if their child is a boy in this age group (49 percent)—or for their education (38 percent)—especially if the child is a girl (54 percent).

Ownership of Financial Products by Children. Nearly three-fourths of all parents report their child owns a savings account (73 percent), and more than half say they own U.S. savings bonds (54 percent). Twenty percent say their child owns a mutual fund, while 16 percent say they own stocks. Among parents reporting about a

Which of the following savings vehicles does your child own?

	Yes, Have
A piggy bank[a]	90%
A savings account	73
U.S. savings bonds	54
Car-related financial responsibilities[b]	26
A mutual fund of any kind	20
Stocks	16
A checking account[b]	16
A major credit or charge card, like VISA or American Express, where your child is responsible for paying the bills[b]	5
A major credit or charge card, like VISA or American Express, where you are responsible for paying the bills[c]	3

[a]Asked only of parents with children ages 6–10.
[b]Asked only of parents with children ages 15–17.
[c]Asked only of parents with children ages 11–17.
Source: 2001 Parents, Youth & Money Survey.

child age 6–10, 90 percent indicate the child has a piggy bank. Of parents asked about a child age 15–17, 26 percent say they have car-related financial responsibilities, 16 percent report a checking account, and 5 percent report a major credit or charge card where the child is responsible for paying the bills. Just 3 percent of parents with a child age 11–17 state their child has a major credit or charge card where the respondent is responsible for paying the bills.

The chance of a parent reporting that their child owns many of these financial products increases as household income rises. For example, 57 percent of parents with household income of less than $35,000 indicate their child has a savings account. This increases to 74 percent among those with income of $35,000 to $74,999 and 82 percent among those with income of $75,000 or more. Likewise, 7 percent of those with household income in the lowest category indicate their child has a mutual fund, compared with 16 percent with income of $35,000 to $74,999 and 30 percent of those with income in the highest category.

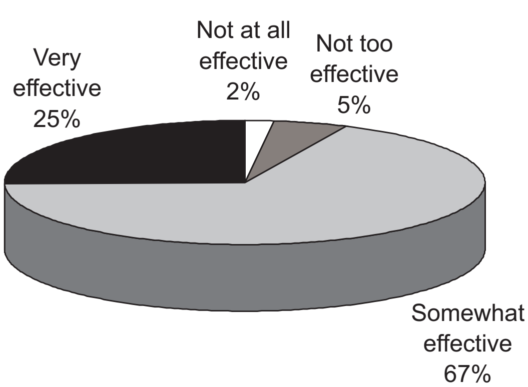
Effectiveness of Parents

Almost all parents feel that they are effective when it comes to providing their children with financial guidance—one-fourth say they are *very* effective (25 percent) and two-thirds say they are *somewhat* effective (67 percent). Just 7 percent consider themselves to be ineffective.

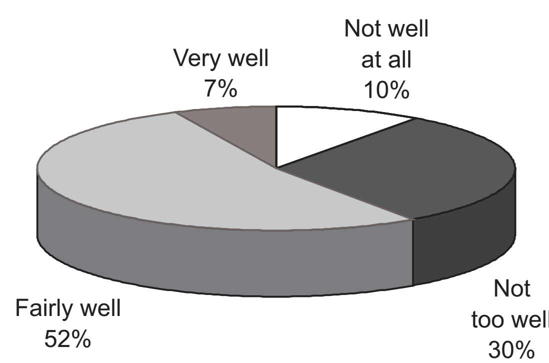
Are parents as effective as they think they are when it comes to providing financial guidance? The evidence from the survey suggests that many are not.

Only 7 percent of parents think the specific child discussed in the survey understands financial matters *very* well, and 52 percent think their child understands them *fairly* well. Fully 40 percent of parents do *not* think their child understands these matters well. Parents discussing older children are more likely than those discussing younger children to say their child understands financial matters, yet 22 percent of parents whose child is age 15–17 report their child does *not* understand these matters, compared with 7 percent of these

When it comes to providing your children with financial guidance, how effective do you think you are?



In general, how well do you think your child understands financial matters like savings, investing, credit, budgeting and so forth?



Source: 2001 Parents, Youth & Money Survey.
Numbers may not add up to 100 due to rounding or missing categories.

parents who think they are *not* effective teachers. Furthermore, while parents who feel they do an *excellent* or *good* job of managing their money are more likely to think they are *very* or *somewhat* effective (95 percent), a large majority of those who feel they do a *fair* or *poor* job also consider themselves to be effective teachers (81 percent), seeming to discount the example they are providing to their children.

When parents are asked where they would put or advise their child to put $5,000 to save for the child's education or some other long-term savings goal, their responses suggest that many lack some basic financial knowledge. While about half of parents say they would invest the money in mutual funds (35 percent), stocks (7 percent), investment accounts (2 percent), or IRAs (2 percent), most of the remainder mention short-term savings vehicles such as certificates of deposit (17 percent), savings accounts (12 percent), and savings bonds (4 percent), which, according to most financial planners, are often less successful in attaining long-term financial objectives. Twelve percent say they would put the money in a bank or saving and loan, but are unable to identify a specific type of account when probed by the interviewer. Seven percent are unable to say where they would put the money. These responses show only slight differences by parents' self-appraisal of their effectiveness at providing financial guidance.

When parents who think they are *somewhat* or *not* effective at providing their child with financial guidance are asked what makes this difficult, parents are most likely to say that children do *not* understand money or understand the concept of money (29 percent). Others say their children's age makes it difficult (14 percent), they are undermined by the values of their children's friends or their friends' families (9 percent), or their children are not interested (9 percent). Only a few mention that they do not know how to teach them (5 percent), they do not have the money to set a good example (4 percent), or they are undermined by media or advertising (4 percent). Nine percent say they do not know why it is difficult.

Conclusion

The results of the 2001 *Parents, Youth and Money Survey* indicate that most parents think they understand financial matters *very* (51 percent) or *fairly* (46 percent) well and feel they do an *excellent* (25 percent) or *good* (57 percent) job of managing their money. Some of their reported behavior confirms these assessments. Eighty-three percent say they compare prices when making purchases *most of the time*, 72 percent are comfortable dealing with large financial organizations *most of the time*, and 68 percent track the money they spend to determine where it is going *most of the time*.

While parents report some good financial habits, only 45 percent say that they make a budget and stick to it *most of the time*. Furthermore, only 38 percent pay off their credit cards completely each billing cycle. Half report they pay more than the minimum but still leave a balance due (49 percent) and 6 percent make only the minimum payment. More than 3 in 10 think saving regularly is only *somewhat* important (27 percent) or *not* important (5 percent).

Almost all parents think they should play a role in providing children with financial education (38 percent say parents alone should have responsibility, 61 percent say parents and schools should share responsibility). However, many parents do not appear to be adequately prepared to be teachers and role models to their children with respect to financial matters. Just 25 percent of parents feel they are *very* effective when it comes to providing their children with financial guidance.

Parents do take steps to teach their children the basics of money management. For example, 95 percent say they have encouraged their child to save money, 86 percent have taught their child to compare prices, 61 percent have taught their child how to set financial goals, and 61 percent have involved him or her in discussions about family financial matters. Nevertheless, many parents do not appear to have thought about the opportunities that arise on a day-to-day basis to teach their children about money management.

Many of these learning opportunities may not have occurred to them. While parents who say they are *very* effective at providing financial guidance report taking advantage of more of these learning moments than do other parents, there is much that even this group can do to teach their children about financial matters. Among parents who think they are *very* effective, 25 percent have not involved their child in discussions about family financial matters and 24 percent have not taught their child how to set financial goals. Among these parents with a child age 11–17,

- 80 percent have not exposed their child to financial software.
- 68 percent have not taught their child to use the Internet to obtain financial information.
- 57 percent have not obtained educational materials to help teach their child.
- 39 percent have not taught their child about different kinds of investments.
- 27 percent have not taught their child to make a budget.
- 23 percent have not taught their child to track expenses.
- 20 percent have not involved their child in discussions about paying for education.

Materials developed specifically for youth or as tools for teaching youth can make it easier for parents who may not be comfortable adapting materials intended for adults for their kids. Since 49 percent of parents already use materials provided by their employer to help manage their household's finances, this would be an effective distribution channel for reaching parents. Parents can also talk with their financial advisors and financial services companies and take advantage of materials they may have available to support them in their desire to be effective teachers for their children.

Reaching lower income parents may be especially critical. In general, these parents feel less equipped to be adequate role models and teachers of financial education. However, parents at all income levels can benefit from lessons embedded in teaching tools. Information on the use and cost of credit and on investing seem would seem to be particularly needed as parents currently seem to send poor or contradictory messages to their children on these topics, lessening their effectiveness as teachers of financial education.

While parents whose child has approached them with questions about financial issues tend to report a higher number of parent/child interactions, parents should be encouraged to be proactive about providing financial information to their children. Similar to the media campaigns for drug or sex education that emphasize initiating conversations with offspring, parents should be urged to recognize the benefits of regularly talking to their children about money, family finances, and broader financial concepts.

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[1] The 1999 Youth and Money Survey surveyed 1000 students ages 16–22 regarding their attitudes and behavior toward personal finance. The survey was conducted between January and February of 1999 and was released in April 1999.

[2] Of the completed interviews, 422 referenced children between 6 and 10 years old, 303 referenced children between 11 and 14 years old, and 275 concerned children 15 to 17 years old. According to data from the U.S. Department of Commerce, Bureau of the Census, in 1998 there were 102,528,000 households in the United States. Of those households, 34,760,000 (34 percent) had children under the age of 18.

[3] In theory, a sample of 1000 yields a statistical precision of plus or minus three percentage points (with 95 percent certainty) of what the results would be if all households with children ages 6–17 were surveyed with complete accuracy. (Subgroup responses have larger margins of error, depending on the size of the group.) There are other possible sources of error in all surveys, however, that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of non-response, the effects of question wording and question order, interviewer bias, and screening. While attempts are made to minimize these factors, it is difficult or impossible to quantify the errors that may result from them.

About the Survey

Methodology

The *2001 Parents, Youth & Money Survey* gauges the views, attitudes, and behavior of American parents regarding various financial issues, their savings and investing habits, and their interactions with their children regarding money. The survey was conducted within the United States from Jan. 4 to Jan. 30, 2001, through 19-minute interviews with 1,000 individuals who have primary responsibility for one or more children between the ages of 6-17. According to data from the U.S. Department of Commerce, Bureau of the Census, in 1998 there were 102,528,000 households in the United States. Of those households, 34,760,000 (34 percent) had children under the age of 18. The *1999 Youth & Money Survey* gauges the views, attitudes, and behavior of 1,000 students ages 16-22 about personal finance. In theory, a sample of 1,000 yields a statistical precision of plus or minus 3 percentage points (with 95 percent certainty) of what the results would be if all households with children ages 6-17 were surveyed with complete accuracy. (Subgroup responses have larger margins of error, depending on the size of the group.)

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The American Savings Education Council (ASEC) is a coalition of private- and public-sector institutions that undertakes initiatives to raise public awareness about what is needed to ensure long-term personal financial independence. ASEC works through its partners to educate Americans on all aspects of personal finance and wealth development, including credit management, college savings, home purchase, and retirement planning. ASEC develops and distributes educational materials, all of which are available in hard copy and on the ASEC Web sites: **www.asec.org** and **www.choosetosave.org** ASEC is a program of the EBRI Education and Research Fund.

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