Jill On Money: Financial literacy: Sham or real?

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As millions of kids head back to the classroom, most parents are delighted for the professional teachers to take back control of the educational process. However, there are still areas that require parental involvement including financial literacy. For years, many have bemoaned the poor level of understanding that Americans demonstrate about basic financial concepts. They have argued that only when these concepts are taught in the nation’s school systems, will we create a generation of smarter financial decision-makers.

I have been all-in on talking about money with kids as early as the toddler years. According to research, money habits start to form by age seven, so it’s imperative to start when they are even younger. But I have been dubious about the effectiveness of financial literacy as the way to create better outcomes. I rethought that notion after interviewing **Susan Beacham** a co-founder of **Money Savvy Generation**, whose mission is to help parents and their children get smarter about money.

Beacham's approach relies on reaching kids at a time in their lives when they are open to the financial content, when they can "touch kids emotionally and change their behavior." Money Savvy tackles the basics with kids as young as four in order "to get out in front of money management behavior before bad habits set in." To do so, the organization returns to the quintessential symbol of saving: the piggy bank. But instead of one cavernous body that acts as the repository for all things money, the Money Savvy Pig piggy bank has four chambers: save, spend, donate and invest, "one for each of the four money management choices a child should be taught from the time they are small."

At about this time, you are probably thinking, "Wait, it can't be that easy, can it?" Of course not. Just teaching the information will not necessarily mean that adults will thrive financially. After all, I wrote a whole book, "The Dumb Things Smart People Do with Their Money: Thirteen Ways to Right Your Financial Wrongs," about why that may not be the case. And critics of financial literacy as the panacea for financial woes rightly point out that even a solid foundation of literacy may not help adults when they confront the major financial decisions of their lives. But does that mean we should abandon the process all together?

Beacham does not think so. Nor does Laura Levine, the president and CEO of Jump$tart, the nonprofit Coalition for Personal Financial Literacy that is committed to advancing youth financial literacy. Responding to critics that have poo-pooed financial literacy efforts, Levine wrote, "We know that better education alone won't protect victims of financial fraud or discrimination, won't provide better access to service and opportunities, and won't guarantee workers a livable wage. We do believe, however, that financial education is a strong foundation on which equity, access, opportunity, service, and consumer protections can — and will — be built."

To prove the point, Levine and Beacham point to independent research conducted by Eric A. Hagedorn and Mark C. Schug in the Journal of Economics Teaching that supports the effectiveness of financial education. Although these efforts are relatively new, the paper cites two studies that show "students can and do learn economics when their teachers understand the content and when they incorporate the use of high-quality educational materials in the classroom… 'children's economic knowledge can be improved via direct, purposeful instruction'. In other words, if we teach children basic economic and financial concepts, they do learn."

In addition to Money Savvy Generation, check out the Consumer Financial Protection Bureau's web site, Money as you Grow to start money conversations with the kids in your life.

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