

Grade 11 Writing Prompt

Write an essay for your state school board arguing whether or not credit from a financial literacy class should be required for graduation. Your essay must be based on ideas, concepts, and information from the “Mandatory Financial Literacy?” passage set.

Manage your time carefully so you can

- plan your essay;
- write your essay; and
- revise and edit your essay.

Be sure to

- include a claim;
- address counterclaims;
- use evidence from multiple sources.

Do not over rely on one source. Type your answer in the space provided.

Working Financial Literacy in With the Three R's

by Tara Siegel Bernard

Most Americans aren't fluent in the language of money. Yet we're expected to make big financial decisions as early as our teens—Should I take on thousands of dollars of student debt? Should I buy a car?—even though most of us received no formal instruction on financial matters until it was too late.

While no course in personal finance could have prevented many Americans from getting caught up in the housing bubble,¹ it's clear that most of us need some help, preferably starting when we're still in school. And I'm not just talking about learning to balance your checkbook. It's about understanding concepts like the time value of money, risk, and reward, and, yes, the importance of savings.

All of this raises these questions: What's happening inside our classrooms? And how many schools even broach the topic? As it turns out, for a country that prizes personal responsibility, we're doing very little.

"We need to teach the basics of economics and finances so people can make financial decisions in a changing world," said Annamaria Lusardi, economics professor at Dartmouth College and a research associate at the National Bureau of Economic Research. "It's the compounding of interest,² the problem of inflation.³ These are the principles. And these are really scientific topics."

While more states are beginning to require some sort of personal finance instruction, there aren't enough that do, financial literacy experts say, and there is little consistency in the quality of the education. Just 13 states require students to take a personal finance course or include the subject in an economics course before they graduate from high school, up from seven states in 2007, according to the Council for Economic Education. Meanwhile, 34 states (including those 13) have personal finance within their curriculum guidelines, up from 28 states in 2007...

Michael S. Gutter, an assistant professor of family financial management at the University of Florida, studied the issue in 2009, after he surveyed 15,700 students at 15 universities who came from states with different (or nonexistent) personal finance schooling requirements. The study was financed by the National Endowment for Financial Education, a nonprofit organization in Denver that provides financial education curriculums.

"College students who came from states where there was a course required were more likely to budget, were more likely to be saving, were less likely to have maxed out their credit cards in the last year and were more likely to be paying off their credit cards fully," Professor Gutter said. But his research also suggested that "social learning is also very powerful as well," he said. "What your parents tell you matters."

"It's hard because there is no silver bullet to get this into every school," said Matthew Yale, deputy chief of staff to Education Secretary Arne Duncan. "It's not as simple as saying, 'We're going to institute this in the 100,000 public schools in America.' But our plan for reauthorization does make room for financial literacy in schools, which is a really big, big deal." Mr. Yale was referring to the Obama administration's plan to revise the Elementary and Secondary Education Act, commonly known as No Child Left Behind.

He said the Department of Education's next step is to work with districts and teachers and help them find the money they need, whether it's through the many literacy-minded nonprofits, or the private sector. Mr. Yale also said that department officials are working on competitive grant programs, which

will allow schools to compete for money to pay for the financial literacy programs. As a joint effort with the Treasury Department, the Education Department is currently running the National Financial Capability Challenge, an online exam for high school students that measures financial know-how and recognizes outstanding performers, to help raise awareness.

President Bush created the first Advisory Council on Financial Literacy in 2008, and President Obama plans to assemble his own team. In its annual report, the first council recommended that Congress or state legislatures mandate financial education in all schools for students in kindergarten through 12th grade. But will the new administration follow through with that recommendation? Mr. Yale said education officials were "not interested in introducing unfunded mandates..."

¹ housing bubble: when housing prices rapidly increase to unsustainable levels and then collapse

² compound interest: interest paid on both the original amount of money invested and on the interest it has already earned

³ inflation: a general increase in prices that decrease the purchasing power of money

⁴ Roth I.R.A.: a type of individual retirement account

Bernard Siegal, Tara. (2010, April 9). Working Financial Literacy in With the Three R's. *The New York Times*. Retrieved from <http://www.nytimes.com/2010/04/10/your-money/10money.html>.

Financial Education Leaving Americans Behind

by Greg Burns

With so many personal finance decisions turning into disasters, a chorus of voices is singing the praises of financial-literacy education.

Make every American a financial whiz, the thinking goes, and credit bubbles never will bedevil us again.

Trouble is, growing evidence suggests that financial-literacy courses don't work. Worse, they may actually hurt, in part by making their graduates overconfident about limited skills.

Few want to hear that message, according to Lauren Willis, a professor at Loyola Law School in Los Angeles, whose recent paper, "Against Financial Literacy Education," shook up all sorts of vested interests.

Plenty of people make a living off these courses, and lawmakers love them, since they give the impression that something is being done about the intractable problem of financial ignorance.

Utah, Missouri, and Tennessee require students to take a semester-long personal-finance class before graduating from high school. Illinois and 16 other states incorporate financial education into other subjects—by decree, of course.

The Indiana Senate this month approved a bill that would require "personal financial responsibility" to be taught from kindergarten through high school. Its sponsor described it as an appropriate response to "difficult times." Other states are mulling expanded mandates.

These measures don't affect only youth. Adults face similar obligatory instruction when they seek bankruptcy protection or, in some cases, apply for loans.

Academics have known for years about the scant evidence in support of the programs, but few are willing to go as far as Willis in bluntly denouncing them as a counterproductive racket.¹

She cites examples, such as the high school students who took a semester-long personal-finance course and tested worse than those who didn't. Or the graduates of retirement-planning classes who thought their literacy had increased, when their financial test scores had not.

Now comes a study from Harvard Business School raising more doubts. Using rigorous methodology, it concluded that programs in widespread use during the past two decades were no use at all.

"They weren't effective in changing people's financial decisions," said Shawn Cole, one of two professors behind the report, titled "If You Are So Smart, Why Aren't You Rich?"

"We find no effect," he said. "My gut feeling is that teaching math or statistics would be more useful."

Still, Cole believes it may be possible to design an effective program. That's a common theme among those who favor financial education: Just because no one has proven these courses work is no reason to give up searching for the right formula.

Willis has other ideas. She wants to forget about making Americans capable of handling their credit and investment needs—most will never get there, especially given the fast-moving, complicated nature of financial services.

She favors pro-consumer regulation and one-on-one counseling with unbiased advisers. Sure, those could be tough to come by. But no one said saving Americans from themselves would be easy.

¹racket: a dishonest scheme or business activity

Burns, Greg. (2009, February 6). Financial Education Leaving Americans Behind. *Chicago Tribune*. Retrieved from http://articles.chicagotribune.com/2009-02-16/news/0902150143_1_financial-literacy-financial-literacy-education-financial-ignorance.

The graphic below shows the total number of household bankruptcies in the United States for each year from 1996 through 2010.

