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Capitol Report
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The Importance of Teaching Personal Finance to High School Students

JEFFERSON CITY – Understanding how to manage your personal finances is more important than ever as the economy struggles and people are forced to make tough choices about how to spend their money. However, it is troubling to me when statistics show the enormity of the debt average Americans are facing, even as college students. This is why I value the teaching of basic personal finance to our high school students, so we can arm a new generation with the necessary skills they need to successfully manage their money.

Today I presented [Senate Bill 151](#) to the Senate Financial and Governmental Organizations and Elections Committee. Simply put, this bill prevents high school students from testing out of the current personal finance requirement they must complete prior to graduation. For several years, I have been working on an idea called “Financial Independence through Education,” and it seems to me that truly requiring our students to complete a course in personal finance is a good first step toward educating them on the importance of smart money management.

We need only to look at debt statistics in this country to realize that somewhere along the line, we failed when it comes to teaching people how to manage their money. Personal consumer debt has risen from \$2.1 trillion in 2003 to \$2.6 trillion in 2008. Excluding mortgages, the average American with a credit file is responsible for \$16,635 in debt. Seventy-six percent of undergraduates have credit cards, and the average undergrad has \$2,200 in credit card debt. This, of course, is in addition to the financial burden they carry of nearly \$20,000 in student debt for their education, on average.

The average credit card-indebted young adult household now spends nearly 24 percent of its income on debt payments, four percentage points more, on average, than young adults did in 1992. Finally, according to the nationwide survey released last year by the Federal Reserve, high school seniors averaged correct answers on only 48 percent of personal finance and economic

questions. This was the worst score in the 12 years of the survey's existence. Clearly, high school students should not be testing out of their personal finance courses.

It is easy to understand the need for this bill when you consider what good money management can mean for your future. More and more employers are checking applicants' credit history before even thinking about offering them the job. A good credit score shows responsibility and the ability to manage personal finances, and it gives employers some insight into the type of employee that person might be. Likewise, a poor credit score can raise some red flags to a potential employer and jeopardize an applicant's chances for getting a job, a hot commodity in this economy.

We can do better preparing our future generations to handle their money more efficiently than my generation and others have done in the past. While my original efforts in this area were much larger, I am compromising with trying to enact this small change. It is my hope this course of action will add to the fine efforts of the Department of Elementary and Secondary Education in educating our young Missourians about the importance of good personal financial skills. I must note that due to the work of DESE, concerned citizens and legislators before me, Missouri is one of only three states that has a personal finance graduation requirement.

The class of 2010 would be the first that must pass the required one semester credit in personal finance in order to graduate. Although statistical evidence on these students is a little hard to gather at this time, I am told by DESE officials that very few are actually trying to test out of the class. However, I am also told by my constituents that test-outs happen more frequently than we realize.

I will keep you updated on the status of SB 151 as it works its way through the legislative process. The committee is expected to vote on the bill shortly. Until then, if you have any comments or questions about this week's column or any other matter involving state government, please do not hesitate to contact me. You can reach my office by e-mail at dan.clemens@senate.mo.gov or by phone at 866-242-0810. My web address is <http://www.senate.mo.gov/clemens>.

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