Current Events

ARTICLE: What Schools Teach Kids About Money Is Scary

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What schools teach kids about money is scary
Peter Dunn, Special for USA TODAY 11:15 a.m. EDT September 16, 2016

If you talk with a group of people about money for more than two minutes, someone is going to unleash one of the most common financial phrases on the planet: "I wish they would have taught this stuff in school." Yeah, me too. Think how crazy it is that as a society we are just now valuing the importance of teaching people about money. My best guess is that math used to do the job, but since credit is so readily available, math doesn't quite seem to matter anymore. "I don't have enough money to buy that." Who cares? Buy it anyway.

There are schools that focus on financial material. But most courses I've seen focus on showing students how to become borrowers, something that mortifies me to no end. We need less "how to borrow" information and more "how not to borrow" behavior modification.

If you're not addressing behavior in a financial course, the financial course is worthless. My gut tells me the perfect financial literacy class for students would be one part math, two parts behavior and then 6 gallons of counterculture financial decision making. It would be as much a psychology course as it is a business course.

Today we're going to build a financial education course from the ground up. As a public service, here is my personal finance syllabus for elementary school, middle school and high school students. Feel free to send it to you favorite educator. The absolute last thing I want to do is to tell educators how to do their job. However, money is something that every single person needs to fully comprehend in order to have a fruitful life. If you struggle with money, you will struggle in life.

Class is in session.

Week one. We begin our conversation about money with the single key to financial success: behavior. No, your financial life is not about money. It's about behavior. When you were a child, your parents would give you timeouts for poor behavior. Little did you know their discipline would provide you with what you need to be a financial success. Bad financial habits are hard to break. Prior to your first penny of income, you should establish healthy financial habits which will shape your behavior.

Week two. We'll take a look at income. You'll understand how income fuels your financial life. It pays off your debts, funds your lifestyle, and provides for your future. If you don't have enough on one income, get a second income. Do your best to not take on too many obligations, because it puts too much pressure on your income. As your income rises over time, don't proportionally increase your lifestyle. Your income leads to expenses, and before you know it, you'll be dependent on more income. That's bad.

Week three. Back to behavior. You knew it was coming. Budgeting week is here. Did you notice how we didn't make any major spending decisions until you had income? That was on purpose. But you gotta be careful. Income almost always summons expenses. Your budget will divide your income up to handle expenses. Your fixed expenses will account for a majority of your income, and you will have to make wise decisions with the rest of it. A major part of budgeting is saving. You should peel off at least 10% of your income for savings before anyone else gets paid.

Week five. You probably didn't think goal setting would be part of your personal finance curriculum. Welcome to week five. Debt doesn't pay off itself, nor does money save itself. Learn to set 30-day financial goals, and good financial behavior will follow.

Week six. I hope you had a Red Bull this morning, because week six is all about fixed bills and utilities. Yep, basic modern needs can eat up a lot of your budget. You wouldn't believe how many people ruin their financial lives via death by 1,000 paper cuts. Fifty dollars for this, $120 for that and $377 for this. Before you know it, you can no longer afford the "small monthly payment of."

Week seven.Learn exactly how to become a millionaire. Once you understand compounding interest, all your excuses of why you can't set money aside for the future right now begin to fade. When you invest money, and your money earns a return, the next year your original investment, as well as your earnings, are given a chance of an additional return. When this happens year after year, your investment compounds. Time is as important as money when it comes to compounding. If you understand compounding interest, you'll understand that wasting time is worse than wasting money.

Weeks eight and nine.Student loans. Yes, two weeks of student loans. At 18 years of age, you will be offered tens of thousands, if not hundreds of thousands, of dollars in loans. Typically, students understand about 2% of what they should understand about student loans. During these two weeks you'll learn why you should take out the least amount of debt you can in order to complete your degree on time, and most important how your field of study will affect your ability to repay your loans. You need to let your parents see your course materials, too, because you don't want them to lead you down the wrong path with student debt, as they are oft to do.

Week 10. Learn that the student loan lesson of taking out the least amount of debt possible applies after you graduate, as well. Somebody will loan you money for a car, a couch, a computer, a ring, a wedding, a vacation, a cat or anything else which might tickle your fancy. Saving for a purchase almost always makes more sense than borrowing, especially on lower-price items.

Week 11. Our eleventh week may save your financial life. It's housing week. Besides college, you will never feel more outside pressure to make a purchase you can't objectively afford. Your home will likely be the most expensive purchase you ever make, and if purchased properly, it will allow you to have a comfortable retirement. If you're a passive party during the purchase process, prepare for regret.

Week 12. No one likes spending money on insurance, yet protecting yourself against the unknown is as prudent as it is necessary. That's why it's our focus for week 12. You're not invincible, and neither is your stuff. Protect yourself and protect your stuff.

Week 13. Someone is going to complain that I saved credit for the last week of the semester, but if you have good financial habits, your credit will take care of itself. You're going to be tempted to manipulate your credit score by doing objectively silly things. Don't fall prey to illogical financial decisions just to make an arbitrary score go up. Your goal is to have money, not the ability to borrow money.

Yep, this is everything you should have learned about money in school.

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Discussion Questions

Vocab Define: credit, mortify, financial literacy, counterculture, syllabus, comprehend, obligations, fixed expenses, compound interest

1. Should schools avoid giving students information about how to borrow money? Why or why not?
2. What does the writer mean by behavior modification? How does it differ from giving people information to make their own decision?
3. What are some ways people try to modify your current and future behavior? Is this ever a good thing? Is it ever bad? Discuss.
4. “Saving for a purchase almost always makes more sense than borrowing.” Do you agree? What are some cases when borrowing would benefit you in the long term?
5. What are the benefits to having something now rather than later? Why do you think borrowing costs money (interest payments)?
6. Insurance “is as prudent as it is necessary.” Is buying insurance always prudent? Why or why not?
7. Why does borrowing money and paying it back help your credit score? Is this an “objectively silly” thing to do? Why or why not?
8. Why do you think Peter Dunn wants to discourage students from developing the ability to borrow? How is this related to his efforts at behavior modification?