

Parents, Youth and Money Survey Highlights

With only 21 percent of students between the ages of 16 and 22 saying they have taken a personal finance course through school,¹ parents are by default the primary teachers of financial education. In fact, 94 percent of these youth cite parents as a primary resource for financial information. But how do parents view their role? Most parents with children ages 6 to 17 see themselves as good financial role models (25 percent say they do an excellent job of managing their money and 57 percent say they do a good job) and as effective at providing their children with financial guidance (25 percent say they are very effective and 67 percent say they are somewhat effective). Many parents report behavior that verify their role as effective financial educators, however other reported behavior and attitudes raise questions about these appraisals.

Parents as Role Models

- Almost all parents feel they understand of financial matters well—51 percent say they understand these matters very well and 46 percent say they understand them fairly well.
- Eighty-three percent of parents report they compare prices when making purchases most of the time.
- Sixty-eight percent report they track the money they spend to determine where it is going most of the time.
- Less than half say they make a budget and stick to it most of the time (45 percent).
- Only 38 percent of parents report that they generally pay off their credit cards completely each billing cycle. Forty-nine percent state they pay more than the minimum payment but still leave a balance due and 6 percent state they make only the minimum payment each month.
- Sixty-eight percent of parents think it is very important to save money on a regular basis. Twenty-seven percent think it is somewhat important.
- Eighty percent say they save money on a regular basis.
- Thirteen percent of parents say they have nothing saved in a work-related retirement savings plan or IRA and 11 percent have no personal savings other than what they might have saved in a retirement plan.
- Of the resources for helping households to manage their finances discussed in the survey, parents are most likely to say they use materials provided by an employer (49 percent) or turn to a financial advisor of some kind (36 percent).
- Twenty-seven percent report they do not use any of the resources discussed in the survey to help manage their household's finances.
- While parents who feel they do an excellent job managing their money report do not necessarily report excellent financial habits, they tend to report better financial habits than do other parents. They are more likely to save regularly, to track the money they spend, to stick to a budget, and to pay off their credit cards completely each billing cycle.

- When asked where they would put or advise their child to put \$5,000 to save for education or another long-term goal, one-third of parents suggest an inappropriate investment vehicle, such as certificates of deposit (17 percent), savings accounts (12 percent), and savings bonds (4 percent). Another 12 percent say they would put the money in a bank or saving and loan, but are unable to identify a specific type of account.
- Many parents appear to discount the example their own financial behavior provides for their children. Eighty-one percent of those who feel they do a fair or poor job managing their money still consider themselves to be effective in providing financial guidance.

Parents as Teachers

- Sixty-one percent of parents say that parents and schools should share the responsibility for teaching children about financial education. Thirty-eight percent think it is their sole responsibility.
- When asked without prompting to describe what they have done to teach their children about financial matters, 56 percent can think of only one thing to relate to the interviewer and 31 percent identify only two things. Eight percent say they have done nothing or do not know what they have done.
- When prompted, a large majority of parents say they have encouraged their child to save money (95 percent) and taught their child to compare prices (86 percent).
- Sixty-one percent each have taught their child how to set financial goals and involved him or her in discussions about family financial matters.
- Eighty-seven percent of parents with children ages 11 to 17 report they have involved their child in discussions about his or her future job prospects. Other actions taken include involving him or her in discussions about paying for education (72 percent) and teaching the child how to track expenses (56 percent), to make a budget (52 percent), and about different kinds of investments (40 percent).
- Most parents do not use outside resources to help teach their children about financial management. Only 29 percent have obtained educational materials to help teach their child and smaller percentages have encouraged their child to use the Internet to obtain financial information (20 percent) and exposed their child to financial planning software (12 percent).
- A comparison of parents who think they are very effective at providing financial guidance with those who think they are less effective reveals that those who think they are very effective are more likely to report many of the interactions listed above. However, there are few other differences between the groups.
- Parents who describe themselves as somewhat or not effective at providing their child with financial guidance say this is because their children do not understand money or understand the concept of money (29 percent), 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 7 percent of parents think the specific child discussed in the survey understands financial matters very well. Fifty-two percent think their child understands them fairly well.

- Fifty-five percent of parents give their child an allowance. Of these, 74 percent tie the allowance to a special effort on their child's part, such as good grades or chores.
- Sixty-five percent report that their child earns money through formal or informal paid employment.
- Twenty-one percent require their child to contribute to charity or to their church and 46 percent encourage them to make charitable contributions
- Fifty-eight percent of parents report they require their child to save some of the money he or she receives. Seventy percent say their child voluntarily saves money beyond what is required.
- Fifty-three percent of parents whose child is required to save or saves voluntarily indicate that their child is saving for a particular goal, such as their education or college (26 percent), a car or related expenses (23 percent), and entertainment equipment (12 percent).

¹ From the 1999 Youth and Money Survey that surveyed 1000 students ages 16 to 22 regarding their attitudes and behavior towards personal finance. The survey was conducted between January and February of 1999 and was released in April 1999.