

1-1-2013

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Recommended Citation

Lauren Goyette, *Education Connection: Financial Education Leads to Better Financial Decisions*, 34 CHILD. LEGAL RTS. J. 125 (2013).
Available at: <http://lawcommons.luc.edu/clrj/vol34/iss1/8>

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Education Connection: Financial Education Leads to Better Financial Decisions

By Lauren Goyette

The United States currently faces one of the largest financial crises in its history and our school curriculum has contributed to this. Making informed financial decisions is not just beneficial to the individual but also to the economy as a whole. In the United States there is no mandate for personal finance courses, whereas the United Kingdom mandates all secondary schools to teach personal finances beginning in September of 2014. The United Kingdom is hoping that teaching students about budgeting and finances will equip them with the necessary skills to succeed in business for when they join the workforce, which will hopefully drive forward economic growth.

The United Kingdom was not the first to pioneer the idea of mandating financial education, but in fact joined a movement along with Australia and Singapore to require financial education in secondary schools. This has served as an impetus for the United States to follow suit. In February of 2013, the United Kingdom ended a large debate in its country by deciding that financial education would become mandatory.

The All-Parliamentary Group on Financial Education for Young People is a group in the United Kingdom made up of 249 members of parliament. They serve as a medium through which peers and organizations with an interest in financial education can discuss and evaluate the current financial education system in the United Kingdom. In March 2011, this group conducted a survey of teachers to better understand how financial education was being taught and how teachers thought it should be incorporated in the curriculum, if at all.

The United Kingdom had many reasons for implementing this education into its curriculum. Its main goal was to equip students with the financial skills to enable them to manage their money on a day-to-day basis as well as to plan for future financial needs. Currently, two-thirds of the people surveyed in the United Kingdom said they are too confused to make the right choices about their money and one-third said they do not think they have the right skills to properly manage their cash. Between 2004 and 2010, individual insolvency levels in the United Kingdom rose sharply: eighteen million adults ran out of money each month before receiving their next paycheck, and more than half of the adult population continued to struggle to keep up with bill and debt payments. Only forty-five percent of the teachers surveyed reported ever teaching some sort of personal finance in their classes. While there is a limited amount of time students are in the classroom, and a lot of material to be covered, the United Kingdom decided that financial education is important enough to take time away from other topics.

The specifics of the curriculum are still being worked out but some basic topics that will be covered include wages, taxes, credit, debt, financial risk, and a range of more sophisticated financial products and services. The curriculum will be based in secondary schools, but primary schools will also need to make some changes in their curriculum so students can have a foundation in finance before entering into their secondary education.

Instead of making a new course for finance, these topics will be incorporated into existing classes.

Primary schoolteachers will begin to introduce concepts of basic money and mathematic skills in kindergarten and will be provided with additional training time in these areas in preparation for the mandated changes. There is also a proposal to raise the minimum passing grade in mathematics classes from a C to a B for all students. This would ensure that all students are equipped for secondary education financial courses. Some of the courses that the finance curriculum will be incorporated into include mathematics, citizenship, English, and science. For example in the English classes, students will be taught the meanings of words such as money, finance, commercial and coin.

In the secondary education curriculum, changes will mostly be in mathematics and citizenship courses. In the mathematics courses, the goal will be to show students how math is relevant to their everyday life decisions. Some of the things students will be able to do once they have completed the mathematics courses are: calculate sales prices using percentages, estimate a rough equivalency of foreign currency given the exchange rate, check a bill, compare different offers for loans and savings, use percentages when comparing investments, and work out new incomes after a percentage change occurs. Schools are also considering bringing in outside volunteers from financial service firms to talk to students about the importance of what they are learning. The mathematics courses will help give a foundation so that students can better apply the concepts in their citizenship courses

The citizenship classes will be divided into four sections, one of which being personal finance. Each class will strive to teach the functions and uses of money, the importance and practice of budgeting, managing risk, calculating incomes and expenses, how to properly obtain credit and how to avoid debt, insurance, and other financial products and services including savings, pensions, and how public money is raised and spent.

In addition to the curriculum change, each school will be appointed a coordinator, or 'Champion' that will be responsible for making sure that not only are desired outcomes of the implementations being met, but also that there is a clear link to the students between the courses and the importance of personal finance. The coordinators will meet with students and talk with them to ensure these goals are being met.

The United Kingdom hopes that once young people become equipped with these skills, they will transfer these skills into the workplace, thereby resulting in more desirable workers, more productivity, and a stronger economy. It is also believed that there will be great long-term effects from the change in curriculum, such as solving its current household debt crisis and personal insolvency levels.

If financial education is taught at an early age than many financial mistakes can be prevented. Many big financial decisions only happen once in a lifetime, such as going to college, retiring, or buying a house, and if they are not done correctly there can be severe financial repercussions. By incorporating these topics into multiple courses, rather than making one new course, the United Kingdom's students will learn the big picture of finances, understand the importance of it, and learn how to apply it in their everyday lives.

If the results of the United Kingdom's changes are as the United Kingdom expects, then the United States and other countries will be sure to follow as well. Teaching students about different financial options and the consequences of financial actions will help increase their chances of making the right financial decisions. It is also expected that if people are making better financial decisions, the economy will be better off as well.

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