



Why Young People Needs Financial Education

Financial Education is not just about the money. Financial competency is, in the best sense, a vehicle for young people to manifest their values, their character, and their substance. It's a means of demonstrating self-reliance and discipline – in short, a way of playing out the essence of who they are and who they will become.

Young people who are able to exercise judgment about using money in thoughtful and competent ways are not just kids who are going to have balanced checkbooks and a nest egg; they are kids who have made decisions about who they want to be and how they want to behave. Helping them use the financial skills they have been working on over the years is one way to show your affection and respect for them.

Young people who have not learnt to save, spend wisely, invest, handle debt and credit with self-awareness, and act philanthropically are more likely to have trouble leaving the nest, accrue debt sooner after leaving school, and have chronic problems curbing the impulse to spend. These are the young adults who will spend a decade or more in a kind of “delayed apprenticeship”, trying hard to acquire financial skills just when they need them most.

Personal Financial Safety Nets

By the time these young people are seniors in secondary schools or Junior Colleges, they should be focused on how to develop and manage their own financial safety nets. It’s not necessary to scare them with visions of financial catastrophe to get their attention. But keep in mind that as they get ready for further education or that first full-time job – they are both vulnerable to the larger world and a part of it.

Teenagers are prey to every company that sees them as a credit-card target or wants to establish early brand loyalty with them. These companies will make outrageous offers and promises to get their attention.

One of the most substantial changes in the economy over the last twenty years has been the shift of financial risk from the institution to the individual. This means *if you cannot manage your own financial security you will be out of luck*. That is, financial safety nets must now be woven by each of us to some extent. As many parents have a hard time doing this for themselves, it’s tough to pass along to the young people.

No Operating Instructions Included

Today’s parents are not less capable or caring than their parents and grandparents. The fact is that the issues of children and money really are more complex and challenging than ever. Before easy credit, mass communication, and small family, financial values were communicated through the extended family. Companies did not target children as consumers so aggressively or have as many ways to do so, and parents did not compete in the same way with peers and media for their children’s respect and attention.

In the '80s, these mounting pressures converged with a shift of attitude and policy that changed the financial landscape for parents and their children. "Self-sufficiency" emerged as a value suggesting virtue and discipline. It started with financial sector reform and inevitably trickled up to the everyday experience of working-class and middle-class people. Prior to the '80s, only a privileged few had easy access to the stock market, financial information, and financial products for saving and building wealth. In the '90s, the Internet and the rise the "free-agent nation" fueled this growing regard for independence and self-management. The stock market and financial information became more accessible online – and 'round the clock. Numerous financial products and services became available, making it more critical than ever that individuals be financially literate in order to make choices they had never had to make before.

This shift of financial responsibility from institution to individual is, in a way, a true democratization of financial opportunity. But no longer can you let your retirement plans coast on autopilot. As this new, more financially democratic and complex world has emerged, no one's been handing out operating instructions. Parents are left on their own to sort out their financial values and practices, much like trying to figure out those exasperating children's toys that used to come with four hundred pieces but no good diagrams to help you put them together.

In every part of a democratic society, *literacy matters*. To make a democracy – political or financial – effective, its members must know how to talk about, understand, and use the basic ideas and mechanism of the culture.

PS: You are invited to sign up for a free monthly e-newsletter *Money Quotient*, a newsletter which focuses on managing your personal finances (www.salmonthrust/newsletter.htm).

About Salmon Thrust Pte Ltd:

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