

Money 2000

University of Wisconsin-Extension

Family Living Programs

and Beyond

How do your children learn about managing money?

In the 2001 *Parents, Youth and Money Survey*, two out of three parents say that parents and schools should share the responsibility for teaching children about finances. About two in five parents (38%) think this is solely their responsibility.*

However, only a fifth of high school students (21%) report taking a personal finance course in school. Therefore, it is up to parents to provide most of their children's financial education. But how are parents doing?

According to the survey, most parents feel confident about their financial knowledge. Three out of four rated themselves as good or excellent money managers:

- Most parents (83%) report comparing prices most of the time when making purchases.
- Most (80%) say they regularly save money.
- More than two-thirds (68%) say they keep track of their spending.

On the other hand, some money management behaviors reported suggest that not all parents may be the best financial role models for their kids:

- Only 45% report making a budget and sticking to it.
- Just 38% say they pay off their credit cards each billing cycle.
- About half (49%) pay more than the minimum payment on credit card accounts but still have a balance due.

The survey also asked parents what they have done to teach their children about managing money:

- Nearly all parents (95%) reported encouraging their children to save money.
- Most parents with children ages 11-17 (87%) report talking with them about future job prospects.
- More than half (56%) taught their children how to track expenses and make a budget.
- Two in three taught their kids how to set financial goals and involve their children in discussions of family finances.
- Two in five (40%) discussed different types of investments with their children.

More than half of the parents (55%) give their children an allowance. Three-fourths (74%) tie the allowance to a special effort by the child such as good grades or chores. Three in five parents (58%) say they require their children to save part of the money they receive.

Nearly half (46%) *encourage* their children to make charitable contributions; one-fifth (21%) *require* their children to give to their church or charity.

You can find more information about the survey and tools to help you teach your kids about money on the American Savings Education Council's Web site:

<http://www.asec.org>

NEWS

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Few children learn money management in school, putting the burden on parents to teach this. Find help at: www.asec.org



* The 2001 *Parents, Youth and Money Survey* was sponsored by the American Savings Education Council (ASEC), Employee Benefit Research Institute (EBRI), and Mathew Greenwald and Associates. It was underwritten by TIAA-CREF Institute. April 2001.

The cost of the premiums for credit card insurance could easily exceed any monthly benefits.



Should you purchase credit card insurance?

Do you really need credit card insurance? If so, are the insurance programs being offered to you a good deal? The answers depend on which of the many forms of credit card insurance you are considering — and who is offering it.

You can buy insurance to pay your credit card bills if you are disabled or lose your job. This type of insurance may be useful if your other sources of income would not be enough to pay your monthly debts.

But there may be a waiting period — often 6 months — before you receive the first payment. And the insurance may only cover the minimum card payment each month. So unless you are disabled or out of work for a very long time, the cost of the premiums could easily exceed any monthly benefits.

Likewise, insurance that will pay off card balances if you die may make sense only if you have a lot of credit card debt and little or no other life insurance. In general, you are better off insuring yourself against income loss or death by purchasing regular disability or life insurance instead of credit insurance.

Other forms of credit card insurance promise to protect you if your cards are lost or stolen. But you are already protected. Under federal law, your liability is limited to \$50 if your card is fraudulently used, provided you make a reasonable effort to notify the card issuer of any lost or stolen card. Many times, issuers will waive the \$50 requirement, so you would lose nothing.

Before signing up for credit card insurance, ask yourself these questions:

- Why do you want this insurance?
- What benefits will you gain from it, and how much will it cost?
- Does the extra insurance make sense for your spending and borrowing habits?
- Have you explored other options for insurance and compared prices?

What if you choose credit card insurance and then change your mind? You have a 10-day grace period to cancel the coverage for a full refund of the premium.

Remember: Credit insurance cannot be required to obtain credit. Know what you are signing.

Stop unwanted solicitations

You can reduce the number of credit card, insurance and other financial product offers you receive. Ask to have your name removed from mailing and phone call lists used by national advertisers. Opt out.

Write to:

Mail Preference Service
P.O. Box 9008
Farmingdale, NY 11735

Telephone Preference Service
P.O. Box 9014
Farmingdale, NY 11735

Fill out and return the privacy notifications you receive from your financial institutions. Request that they keep your personal information private and not sell it to third parties.

To remove your name from marketing lists that major credit bureaus provide to creditors and insurers, call toll-free: (888) 567-8688

Call the Department of Transportation Division of Motor Vehicles and request opt-out information.

If you have a discount card for your grocery store, request an opt-out form.

Looking for some summer reading?

Why Smart People Make Big Money Mistakes and How to Correct Them

by Gary Belsky and Thomas Gilovich (Simon & Schuster, 2000)

If you found a \$20 bill on the sidewalk, would you spend it differently than the \$20 bill in your wallet? Why are consumers willing to pay more for a product bought with credit than with cash? Why do people have the lowest deductibles on their insurance policies? Why do so many Americans have large amounts of their money in passbook savings accounts when they are probably losing money by doing so?

This book takes a look at **behavioral economics**, a field that combines psychology and economics to explain why and how people make what seem to be irrational or illogical decisions when they spend, save, invest or borrow money. The authors share anecdotes and examples to help the reader identify and correct such behavior.

They explain **mental accounting**, which describes how people tend to treat money differently depending on where it comes from or how it is spent. When you treat \$1 differently from another \$1, you run the risk of being too quick to spend, too slow to save or too conservative when you invest — all of which can cost you money.

The Richest Man in Babylon

by George S. Clason (Dutton/Plume, 1989)

George Clason writes about the road to riches through ancient stories of Babylon, wealthiest city of the ancient world. Clason shares seven basic principles of finance the Babylonians used in acquiring, making and keeping money:

1. **Start thy purse to fattening.** (Save 10% of all that you earn.)
2. **Control thy expenditures.** (Spend less than 90% of your income.)
3. **Make thy gold multiply.** (Increase your savings by earning a healthy return on investments.)
4. **Guard thy treasures from loss.** (Avoid inexperienced financial advisors and “get rich quick” schemes.)
5. **Make of thy dwelling a profitable investment.** (Buy a home and build equity.)
6. **Insure a future income.** (Buy adequate life and other insurance to protect dependents.)
7. **Increase thy ability to earn.** (Develop and improve your job skills.)

If you listen to books while you commute, the audio edition is due out in November.

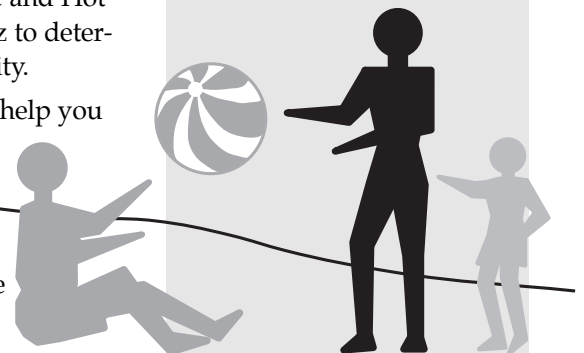
Spend Yourself Rich

by Grady Cash, CFP (Financial Literacy Center, 1998)

This book provides a values-based approach to help you reach your financial goals. Grady Cash, Certified Financial Planner®, describes seven spending personalities: Impulsive, Fanatical, Passive, Avoidance, Esteem, Overdone and Hot Potato spenders. Take the quiz to determine your spending personality.

You'll find practical advice to help you avoid common mistakes and save money on day-to-day expenses. Use the checklist to become the Empowered Spender and take control of your spending.

Become the Empowered Spender and take control of your spending.



CAR



**Leasing can be
more costly
than buying.**

Lease or buy that next vehicle?

Don't decide to lease that car, truck or SUV just because the monthly lease payments are lower than the loan payments if you would buy it. Since you do not own the vehicle at the end of the term, it's not surprising for lease payments to be lower.

Leasing has both advantages and disadvantages. Make sure you understand before signing on the dotted line! Besides monthly payments, consider any up-front payments, the cost of buying the vehicle at the end of the lease, and any end-of-lease fees such as excess mileage and wear and tear.

For more information, check out the "Keys to Vehicle Leasing" information on the Federal Reserve Web site:

<http://www.federalreserve.gov/pubs/leasing>

Or ask your county UW-Extension office for a copy of "Keys to Vehicle Leasing."

Money 2000 and Beyond:

<http://www.uwex.edu/ces/money2000>

Internet access is available at many public libraries or other public places in your community.

University of Wisconsin-Extension provides equal opportunities and affirmative action in employment and programming, including Title IX and ADA requirements. *Money 2000 and Beyond News* is written and compiled by Linda Boelter, CFP, family financial management specialist, UW-Extension.

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