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The Philadelphia Inquirer

Sounding the finance alarm

By Todd Mason
Inquirer Staff Writer

EAST BRUNSWICK, N.J. - Jon S. Corzine, the U.S. Senate's \$300 million man, is tackling a challenge that stymies researchers, teachers and parents alike.

"Financial literacy is about economic security," Corzine said yesterday at a statewide summit here on ways to improve financial understanding. "It's especially important for kids. But working families and seniors need to know how" the economy works.

"A lot of Americans just aren't making it," he said.

Corzine is not the only one sounding the financial-literacy alarm. Last week, Federal Reserve Chairman Alan Greenspan said children in elementary and secondary school need to learn basic financial concepts to help them avoid poor decisions later in life.

In a national exam designed to test high-school seniors on financial issues they face in their own lives, such as paying state sales taxes and saving for retirement, the average score was 50.2 out of 100. Last year, 150,000 of the record 1.5 million people who filed for bankruptcy protection were under the age of 25.

"They don't have a clue," said Lewis Mandell, a professor at the University of Buffalo who conducted the study. Because the exam was multiple choice with four possible answers, "just guessing randomly they would have gotten 25 percent right."

Instruction doesn't seem to help, Mandell said. "Kids who had

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an entire semester on personal finance in high school don't do any better than those who had no instruction," he said.

Corzine said he believes that the problem is lack of coordination of, and standards for, financial education, and he said he thinks the federal government can lead the way.

The senator sponsored an amendment to President Bush's "No Child Left Behind" initiative in 2001 that authorizes spending \$200 million on financial-literacy programs in the schools. None of the money has been appropriated yet.

Corzine also wants money and mandates in welfare-appropriation bills to teach financial literacy along with job skills. He wants money to teach retirees how to cope, noting that widows are often unprepared to take over the family finances.

Today's efforts "are really sort of ad hoc," Corzine said. "They're not built into the curriculum."

Indeed, attendees at yesterday's summit learned of a hodgepodge of initiatives underway in New Jersey. In one, the nonprofit Youth Consultation Service is using a \$50,000 grant from Fleet Bank New Jersey to introduce inner-city youth in Newark and Camden to traditional banking services.

"The only exposure they have to banking is to check-cashing stores," said Philip DeFalco, senior vice president of Youth Consultation Service.

Meanwhile, the state's Department of Banking and Insurance is opening consumer offices in Camden and Newark to assist residents with financial questions, credit applications and complaints.

The Newark Museum addresses financial literacy in an exhibit, "Once Upon a Dime: A History of Money," which it plans to take on the road.

Even so, "the most important place we have to deal with financial literacy is in our school system," Corzine said. "We have to expose our children to it at an early age."

At yesterday's summit, Neale Godfrey, chairman of the Children's Financial Network, led a group of 40 third graders from the Lincoln Annex School in New Brunswick through a boisterous demonstration of the barter system. The exercise was designed to show why money was invented.

New Jersey is making progress. Curriculum designers added economics and personal finance to draft proposals to be presented in a matter of weeks to the state Board of Education. It would be the first time that personal finance figured among the subjects that New Jersey high school students must master to graduate from high school.

Curriculum standards are key, said William L. Horahan, chairman of the New Jersey Coalition for Financial Education. The group has been working for five years to raise the visibility of financial education. "What gets tested gets taught," said Horahan, a retiree from Wrightstown.

For the moment, New Egypt High School in central New Jersey has the only mandatory personal-finance course in the state, according to summit organizers. Students in the yearlong course earn pretend paychecks, rent imaginary apartments, and buy fictional cars.

"We have had them declaring bankruptcy," said Gerald Woehr, superintendent of the Plumsted Township School District about the class' role-playing.

"The feedback we've gotten is that there is a much better understanding of finance," he said. "But knowing it is not the same as doing it."

Mandell, the Buffalo professor, remains skeptical. One of the questions on his exam asked which of these four factors would not affect the interest rate on a \$10,000 student loan: a cosigner, a federal guarantee, collateral, or attending a state school.

Only 25.7 percent of the 12th-graders got the right answer: attending a state school.

Mandell said he suspects that the problem is his test subjects'

inability or unwillingness to look into the future. College comes first. Teens worry about student loans later.

Parents don't do better. One of Woehr's children took his teachings to heart. He said the other actually told him the old joke in all seriousness: "But I can't be out of money. I still have checks in my checkbook."

Corzine, who stepped down as cochairman of Goldman Sachs to run for the Senate in 1999, said he feels strongly that Americans need to get smarter about their money. Even so, he reported similar problems as his children have adjusted to financial independence. "Discipline had to be brought to bear," he said.

"There are no quick fixes," Corzine said. "This is a bully pulpit I will continue to use."

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