



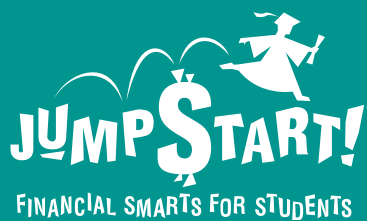
# THE FINANCIAL LITERACY OF YOUNG AMERICAN ADULTS

*Results of the 2008 National Jump\$tart Coalition  
Survey of High School Seniors and College Students*

By  
Lewis Mandell, Ph.D.  
University of Washington and the Aspen Institute

For the Jump\$tart Coalition® for Personal Financial Literacy





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**THE FINANCIAL LITERACY OF YOUNG AMERICAN ADULTS  
TABLE OF CONTENTS**

	<b>Page</b>
<b>Acknowledgements .....</b>	<b>4</b>
<b>Executive Summary .....</b>	<b>5</b>
<b>Chapter 1 – The Financial Literacy of Young American Adults.....</b>	<b>7</b>
<b>Background – The 1997-98 Baseline Survey .....</b>	<b>7</b>
<b>Results of the 2000 Survey .....</b>	<b>7</b>
<b>Results of the 2002 Survey .....</b>	<b>7</b>
<b>Results of the 2004 Survey .....</b>	<b>8</b>
<b>Results of the 2006 Survey .....</b>	<b>8</b>
<b>Results of the 2008 Survey .....</b>	<b>8</b>
<b>High School Results .....</b>	<b>8</b>
<b>College Results .....</b>	<b>8</b>
<b>A Description of the 2008 Surveys.....</b>	<b>9</b>
<b>The High School Sample .....</b>	<b>9</b>
<b>The High School Survey Instrument.....</b>	<b>10</b>
<b>The College Sample.....</b>	<b>10</b>
<b>The College Survey Instrument.....</b>	<b>10</b>
<b>The Jump\$start Coalition.....</b>	<b>11</b>
<b>Chapter 2 – The Overall Financial Literacy of High School Students .....</b>	<b>12</b>
<b>Test Results by Background .....</b>	<b>12</b>
<b>Results by Aspirations .....</b>	<b>15</b>
<b>Results by Money Management Education and Perceived Knowledge.....</b>	<b>17</b>
<b>Classes at School .....</b>	<b>17</b>
<b>Who Takes a Full Semester of Money Management or Plays a Stock         Market Game?.....</b>	<b>18</b>
<b>Results by Money Management Experience.....</b>	<b>20</b>
<b>Credit Card Use .....</b>	<b>20</b>
<b>ATM Card Use .....</b>	<b>21</b>
<b>Paying for Car Insurance.....</b>	<b>21</b>
<b>Bank Accounts.....</b>	<b>21</b>
<b>Security Ownership .....</b>	<b>21</b>
<b>Employment History.....</b>	<b>21</b>
<b>Home Ownership .....</b>	<b>21</b>
<b>Results by Subject Category .....</b>	<b>24</b>
<b>Subject Expertise by Money Market Experience.....</b>	<b>24</b>
<b>Subject Expertise by Money Management Education         and Perceived Knowledge .....</b>	<b>27</b>
<b>Chapter 3 – The Overall Financial Literacy of College Students .....</b>	<b>29</b>
<b>Overall Results .....</b>	<b>29</b>

## 2 *The Financial Literacy of Young American Adults*

Test Results by Background .....	31
Test Results by Money Market Education .....	32
Test Results by Financial Behavior .....	33
Subject Results .....	37
<b>Chapter 4 – Understanding Income .....</b>	<b>41</b>
Introduction.....	41
The Importance of Education, Skills and Location .....	41
Question 24 .....	41
Question 18 .....	48
Question 21 .....	54
Sources of Income .....	60
Question 14 .....	60
Anticipating Taxes and Other Deductions .....	66
Question 13 .....	66
Question 7 .....	73
Question 2 .....	80
<b>Chapter 5 - Understanding Money Management .....</b>	<b>86</b>
Financial Goals and Plans .....	86
Question 8 .....	86
Question 1 .....	92
Understanding Insurance.....	98
Question 26 .....	98
Question 22 .....	104
Question 17 .....	111
<b>Chapter 6 - Understanding Savings and Investment.....</b>	<b>117</b>
Budgeting to Save.....	117
Question 10 .....	117
Short and Long-Term Savings and Investment Strategies .....	123
Question 16 .....	123
Risk, Return and Liquidity .....	129
Question 3 .....	129
Question 11 .....	135
Question 9 .....	143
Question 25 .....	149
Impact of Taxes and Inflation on Savings and Investment Decisions.....	155
Question 31 .....	155
Question 4 .....	161
<b>Chapter 7 - Understanding Spending and Debt.....</b>	<b>167</b>
Spending Now Versus Later .....	167
Question 5 .....	167
Transaction Instruments .....	172

Question 27 .....	172
Question 20 .....	178
<b>The Price of Credit.....</b>	<b>184</b>
Question 28 .....	184
Question 23 .....	190
Question 30 .....	197
Question 12 .....	203
<b>Credit History.....</b>	<b>209</b>
Question 29 .....	209
Question 6 .....	215
<b>Rights and Responsibilities .....</b>	<b>221</b>
Question 19 .....	221
<b>Credit Overextension.....</b>	<b>227</b>
Question 15 .....	227
<b>Appendix A – High School Questionnaire.....</b>	<b>233</b>
<b>Appendix B –College Questionnaire .....</b>	<b>243</b>



## **4 *The Financial Literacy of Young American Adults***

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# **THE FINANCIAL LITERACY OF YOUNG AMERICAN ADULTS**

## **Results of the 2008 National Jump\$tart Coalition Survey of High School and College Students**

### **Executive Summary**

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The 2008 national Jump\$tart survey of high school seniors was the sixth such biennial survey and completed the first ten years of measuring financial literacy in the United States. In 2008, the Jump\$tart Coalition also conducted its first national survey designed to measure the financial literacy of college students. The two surveys present contrasting results.

The financial literacy of high school students has fallen to its lowest level ever, with a score of just 48.3 percent. The average score for college students on the same 31 question exam, however, was 62.2 percent, nearly 15 percentage points above that of high school seniors. In fact, if measured on the high school senior base of 48.3 percent, college students actually did nearly 29 percent better. In addition, scores improved for every year of college with seniors averaging 64.8 percent. The good news is that American college graduates are close to being financially literate and probably will be so with more life experience. The bad news is that just 25 percent of our young adults are graduating from college and this number appears to have stabilized. This means that 75 percent of young American adults are likely to lack the skills needed to make beneficial financial decisions.

The positive turnaround in high school financial literacy scores, first noted in the 2004 survey, continued only through 2006. Beginning with an average score of 57.3 percent in 1997, scores fell to 51.9 percent in 2000 and 50.2 percent in 2002 before staging a rebound to 52.3 percent in 2004. In 2006, the mean score increased by a tenth of a percent to 52.4 percent before falling to 48.3 percent in 2008.

When the Jump\$tart Coalition<sup>®</sup> for Personal Financial Literacy first began measuring financial literacy eleven years ago, the term was literally unknown. Today, hundreds of organizations promote financial literacy, members of Congress introduce bills supporting it, a Federal commission promotes it, many states have passed initiatives and serious scholarly work is being published.

We have long noted with dismay that students who take a high school course in personal finance tend to do no better on our exam than those who do not. This finding has been a great disappointment to consumer educators and to those who support efforts to make courses in personal finance a requirement for high school graduation, and it points to the need for better materials and teacher training.

The 2008 high school survey found that nearly half of students who had taken a full semester course in personal financial management were not seniors when they took the course. In fact, many were freshmen and sophomores at the time and probably lacked exposure to many financial decisions and whose motivation to become financially literate must be questioned.

Not only did college students prove to be far more financially literate than high school seniors, those high school seniors who planned to attend a four-year college did much better

## 6 *The Financial Literacy of Young American Adults*

on our exam than others. In fact, those who had no post-high school plans averaged just 34.9 percent while those who planned to attend a junior college averaged 44.6 percent and those headed to a four-year college averaged 50.9 percent. Note that the large number of students who drop out of high school before their senior year are not measured in our exams but are presumed to be far less financially literate than those still in school.

There are still many important concepts that are not getting through to the next generation.

- Only 16.8 percent of high school seniors and 19.2 percent of college students feel that stocks are likely to have higher average returns than savings bonds, savings accounts and checking accounts *over an 18 year period*.
- Just 27.3 percent of high school seniors and 39 percent of college students realize that interest on a savings account is taxable if one's income is high enough.
- Only about 40 percent of high school seniors realize that their own health insurance could stop if their parents become unemployed. Nearly 70 percent of college students answered this question correctly.

Since standard of living is a multiplicative function of both financial resources (income and wealth) and the ability to use those resources efficiently (financial literacy), we find it increasingly disturbing that those with less income and education are saddled with the additional disadvantage of not possessing the ability to spend what they have efficiently. It is no great surprise to learn that the current financial crisis began with the sub-prime mortgages that were marketed primarily to those with less income, education, and presumably less financial literacy than those who were eligible for prime mortgages. Financial literacy clearly has ongoing macroeconomic ramifications.

## **CHAPTER 1**

### **THE FINANCIAL LITERACY OF YOUNG AMERICAN ADULTS**

#### **Background - The 1997-98 Baseline Survey of High School Seniors**

In the 1997-98 school year, the Jump\$tart Coalition® for Personal Financial Literacy conducted its first *Personal Financial Survey*, a nationwide survey of 12<sup>th</sup> grade students to determine the ability of our young people to survive in today's complex economy. High school seniors were chosen as the population used to gauge financial literacy for two reasons. First, they were in the last year of basic schooling required of and financed for all young Americans and represent the last chance society has to determine what courses they must take. Second, as young adults who could sign binding contracts at age 18, they were confronting real financial decisions that could have great consequences for their lives.

The results of this initial "baseline" survey in 1997-98 were not reassuring. Just 10.2 percent of the 1,532 high school seniors were able to answer at least three quarters of the basic, age-relevant questions correctly. In fact, the average "grade" on the "exam" was a *failing* 57.3 percent.

Given the results of this inauspicious start, the Jump\$tart Coalition decided to administer a version of the *Personal Financial Survey* every two years to measure progress to the overall goal of universal financial literacy for all American high school graduates. Back in the 1997-98 school year, the Jump\$tart founders optimistically forecast that by the 2007-08 school year, ten years after the baseline measure, the *final* survey would document the achievement of this goal.

#### **Results of the 2000 Survey**

In early 2000, a second nationwide survey was administered to 723 high school seniors. Since the survey ended in early 2000, this and subsequent surveys were named by the year in which they were completed.

The results were substantially worse than those of the first survey. Overall test scores fell from 57.3 percent to just 51.9 percent. Students showed some improvement in a small number of specific areas. As the result of a nine-year bull market (about to come to an end), they were, for example, more likely to think the long-term growth potential of common stocks exceeded that of savings accounts. The few bright spots, however, were more than offset by decreased understanding of the most practical and important personal financial concepts. One example is that the proportion of students who understood that a doubling of their income would result in (at least) a doubling of their federal taxes *fell* from 49.4 to 38.3 percent.

#### **Results of the 2002 Survey**

During the winter months of 2001 and 2002, our third nationwide survey was given to 4,024 12<sup>th</sup> graders. Overall results continued to decline from 51.9 percent to 50.2 percent.

## **8 *The Financial Literacy of Young American Adults***

While students were slightly more knowledgeable about income, perhaps because 63.5 percent of them had jobs during the school year (a slight increase from 62.6 percent in 2000), they were less knowledgeable in all other categories. The greatest declines were found in questions relating to money management and saving.

### **Results of the 2004 Survey**

The survey of 4,074 high school seniors completed in February 2004 showed the first improvement in overall scores since the surveys began in 1997. The mean rose by 2.1 percentage points from the low of 50.2 percent achieved in 2000 to 52.3 percent. While this result was better than the two previous surveys, it was still four percentage points below the baseline study of 1997, which itself has been characterized as a “high flunk.” Knowledge of income, spending and credit increased slightly while knowledge of money management (budgets, insurance, etc.) and saving continued their decline to the lowest levels recorded.

### **Results of the 2006 Survey**

Our fifth national survey of high school students tested the financial literacy of 5,775 12<sup>th</sup> graders. They achieved an average score of 52.4 percent, a slight increase from 2004. Performance on questions relating to income fell by 3.7 percent while performance in all other categories rose, with knowledge of credit increasing the most.

### **Results of the 2008 Surveys**

In 2008, for the first time, the survey of high school seniors was supplemented with a separate survey of college students that used the same 31 question examination to measure the financial literacy of both groups.

#### **High School Results**

A record 6,856 12<sup>th</sup> grade students completed the high school survey by February 2008, achieving an average score of 48.3 percent, the lowest ever recorded. While the founders of the Jump\$tart Coalition had hoped that the average score of 58.3 percent achieved in the baseline survey of 1997-98 would increase to a “passing” score of at least 60 percent in 10 years, just the opposite occurred. Instead of increasing, scores fell by 10 percentage points in 10 years, revealing a situation that was becoming more and more dire.

#### **College Results**

The first matching survey of 1,030 full-time college students came up with much more positive results. The average score was 62.2 percent, nearly 15 percentage points above the 48.3 percent average of high school seniors and above the “passing” grade of 60. Even more promising was the fact that financial literacy increased with each additional year of college education, climaxing with an average score of 64.8 percent for college seniors. The good news is that most college graduates are financially literate. The bad news is that only 28

percent of Americans graduate from college, leaving nearly three quarters ill-equipped to make critical financial decisions.

## A Description of the 2008 Surveys

### The High School Sample

The 2008 sample of high school seniors was designed to give results that could be compared to the five previous surveys. The universe for this sample was all public high schools in the United States from the list provided online by the U. S. Department of Education. The latest available data were from the 2004-05 school year and totaled 3,090,176 students. With a desired sample size of 4,000 and estimating a 15 percent response rate, the national sample interval came out to 5,150. This means that we set out to test one out of every 5,150 high school seniors in public high schools. The sample was stratified by state to insure geographic representation.

Since the cost of randomly selecting and testing students across every state would have been prohibitive, students were clustered by high school. First, every public high school within a state was rank-ordered from smallest to largest by the number of 12<sup>th</sup> grade students. Then, a random number between 1 and 5,150 was chosen as the start number within each state. High school seniors were added up (from lowest to highest) and when the random start number was reached, that high school was chosen for inclusion in the sample. From that point on, the sample interval was added to the cumulative number continually, until the largest high school was reached. Each time the random start plus a multiple of the sampling interval was reached, another high school was added to the sample. Each school that fell into the sample was contacted and asked if a specific class would take the Jump\$*start* survey.

To improve the probability that sampled school would participate in the survey, members of statewide Jump\$*start* Coalitions in 47 states agreed to contact school principals to urge cooperation. As added incentive for the Jump\$*start* Coalitions, those states that wanted comparative state-specific results were over-sampled (40 schools per state) with the provision that state-specific results would be supplied if ten or more schools within their state participated in the survey. As a result, the data used in the analysis had to be weighted to insure that every school in the sample had a probability of selection proportionate to the size of its senior class size.

Letters were sent to the principals of the 1,888 randomly selected schools, explaining the purpose of the study and asking for their cooperation. Principals who were personally known by members of the Jump\$*start* Coalition or by members of the state coalitions were contacted by phone as well. They were asked to select a 12<sup>th</sup> grade (non-honors) class in English or Social Studies (aside from economics) to participate in the *Survey*. This was done to avoid biasing the results by specifically selecting classes in economics, business or related areas. To randomize the process further, principals were asked to select classes meeting closest to 10 a.m.

A small incentive was offered to help gain the cooperation of the schools. The teacher who administered the *Survey* was offered a \$50 gift card from Staples to purchase school supplies. Some participating teachers declined this offer.

In all, 388 of the 1,888 schools participated, a response rate of 21 percent. This was an increase from the response rate of 17.6 percent in 2006 but slightly below 21.3 percent in

## **10 *The Financial Literacy of Young American Adults***

the 2000 study and well below the 43.6 percent rate that had been achieved in 1997. Conversations with school superintendents and principals have indicated that while they are interested in financial literacy, the intense pressure to achieve satisfactory scores on standardized national examinations has diverted energy and resources to core academic areas. The increased response rate in 2008 was the result of great efforts put out by members of the state Jump\$tart Coalitions who persuaded more than a fifth of sampled schools to participate.

### **The High School Survey Instrument**

The survey instrument for high school seniors contained 49 questions of which the first 31 constituted the “test” part of the *Survey*. All questions used a multiple choice format.

Prior to the first survey in 1997-98, members of the Jump\$tart Coalition identified four key areas of coverage in their Personal Finance Standards. These areas were (1) income; (2) money management; (3) saving and investing; and (4) spending and credit. The test questions attempted to cover the four key areas and their major sub-categories. Wherever possible, questions were put into age- and life cycle-appropriate “case-studies” to make them relevant to the students.

Test questions were largely identical to those used in previous years, except for ordering and cosmetic changes. To discourage teachers from “teaching to the exam,” the ordering of questions has been changed in each survey, as was the ordering of answers to each of the questions. Furthermore, cosmetic changes were made in the questions, including changing the names of persons used in *mini-case* questions. In addition, changes in our society over a period of several years compel us to make substantive changes to some questions. For example, while credit reports could formerly be accessed without charge only if a consumer was denied credit, a new law was passed guaranteeing consumers access to their credit records once each year. This forced us to modify the question relating to free access to credit records. While this changes the comparability of the questions somewhat, great care is taken to minimize the impact of these necessary changes, which are noted in the analysis of each question. The 2008 high school senior survey instrument is reproduced as Appendix A to this book.

### **The College Sample**

A sample of 1,030 full-time college students was conducted in February, 2008. The purpose of this survey was to find out how financial literacy develops as young Americans get older and add to their educations. The survey consisted of the same 31 question test used for the high school seniors.

The sample was chosen from a huge national compensated panel maintained by Survey Sampling International (SSI). A subset was drawn from those whose age was between 18 and 23 who listed themselves as “students.” A screening question was used to eliminate from the sample those who were not currently full-time college students. Qualifying, full-time undergraduate college students were given the Jump\$tart college questionnaire to complete online.

### **The College Survey Instrument**

The college instrument consisted of 56 questions, the first 31 of which comprised the test of financial literacy. In addition to standard demographic questions, the college survey

also consisted of a large number of measures of financial behavior, such as credit card use, incurrence of debt, checking account balancing habits and incidence of insufficient funds and tax preparation. Since all students in the college survey were legally adults and most had considerable experience with financial instruments, their financial behavior could be measured and related to financial education they may have had in both college and high school. The 2008 college questionnaire is reproduced in Appendix B.

## **The Jump\$tart Coalition**

The Jump\$tart Coalition for Personal Financial Literacy was formed in December, 1995 to “encourage curriculum enrichment to ensure that basic personal financial management skills are obtained during the K-12 educational experience.” In its mission statement, the not-for-profit Coalition states that its purpose is to “evaluate the financial literacy of young adults: develop, disseminate and encourage the use of standards for grades K-12; and promote the teaching of personal finance.”



## CHAPTER 2

# THE OVERALL FINANCIAL LITERACY OF HIGH SCHOOL STUDENTS

---

Our first survey, in 1997, found that the average high school senior was unable to pass a simple test of personal financial literacy. Results of the 2000 and 2002 high school surveys indicated a decline from that low level. Results from the 2004 and 2006 surveys hinted that the downward trend in financial literacy may have finally turned around, but the 2008 survey produced the lowest result yet, indicating that we still have a long way to go. In this chapter we examine the overall test results from all six high school surveys to note areas of improvement and degradation and to examine linkages between performance in the most recent survey and characteristics of the students.

In addition to computing average (mean) test scores for each group, we also see what proportion of the groups did relatively well by earning at least a “C,” (75 percent, or better) and what proportion did poorly by failing the exam with a score of less than 60 percent.

### Test Results by Background

Table 2-1 gives the results of the 2008 personal financial survey of high school seniors by the backgrounds or demographics of the students. Overall, the mean score for all students in this practical, 31-question test was 48.3 percent as compared with 52.4 percent in 2006, 52.3 percent in 2004, 50.2 percent in 2002, 51.9 percent in 2000 and 57.3 percent in the 1997 survey. In addition, only 4.7 percent scored a C or better in the 2008 survey and 73.9 percent failed the exam.

Students with higher incomes tended to do better than others on the exam. Of those students whose parents’ income totaled less than \$20,000 per year, the mean score was 43.4 percent in contrast to an average of 52.3 percent for students whose parents’ income was more than \$80,000. In fact, Table 2-1 shows that, for the fourth time, students from families with the highest incomes did better than all others and the differential appears to be widening.

This seemingly mundane fact has not always been true. In the first two surveys, students from families in the \$40,000 to \$79,999 income range did better than students in the top family income range. We attributed this to the thought that students from more affluent homes did not have to be as financially literate as their less affluent counterparts since they were almost universally college-bound and would probably be “cocooned” from most financial responsibilities for at least four more years. While we have no hard data to explain why the children of the higher income families suddenly appear more financially literate than others, we do have an hypothesis.

An undisputable result of the financial literacy movement that was launched some fourteen years ago by the Jump\$tart Coalition is a high level of awareness of the problem. Whenever a problem or need arises in a society, innovators spring up with solutions. Early adopters of these innovations tend to be those who are most aware of the problem and most capable of affording a solution, which, in early stages, may or may not solve the problem.

Based upon conversations we have had with educators as well as articles in *The New York Times* and other leading newspapers, early adopters of programs designed to address the

problems of financial literacy appear to be the more affluent private and public high schools who are both more aware of the problem and less constrained by resources than other schools. While it is encouraging to witness a vanguard in the movement to teach our children to be financially literate, we must also remember that the increasing financial literacy of wealthier children further increases the divide in the welfare of our young adults since financial well-being is a function of both financial resources and financial literacy.

Examination results are also related to parents' education. If neither parent completed high school, the average score was 44.2 percent rising to 51.8 percent for those who had at least one parent who completed college. Also, while less just 1.6 percent of those whose parents had less than a high school education scored a C or better on the exam, 7.5 percent of those in the highest education category did this well.

## 14 The Financial Literacy of Young American Adults

**Table 2-1**  
**Test Results of High School Students by Background**

	1997	2000	2002	2004	2006	2008	2008	2008	2008
	Mean	Mean	Mean	Mean	Mean	Mean	% of	% C or	%
	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Students</u>	<u>Better</u>	<u>Failing</u>
	57.3%	51.9%	50.2%	52.3%	52.4%	48.3%	100.0%	4.7%	73.9%
<u>Parents' Income</u>									
Less than \$20,000	55.2	46.3	45.7	49.5	48.5	43.4	10.7	2.2	85.2
\$20,000 to \$39,999	58.2	52.0	50.7	51.3	50.8	47.3	20.1	2.7	77.9
\$40,000 to \$79,999	59.6	57.2	52.3	54.1	53.7	50.3	26.5	4.5	70.9
\$80,000 or more	59.0	55.0	52.7	55.9	55.6	52.3	23.0	9.5	62.0
<u>Highest Level of Parents' Education</u>									
Neither Finished H.S.	51.4	47.0	43.7	44.6	44.5	44.2	11.5	1.6	85.4
Completed H.S.	57.1	49.7	47.5	51.5	50.6	47.2	24.4	3.3	77.1
Some College	55.8	53.8	51.7	52.6	51.8	49.0	21.6	4.5	73.2
College Grad or More	59.3	55.1	53.5	55.4	55.6	51.8	36.8	7.5	65.3
<u>Sex</u>									
Female	57.9	51.6	50.7	52.2	52.3	47.9	55.3	3.8	75.4
Male	56.9	52.2	49.8	52.4	52.6	49.0	44.7	5.8	71.6
<u>Race</u>									
White	60.9	54.5	53.7	55.5	55.0	52.5	55.0	7.1	64.4
African-American	50.4	47.0	42.1	44.0	44.7	41.3	13.6	1.4	89.1
Hispanic American	55.1	45.3	44.8	48.3	46.8	45.1	20.1	2.5	83.4
Asian-American	55.8	53.5	50.6	48.3	49.4	47.2	3.7	1.7	77.2
Native American	48.8	38.6	45.5	46.7	44.1	37.7	2.2	0.5	88.8
<u>Region</u>									
Northeast				56.5	53.8	53.2	6.9	5.7	57.2
Midwest				52.4	54.2	51.7	27.1	6.8	65.1
South				49.9	49.9	47.2	40.1	3.8	77.5
West				52.2	52.8	45.2	25.9	3.7	82.1

In general, males did marginally better than females (49.0 percent versus 47.9 percent) on the 2008 examination. In two of the six surveys (1997 and 2002), however, females did slightly better than males leading to a conclusion that there are no significant gender-based differences in overall financial literacy at the 12<sup>th</sup> grade level. In the 2008 survey, males were more likely than females to earn a C or better (5.8 percent versus 3.8 percent) and were also less likely to receive a failing grade (71.6 percent versus 75.4 percent).

Performance differences were more closely related to race than any other background variable. White students achieved the highest performance with a mean score of 52.5 percent,

followed by Asian-Americans with a mean score of 47.2 percent. Native Americans fared least well with a score of 37.7 percent and African Americans did somewhat better with a mean score of 41.3 percent. Perhaps most importantly, *no* racial group, including whites, had more than about a third of students passing the exam. The problem is national, rather than strictly one of race or poverty.

Students from the Northeast region of the United States did best on the exam with a mean score of 53.2 percent. Those from the West did least well with a mean score of 45.2 percent.

## **Results by Aspirations**

Students were asked about their educational plans and occupational aspirations as well as the full-time income they anticipated making from their first job. The results are shown in Table 2-2.

Overall, 67.2 percent of students who participated in the survey planned to attend a four-year college and more than half aspired to be professional workers (a sizeable proportion didn't yet know what profession they intended to undertake). Income expectations were varied with 41.6 percent expecting to begin work at \$40,000 or more and an additional 20.5 percent expecting to make between thirty and forty thousand dollars. This, and previous surveys, have found that educational aspiration is strongly and directly related to financial literacy while income expectation is also positively related, but not as strongly. Based upon a recommendation by Professor Shawn Cole of Harvard, students were asked for their scores on college entrance examination, either SATs or ACTs. The purpose of this information was to see whether financial literacy was related to academic ability, regardless of any financial education they may have had. The results, from the bottom of Table 2-2, show a strong relationship between financial literacy and scores on the major college entrance exams. This would suggest that financial literacy, at least as measured by the standard JumpStart examination, which stresses the ability to solve age-appropriate personal financial problems, may reflect the general ability to solve problems of every type.

16 *The Financial Literacy of Young American Adults*

**Table 2-2**  
**Test Results of High School Students by Aspirations**

	1997	2000	2002	2004	2006	2008	2008	2008	2008
	Mean	Mean	Mean	Mean	Mean	Mean	% of	% C or	%
	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Students</u>	<u>Better</u>	<u>Failing</u>
	57.3%	51.9%	50.2%	52.3%	52.4%	48.3%	100%	4.7%	73.9%
<u>Educational Plans</u>									
No Further Ed	43.8	39.7	32.2	41.9	37.9	34.9	2.2	0.1	97.3
2-year or Jr. College	53.8	43.3	46.4	48.0	47.5	44.6	18.7	1.3	83.4
4-year College	60.0	54.5	53.5	55.0	54.9	50.9	67.2	6.3	68.6
<u>Planned Occupation</u>									
Manual Work	45.5	38.7	39.4	40.0	41.0	36.9	2.8	0.7	91.0
Skilled Trade	55.7	43.6	45.7	47.1	47.8	43.8	6.5	2.9	78.8
Service Worker	54.4	41.3	43.3	49.0	49.5	44.6	12.1	2.7	83.6
Professional Worker	59.6	55.0	53.1	55.2	54.9	51.7	48.6	6.6	66.9
<u>Expected Full-Time Income</u>									
Under \$15,000	47.4	40.6	39.0	45.1	42.5	38.5	3.4	3.3	88.8
\$15,000 to \$19,999	53.3	41.7	46.6	48.8	46.4	42.2	6.7	0.6	88.4
\$20,000 to \$29,999	58.5	53.4	50.3	51.3	51.6	46.8	10.6	2.2	76.7
\$30,000 or more	59.5	54.4	52.6	53.8	53.9	50.7	20.5	6.2	69.3
\$40,000 or more*				54.1	54.1	50.2	41.6	5.7	69.8
*\$40,000 or more bracket was added in 2004									
<u>College Entrance Score</u>									
SAT less than 1,500						45.5	10.4	2.9	81.3
SAT 1,500-2,000						54.1	17.3	7.3	59.5
SAT more than 2,000						52.2	4.3	20.9	56.8
ACT under 20						43.3	10.1	1.5	87.6
ACT 21-26						51.3	17.4	3.8	67.6
ACT 27+						58.8	5.9	17.1	43.9

## **Results by Money Management Education and Perceived Knowledge**

### **Classes at School**

To be able to evaluate the effect of school-based money market education better, the Jump\$Start surveys include a number of questions relating specifically to classes taken in personal finance, economics and related areas. The results, shown in Table 2-3, are not encouraging. In 2008, the 21.4 percent of high school seniors who reported having had an entire course in money management or personal finance scored an average of 47.5 percent on the exam in contrast to the average score of 48.3 percent achieved by all students. Although questions relating to money management education have been asked since the 2000 survey, only in 2004 have mean scores of students who have taken a class in personal finance exceeded those of all students. While the differences are not large enough to support a statistical conclusion that students who have had such a course are less financially literate than those who have not, there is no evidence whatsoever that courses in money management or personal finance, as they are now taught, improve the financial literacy of their students.

It is also interesting to note that those students who had such a course at school were less likely than all students to achieve a “C” or better and were slightly more likely to have “failed” the exam.

Consistent with previous years, the 24.0 percent of students who played a stock market game in class did significantly better than other students on the financial literacy exam. In 2008, these students had an average score of 51.0 percent, 2.7 points (or 6 percent) better than the average. Clearly, playing such an interactive game stimulates interest in (at least) the investment-related aspects of personal finance.

For the first time, students who had taken a full-semester course in money management or personal finance were asked when they had taken the course. We were surprised to find that just over half (52.4 percent) took the course when they were seniors, a time when the material would presumably be most relevant to them. However, we were even more surprised to learn that students who took the course when they were sophomores or juniors had higher financial literacy scores than did those who took the course when they were seniors. This may lend support to the notion that students learn this material better when they are younger.

**Table 2-3**  
**Test Results of High School Students by Money Management Education**

	1997	2000	2002	2004	2006	2008	2008	2008	2008
	Mean	Mean	Mean	Mean	Mean	Mean	% of	% C or	%
	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Students</u>	<u>Better</u>	<u>Failing</u>
	57.3%	51.9%	50.2%	52.3%	52.4%	48.3%	100%	4.7%	73.9%
<u>Classes in H.S. (multiple response possible)</u>									
Entire Course, Money									
Mgt./Personal Finance		51.4	48.2	53.5	51.6	47.5	21.4	3.5	75.4
Portion of Course, Money									
Mgt./Personal Finance		52.9	49.8	52.7	53.4	48.9	26.2	5.4	73.0
Entire Course, Economics		51.0	49.8	53.0	53.2	48.8	44.7	5.6	71.8
Portion Course, Economics		52.1	51.1	53.2	53.0	49.4	23.7	5.0	73.2
Stock Mkt. Game in Class		55.1	52.4	55.8	55.0	51.0	24.0	5.6	67.3
<u>When Was Entire Semester Money Mgt. Class Taken?</u>									
Senior						47.1	52.4	3.7	75.0
Junior						48.5	26.1	3.2	74.4
Sophomore						49.2	12.7	4.2	74.5
Freshmen						44.7	8.8	0.9	80.3

### **Who Takes a Full Semester of Money Management or Plays a Stock Market Game?**

Since the data were first collected in 2000, it has been consistently clear that a full semester's course in money management does not improve financial literacy while playing a stock market game boosts financial literacy significantly. Could these findings result from the fact that better students are steered away from a course in financial management and are given an opportunity to play the stock market game?

Table 2-4 appears to offer a little support for that hypothesis. Those who plan to attend a four-year college are slightly less likely than average (20.1 to 21.4 percent) to have had a full semester course in money management and slightly more likely than average (24.3 to 24.1 percent) to have played a stock market game. However, white students, who have the highest financial literacy scores are more likely than average to have taken a full semester of money management. On the other hand, white students are also far more likely to have played a stock market game, an activity that is associated with higher financial literacy scores. Finally, students who did best on college entrance exams were less likely to have taken a full semester of money management and more likely to have played a stock market game.

Table 2-5 sheds additional light on this by showing mean financial literacy scores by whether or not they had a full semester's class in money management and by the three demographic groups used in Table 2-4. Of those who plan to attend a 4-year college, students who had taken a full class in money management had only slightly lower financial literacy scores than college-bound students who had not taken such a course. Those who played a stock market game, however, had significantly higher financial literacy scores than their four-year college-bound cohorts who had not played such a game. Among racial groupings, only Asian-American students appear to have benefited from a class in money management while Whites, Asian Americans and "Others"

benefited most from playing a stock market game. There was no consistent pattern of performance by those who took a money management course among students with different levels of achievement on the college entrance exams while students of every achievement level showed the benefits of playing a stock market game.

These findings support the conclusion that in spite of small demographic differences in who takes a full semester course in money management or who plays a stock market game, the former does not enhance a student’s level of financial literacy but latter does.

**Table 2-4**  
**Do High School Students Who Took a Full-Semester Money Management Course**  
**Or Played a Stock Market Game Differ From Students Who Did Not?**

	<u>Had Entire</u> <u>MM Class</u>	<u>Didn't Have</u> <u>Entire MM Class</u>	<u>Played Stock</u> <u>Game</u>	<u>Didn't Play</u> <u>Stock Game</u>
ALL	21.4	78.6	24.1	75.9
<u>Educational Plans</u>				
No Further Ed.	43.1	56.9	15.7	84.3
2-year or Jr. College	24.1	75.9	24.6	75.4
4-year College	20.1	79.9	24.3	75.7
Other Training or Ed.	21.7	78.3	20.5	79.5
Don't Know	19.2	80.8	28.3	71.7
<u>Race</u>				
White	22.3	77.7	28.1	71.9
African-American	23.5	76.5	17.7	82.3
Hispanic American	17.7	82.3	16.8	83.2
Asian-American	17.0	83.0	33.0	67.0
Native American	30.2	69.8	24.5	75.5
Other	18.9	81.1	20.5	79.5
<u>College Entrance Score</u>				
SAT < 1,500	21.2	78.8	18.4	81.6
SAT 1,500-2,000	15.7	84.3	21.8	78.2
SAT > 2,000	8.8	91.2	22.8	77.2
ACT < 20	23.9	76.1	22.8	77.2
ACT 21-26	24.5	75.5	29.9	70.1
ACT >26	22.9	77.1	31.7	68.3



**Table 2-5**  
**Mean Financial Literacy Score of High School Students**  
**by Whether Had Full Money Management Class or Played Stock Game**  
**and Various Demographic Characteristics**

	<u>Had Entire</u> <u>MM Class</u>	<u>Didn't Have</u> <u>Entire MM Class</u>	<u>Played Stock</u> <u>Game</u>	<u>Didn't Play</u> <u>Stock Game</u>
<u>Educational Plans</u>				
No Further Ed.	33.8	35.7	30.5	35.7
2-year or Jr. College	43.2	45.1	46.6	44.0
4-year College	50.5	51.0	53.7	50.0
Other Training or Ed.	46.4	43.6	49.3	42.9
Don't Know	45.2	37.7	40.5	38.6
<u>Race</u>				
White	51.7	52.7	54.7	51.6
African-American	41.3	41.3	41.0	41.4
Hispanic American	43.4	45.4	45.5	45.0
Asian-American	51.9	46.2	49.0	46.3
Native American	35.1	38.8	39.3	37.2
Other	40.0	41.3	45.0	40.0
<u>College Entrance Score</u>				
SAT < 1,500	44.5	45.8	50.0	44.5
SAT 1,500-2,000	51.5	54.6	57.7	53.1
SAT > 2,000	49.6	52.5	57.3	50.7
ACT < 20	45.0	42.7	45.5	42.6
ACT 21-26	51.9	51.1	53.5	50.4
ACT >26	60.6	58.3	63.8	56.5

## Results by Money Management Experience

All six Jump\$tart high school surveys have clearly demonstrated that experience in managing one's finances does little if anything to raise a young person's overall level of financial literacy. This is shown in Table 2-6.

### Credit Card Use

In 2008, 34.7 percent of high school seniors used a credit card. Fourteen point nine percent used their own card, 14.2 percent used a parent's card and 5.6 percent used both.

The 65.3 percent of students who did *not* use a credit card had an average score of 50.1 percent in contrast to 45 percent for those who used a credit card. The fact that non-

credit card users were more financially literate than those who used credit cards is similar to results found in every survey since 2000.

### **ATM Card Use**

In 2004, for the first time, students were asked whether they used an ATM (“debit”) card and also whether they used it to make point of sale purchases directly as well as for obtaining cash. In 2008, 53.3 percent of students used an ATM card. More than three-quarters of the ATM-using students employed the cards for direct purchases at point of sale as well as for obtaining cash. Students who used an ATM card for both cash and purchases did better on the financial literacy test (49.9 percent) than did those who used the card only for getting cash or who didn’t use it at all. Students who used an ATM/debit card for their purchases had scores that were 5.7 percent higher than those students who used their own credit card for their purchases.

### **Paying For Car Insurance**

The 2008 survey shows that nearly 70 percent of high school seniors have the use of an automobile and 51.4 percent of all seniors own their own cars. Of those who owned their own cars, nearly half paid (or helped pay) for their auto insurance. Students who owned their own car and paid for the insurance on it did slightly worse on the exam (49.7 percent) than did students whose parents paid for the insurance on their cars (50.0 percent). Those students who paid or helped pay for the insurance on a car that they shared, also did worse (44.2 percent) than those who shared a family car and did not help pay for the insurance (50.9 percent).

### **Bank Accounts**

Students with bank accounts do tend to be more financially literate than those without such accounts, although this could reflect differences in income.

### **Security Ownership**

Seventy-three percent of students included in the 2008 survey owned no securities, either in their own name or in the name of their parents. There were few differences in literacy scores related to security ownership, whether in their names or the names of their parents.

### **Employment History**

Students who have worked in the paid labor force have proven to be more financially literate than those who have not worked. This finding has been consistent in all JumpStart surveys in which the question of work experience has been asked.

### **Home Ownership**

Most students (77.3 percent) came from families that owned their own homes. These students had significantly higher scores in financial literacy (49.7 percent) than did students whose parents rented their homes (44.0 percent). This difference could well be related to the higher socioeconomic status of students from home-owning families.

22 *The Financial Literacy of Young American Adults*

**Table 2-6**  
**Test Results of High School Students by Money Management Experience**

	1997	2000	2002	2004	2006	2008	2008	2008	2008
	Mean	Mean	Mean	Mean	Mean	Mean	% of	% C or	%
	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Students</u>	<u>Better</u>	<u>Failing</u>
All Students	57.3%	51.9%	50.2%	52.3%	52.4%	48.3%	100.0%	4.7%	73.9%
<u>Credit Card Use</u>									
Uses Own Card	53.3	49.1	49.6	50.6	49.6	44.2	14.9	3.5	83.7
Uses Parents' Card	57.7	47.7	48.8	50.2	50.3	45.9	14.2	4.9	77.4
Uses Own & Parents'	55.4	53.8	44.5	51.3	51.6	45.2	5.6	4.6	77.7
Doesn't Use Card	57.9	53.3	51.1	53.3	53.4	50.1	65.3	5.0	70.6
<u>ATM Card Use</u>									
Uses	57.5	51.7	50.8						
Uses for Cash and Purchases	---	---	---	53.6	53.6	49.9	40.6	5.6	70.8
Uses for Cash Only	---	---	---	52.6	51.2	45.4	12.6	3.6	76.9
Doesn't Use	57.3	52.0	49.8	51.7	52.1	47.8	46.7	4.3	75.8
<u>Auto Use</u>									
No License	54.4	50.2	46.2	48.5	49.7	46.0	26.8	3.3	80.7
License, No Car	58.1	49.7	43.9	43.5	43.8	42.6	4.3	0.2	84.6
Share Car, Pay Insur.	55.0	47.5	48.4	48.3	49.4	44.2	4.9	6.0	77.5
Share Car, Don't Pay	58.9	53.4	52.5	53.6	53.6	50.9	12.7	4.9	65.7
Own Car, Pay Insur.	58.5	53.4	50.7	55.0	52.6	49.7	21.5	4.7	71.1
Own Car, Don't Pay	57.8	52.1	52.5	52.8	54.7	50.0	29.9	6.4	70.8
<u>Bank Account</u>									
None	54.2	49.3	46.1	47.4	47.0	43.7	24.9	1.5	83.3
Savings Only	58.3	53.8	51.7	53.3	53.6	49.7	29.1	6.3	70.8
Checking Only	56.4	45.6	50.5	50.2	51.7	49.1	11.8	3.2	70.9
Savings & Checking	60.0	54.9	50.2	55.5	54.8	50.3	34.3	6.2	70.7

**Table 2-6 (continued)**  
**Test Results of High School Students by Money Management Experience**

	1997	2000	2002	2004	2006	2008	2008	2008	2008
	Mean	Mean	Mean	Mean	Mean	Mean	% of	% C or	%
	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Students</u>	<u>Better</u>	<u>Failing</u>
All Students	57.3%	51.9%	50.2%	52.3%	52.4%	48.3%	100.0%	4.7%	73.9%
<u>Security Ownership<sup>1</sup></u>									
None	57.1	52.6	51.0	52.6	53.4	49.1	73.0	3.9	73.6
Stocks in Own Name	58.4	52.7	50.1	52.4	52.4	47.1	7.8	9.9	69.9
Stocks in Parents' Name	---	52.5	50.1	53.2	52.3	48.8	8.8	6.7	68.3
Mutual Funds in Own Name	60.1	52.2	53.6	53.3	50.8	47.7	6.0	12.5	68.1
Mutual Funds in Parents' Name	---	45.4	49.1	54.0	53.1	48.2	6.3	6.0	72.1
<u>Employment History</u>									
Work FT Summers & Pt School Year	52.8	51.6	53.1	52.6	27.4	48.8	24.5	4.3	73.8
Work FT Summers Only	50.3	48.9	52.1	51.6	7.1	48.6	7.3	7.3	70.2
Work PT Summers & PT School Year	52.3	50.2	52.9	52.9	35.9	48.9	33.8	4.8	71.8
Work PT Summers Only	52.6	50.2	50.9	53.1	11.1	48.9	11.8	4.9	71.0
Have Never Worked for Pay	---	49.2	48.8	51.0	51.3	46.6	23.6	4.3	79.4
<u>Home Ownership</u>									
Rent	---	---	48.0	48.4	48.5	44.0	22.7	1.7	83.6
Own	---	---	50.8	53.3	53.1	49.7	77.3	5.6	70.9

<sup>1</sup> Wording in this question is slightly different than the 1997 question.

## Results by Subject Category

Thus far, we've looked at overall test results by categories relating to various student characteristics and demographics. It is possible, however, that different types of students vary in their performance by subject category. To test this, we divided the 31 questions into the four categories of income, money management, savings and investing, and spending<sup>2</sup> and scored the results of each subject category. A subset of the spending questions relating to money management experience and another set relating to money management education were broken out separately as well. Tables 2-7 to 2-9 show the results.

As they did in all previous surveys, students in the 2008 survey scored best on the income questions with an average of 56.1 percent (Table 2-7). In 2008, students had the worst score in money management with an average of 40.9 percent. The overall score for savings and investing (hereafter called "saving") was 43.2 percent, and for spending it was 50.8 percent. Students did better on the credit questions (44.1 percent), perhaps because credit is related to spending.

The data in Table 2-7 show that students in the two lowest income categories did significantly worse than higher income students in all subject categories. Students in the highest-income category did better than others in *every* category, the second time that they have done so, with 2006 being the first time. This lends additional credibility to the hypothesis that families of students from higher income, better-educated families are starting to get serious about financial literacy. The difference between whites and African-Americans was the largest in the income subject category, a difference of 15 percentage points.

### Subject Expertise by Money Management Experience

Table 2-8 shows subject results by money management experience. This table enables us to see whether money market experience in a particular area affects financial literacy in that area. For example, one might suspect that students who use their own credit card would score higher in the credit area than other students. The results, though, show just the opposite, with students who *don't* use a credit card answering credit questions far more accurately than students who use credit cards. This finding has been consistent over time.

On the other hand, students with savings accounts ("Savings Only" or "Savings and Checking") do better on the savings questions than do students without savings account.

The 2008 survey results tend to continue a trend showing more of a connection between experience and knowledge in related subject areas. The relationship is not yet, however, either strong or consistent.

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<sup>2</sup> There were seven income questions, including questions 2, 7, 13, 14, 18, 21, and 24; five money management questions, including 1, 8, 17, 22 and 26; eight savings questions, including 3, 4, 9, 10, 11, 16, 25 and 31; and eleven spending questions including questions 5, 6, 12, 15, 19, 20, 23, 27, 28, 29 and 30. The subset of credit questions includes 6, 12, 15, 19, 23, 28, 29 and 30.

**Table 2-7**  
**Subject Results of High School Students by Background**

	<u>Income</u> <u>Score</u>	Money <u>Management</u> <u>Score</u>	<u>Saving</u> <u>Score</u>	<u>Spending</u> <u>Score</u>	<u>Credit</u> <u>Score</u>
All Students 2008	56.1%	40.9%	43.2%	50.8%	44.1%
All Students 2006	59.2	46.4	42.6	56.9	51.8
All Students 2004	62.9	45.4	41.0	55.4	48.8
All Students 2002	61.5	46.0	41.6	53.1	47.5
All Students 2000	57.6	46.8	45.3	55.1	49.1
All Students 1997	71.9	54.2	47.4	56.8	---
<u>Parents' Income</u>					
Less than \$20,000	49.3	38.1	38.9	45.2	38.8
\$20,000 to \$39,999	54.8	39.6	42.1	49.7	43.4
\$40,000 to \$79,999	58.6	41.3	44.3	53.5	46.4
\$80,000 or more	61.1	45.1	46.7	54.1	47.2
<u>Highest Level of</u> <u>Parents' Education</u>					
Neither Finished H. S.	51.5	36.2	40.6	45.7	39.3
Completed H. S.	55.1	39.6	41.3	49.8	43.2
Some College	57.3	41.1	42.5	51.9	45.4
College Grad or More	59.8	44.1	46.6	54.1	46.8
<u>Sex</u>					
Female	55.4	41.2	42.2	50.4	43.7
Male	57.0	40.4	44.4	51.3	44.6
<u>Race</u>					
White	61.6	43.6	45.9	55.4	48.4
African-American	46.6	36.4	37.1	43.2	37.6
Hispanic American	51.9	37.6	41.7	46.6	40.1
Asian-American	52.7	39.0	44.2	49.5	42.7
Native American	40.1	38.6	36.5	36.6	31.2

**Table 2-8**  
**Subject Results of High School Students by Money Management Experience**

	Money				
	Income	Management	Saving	Spending	Credit
	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>
All Students 2008	56.1%	40.9%	43.2%	50.8%	44.1%
All Students 2006	59.2	46.4	42.6	56.9	51.8
All Students 2004	62.9	45.4	41.0	55.4	48.8
All Students 2002	61.5	46.0	41.6	53.1	47.5
All Students 2000	57.6	46.8	45.3	55.1	49.1
All Students 1997	71.9	54.2	47.4	56.8	---
<u>Credit Card Use</u>					
Uses Own Card	50.5	37.1	41.3	45.5	39.5
Uses parents' Card	52.9	39.6	42.5	46.9	40.7
Uses Own & Parents'	50.5	39.7	39.8	48.1	41.7
Doesn't Use Card	58.3	42.0	44.1	52.9	46.0
<u>ATM Card Use</u>					
For Cash and Purchase	58.7	41.6	44.1	52.4	45.3
Uses for Cash Only	52.2	37.4	41.4	47.5	41.0
Doesn't Use	54.6	41.0	42.9	50.1	43.8
<u>Auto Use</u>					
No License	51.9	39.6	41.5	48.5	42.1
License, No Car	45.7	37.8	40.5	44.4	39.5
Share Car, Pay Insur.	50.6	38.3	40.2	45.8	41.1
Share Car, Don't Pay	59.6	42.2	45.6	53.3	46.2
Own Car, Pay Insur.	59.1	40.8	43.5	52.4	45.3
Own Car, Don't Pay	58.3	42.2	44.5	52.3	45.3
<u>Bank Account</u>					
None	49.5	37.5	40.4	45.3	39.2
Savings Only	57.3	42.3	44.2	52.1	45.4
Checking Only	56.3	40.6	43.6	52.4	46.3
Savings & Checking	59.3	41.9	44.1	52.8	45.7
<u>Security Ownership<sup>1</sup></u>					
None	57.1	40.9	43.4	51.9	45.0
Stocks in Own Name	53.2	40.9	43.8	48.3	42.4
Stocks Parents' Name	55.0	43.5	44.4	50.5	44.3
Mut Fund Own Name	53.9	42.0	45.7	47.8	42.3
Mut Fund Parent Name	55.5	40.9	43.5	50.4	44.1

<sup>1</sup> Wording in this question is slightly different than the 1997 question.

**Table 2-8 (continued)**  
**Subject Results of High School Students by Money Management Experience**

	Income <u>Score</u>	Money Management <u>Score</u>	Saving <u>Score</u>	Spending <u>Score</u>	Credit <u>Score</u>
<u>Employment History</u>					
FT Summer PT School	56.7	39.7	43.3	52.1	45.3
FT Sum. Only	57.4	41.3	44.6	49.3	42.6
PT Summer, PT School	57.0	41.2	43.0	51.5	44.8
PT Sum. Only	57.1	40.7	45.0	50.2	44.2
Never Worked for Pay	52.5	41.2	42.1	48.7	42.2
<u>Home Ownership</u>					
Rent	50.3	37.2	41.0	45.3	39.4
Own	57.7	41.8	43.9	52.3	45.4

### **Subject Expertise by Money Management Education and Perceived Knowledge**

Table 2-9 relates scores on individual components of the survey exam to money management education, background and perceived knowledge.

In the last section we learned that students who had a full semester course in money management actually did slightly worse on the exam than students who had not taken such a course. Here, we contrast the subject results of students who had such a full-semester course and those who had less than a full semester or who had another related course. Those who did not have a full semester money management/personal finance course did better in *every* subject category than those who had taken a course with the exception of spending (and its subset, credit).

Students who have played a stock market game tend to do quite a bit better than other students in all subject categories. This differential is *not* relatively larger in the saving category, which contains the investment questions, indicating that an investment game tends to stimulate interest in financial literacy across the board, rather than just in investments. The differential in this area from national norms within each subject category has remained consistent at around three percentage points which is an improvement of about 6 percent relative to the average score. The obvious conclusion is that financial literacy is best taught if interactive and relevant, using tools such as a stock market game.



**Table 2-9**  
**Subject Results of High School Students by Money Management Education**

	Money				
	Income	Management	Saving	Spending	Credit
	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>
All Students 2008	56.1%	40.9%	43.2%	50.8%	44.1%
All Students 2006	59.2	46.4	42.6	56.9	51.8
All Students 2004	62.9	45.4	41.0	55.4	48.8
All Students 2002	61.5	46.0	41.6	53.1	47.5
All Students 2000	57.6	46.8	45.3	55.1	49.1
All Students 1997	71.9	54.2	47.4	56.8	n.a.
<u>Classes in H.S.<sup>1</sup></u>					
Entire Course, Money					
Mgt./Personal Finance	54.8	39.4	41.6	50.9	44.5
Portion of Course, Money					
Mgt./Personal Finance	57.2	41.0	43.1	51.6	45.4
Entire Course, Econ.					
Mgt./Personal Finance	56.6	41.4	43.1	51.3	44.7
Portion Course, Econ.					
Mgt./Personal Finance	56.4	41.7	44.4	52.2	45.4
Stock Mkt. Game					
Mgt./Personal Finance	59.1	42.7	45.4	53.6	46.4
<u>When Entire Money Mgt. Class Taken</u>					
Senior	54.0	39.1	41.8	50.1	43.9
Junior	56.0	41.0	41.4	52.2	44.9
Sophomore	58.1	41.0	42.8	52.0	45.4
Freshman	52.0	34.4	39.1	48.8	42.9

<sup>1</sup> Percents may total more than 100% with multiple responses possible.

## CHAPTER 3

# THE OVERALL FINANCIAL LITERACY OF COLLEGE STUDENTS

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### Overall Results

College students are far more financially literate than high school students, and literacy increases with each year of college. The mean score for all college students was 61.9 percent compared with just 48.3 percent for high school seniors (Table 3-1). Scores ranged from 59.3 percent for college freshmen to 64.8 percent for college seniors. Just 27 percent of college seniors failed the exam in contrast to 73.9 percent of high school seniors, constituting a near-reversal of outcomes.

Some of the difference between high school seniors and college freshmen may be due to the fact that those who go on to college are likely to be more academically gifted than those who don't, and it has been shown by college entrance scores that financial literacy is highly correlated with academic prowess. Some of the difference is probably also due to the fact that college freshmen are a year older than high school seniors, and, as adults, have had a great deal more experience with the use of financial instruments.

The fact that financial literacy increases with the number of years of higher education, to the point where college seniors are fairly financially literate, is also an indication that financial literacy, as measured by the Jump\$tart survey, is really a measure of problem-solving ability rather than possession of a body of time-limited financial facts. Additional evidence will be given, below, to support this contention, including the fact that taking a course in personal finance at the high school or college level has little to do with literacy scores. In addition, those who study quantitative, but non-financial subjects, such as science, social science and engineering, have higher rates of financial literacy than those who study business or economics.

Given the nature of higher education, this finding is not surprising. Regardless of major, college students learn how to do research and solve problems. In a rapidly changing financial system, these two skills are more important to financial decision-making than understanding financial products, rules and regulations. Knowing how to approach a problem and how to research it are key to making the best personal financial decisions. These are skills that students seem to learn in college but not to learn very well in high school classes in personal finance.

Table 3-1 also tells us that students in four-year college are more financially literate than those in two-year or junior colleges, a finding that is consistent with the higher financial literacy scores of upper classmen. As noted above, those who study science, social science and engineering have the highest financial literacy scores, in spite of the fact that they have had little related course work. Those who study business or economics come next. Consistent with findings from the high school Jump\$tart surveys, college students who aspire to the highest levels of education are more financially literate than others.

**Table 3-1**  
**College Students**  
**Test Results by College Status**

	2008 Mean Score	2008 % of Students	2008 % C or Better	2008 % Failing
	61.9%	100.0%	17.5	35.7
<u>College Class</u>				
Freshman	59.3	21.9	11.1	43.1
Sophomore	61.0	29.3	17.9	39.2
Junior	62.1	23.7	16.4	34.0
Senior	64.8	25.2	23.2	27.0
<u>Type of College</u>				
Four Year	62.6	81.0	18.8	32.5
Two Year	58.7	19.0	11.3	49.7
<u>Major</u>				
Arts	59.4	10.7	12.7	48.2
Business or Econ.	62.4	18.7	23.8	31.6
Engineering	63.2	5.2	16.7	35.2
Humanities	62.1	7.3	20.0	33.3
Nursing	57.1	5.7	13.6	52.5
Science	64.0	14.9	19.0	34.6
Social Science	64.0	15.3	20.3	25.9
Other	60.9	22.1	11.8	37.3
<u>Expected Education</u>				
Associate Degree	54.6	9.6	5.1	56.1
Bachelor Degree	61.1	46.4	16.7	38.8
Master;s Degree	63.6	27.1	20.6	30.3
Doctorate, Law or Professional	65.9	16.9	22.5	22.5
<u>Expected Full-Time Income</u>				
Under \$30,000	56.3	16.5	12.5	48.8
\$30,000 to \$39,999	62.8	30.4	16.5	32.9
\$40,000 to \$49,999	63.7	21.2	19.0	29.6
\$50,000 or more	62.9	32.0	20.2	35.3
<i>High School</i>	48.3	100.0	4.7	73.9

## Test Results by Background

Table 3-2 shows the financial literacy scores of college students by some basic demographic variables. Scores rise with the income and education of parents and females do better than males, a difference that is not apparent in the high school surveys.

A very disturbing finding is that the difference between the financial literacy of White and African American college students perseveres through college. White college students have a mean financial literacy score of 63.3 in contrast to African American college students who average just 56.3 percent. It is not known whether the differences are culturally-based or are caused by the more difficult financial circumstances faced by African American college students.

**Table 3-2**  
**College Students**  
**Test Results by Background**

	College Mean <u>Score</u>	College % of <u>Students</u>	College % C or <u>Better</u>	College % <u>Failing</u>	H.S. Mean <u>Score</u>	H.S. % C or <u>Better</u>	H.S. % <u>Failing</u>
	61.9%	100.0%	17.5%	35.7%	48.3%	4.7%	73.9%
<u>Parents' Income</u>							
Less than \$20,000	51.9	11.2	8.8	64.0	43.4	2.2	85.2
\$20,000 to \$39,999	62.2	14.4	15.0	36.1	47.3	2.7	77.9
\$40,000 to \$79,999	63.8	29.8	17.7	31.5	50.3	4.5	70.9
\$80,000 or more	64.6	31.9	23.3	28.2	52.3	9.5	62.0
<u>Highest Level of Parents' Education</u>							
Neither Finished H.S.	54.3	2.1	9.1	54.5	44.2	1.6	85.4
Completed H.S.	62.5	16.3	15.0	38.3	47.2	3.3	77.1
Some College	58.2	28.1	13.5	44.4	49.0	4.5	73.2
College Grad or More	64.0	52.6	20.6	29.3	51.8	9.5	65.3
<u>Sex</u>							
Female	62.6	76.9	17.0	33.7	47.9	3.8	75.4
Male	59.7	23.1	19.5	41.5	49.0	5.8	71.7
<u>Race</u>							
White	63.3	75.4	20.1	31.7	52.5	7.1	64.4
African-American	56.3	8.5	6.9	51.7	41.3	1.4	89.1
Hispanic American	59.8	5.9	6.7	43.3	45.1	2.5	83.4
Asian-American	57.1	6.6	10.4	49.3	47.2	1.7	77.2

## Test Results by Money Management Education

Table 3-3 shows that students who have had a semester-length course in money management or personal finance in high school or college are no more financially literate than those who have not had such a course. While the mean college score for all students is 61.9 percent, it is 59.3 percent for those who had a semester-length course in money management or personal finance in high school and 60.1 percent for those who had a similar course in college.

Better than average financial literacy scores were achieved by those who had a high school or college course in economics. Far better scores were obtained by those who had a college course in finance or accounting and the best scores were obtained by those college students who played a stock market game in high school.

**Table 3-3**  
**College Students**  
**Test Results by Money Management Education**

	College Mean Score	College % of Students	College % C or Better	College % Failing
	61.9%	100.0%	17.5%	35.7%
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course,				
MoneyMgt./Personal Finance	59.3	12.0	11.3	41.9
Portion, Money Mgt.	62.1	24.7	20.5	32.7
Entire Course, Economics	62.7	48.1	18.0	34.1
Portion Course, Economics	62.2	15.5	16.3	30.6
Stock Mkt. Game in Class	65.6	29.5	19.4	26.3
<u>Classes in College.<sup>1</sup></u>				
Entire Course,				
MoneyMgt./Personal Finance	60.1	9.6	15.2	38.4
Portion Money Mgt.	58.2	13.7	13.5	40.4
Entire Course, Economics	63.2	36.1	21.0	32.0
Entire Course, Finance	64.6	10.2	27.6	26.7
Entire Course, Accounting	65.4	19.0	23.5	24.5

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible

## Test Results by Financial Behavior

Tables 3-4 through 3-7 relate the financial literacy of college students to various types of reported financial behavior. It is much easier to report the financial behavior of college students than it is to report that of high school seniors since the former are legally adults who can, and do, use a variety of financial products, including credit cards and other types of debt and who have taxes to file.

Table 3-4 relates to credit card use. Two thirds of college students use a credit card and, for the most part, those with more credit cards tend to be more financially literate, up to four cards. Another anomaly is that students who generally pay only the minimum balance on their cards are just as financially literate as those who pay off their bills monthly.

These findings seem to fly in the face of traditional belief, which is that more financially literate consumers tend to have better *credit card behavior*. This belief, which may be true for adults who are not in college, may not apply, however, to those who are having to finance their college educations using whatever tools are available. The last entry in Table 3-4 does show that more financially literate students are more successful in avoiding late payment fees on their credit cards, regardless of how they are forced to use their cards.

Nearly two-thirds of college students first began using a credit card after high school and before the end of their first year of college. This indicates that the first year of college (including orientation) is the time that most college-educated adults choose the credit card or cards that they will use.

Table 3-5 relates financial literacy to debt other than credit card debt. Contrary to the *a priori* expectations of many, those college students with more debt appear to be more financially literate than those with less debt. Those with auto loans are more financially literate than those with a home mortgage or other types of debt. Finally, those who worry about debts “some” or “often” are more financially literate than those who never worry about such debt or who worry nearly all the time.

Table 3-6 relates financial literacy to saving and investment behavior of college students. Those with checking accounts are far more literate than those without such accounts although literacy doesn’t vary with the frequency of checkbook balancing. Those who have bounced checks more than twice a year are less financially literate than others. Among investment holdings, mutual funds and retirement accounts are associated with better financial literacy scores than other types of vehicles.

In another strange finding, those who feel that their savings and investments are inadequate for their needs tend to have higher financial literacy scores than those who feel that their savings and investments are adequate of their needs.

Table 3-7 finds that college students who prepare their own taxes, using a computer program or by hand, are more financially literate than those who use a tax preparer and much more literate than the 46.5 percent who rely on their parents to do their taxes.

**Table 3-4**  
**College Students**  
**Test Results by Credit Card Use**

	College Mean Score	College % of Students	College % C or Better	College % Failing
	61.9%	100.0%	17.5%	35.7%
<u>Number of Credit Cards</u>				
None	61.1	33.4	15.2	38.0
One	61.8	31.2	16.3	34.8
Two	61.9	19.3	20.2	36.4
Three	63.2	8.8	21.1	34.4
Four	68.3	3.2	24.2	27.3
Five or more	63.4	4.1	21.4	26.2
<u>Pay Credit Card Bills</u>				
Pay off balance monthly	62.7	46.7	19.3	34.5
Generally pays balance monthly	62.9	16.9	19.3	31.6
Generally has some balance	58.9	12.9	10.3	41.4
Almost always has balance	63.9	15.8	23.4	29.0
Generally pays only minimum	63.8	7.7	21.2	34.6
<u>Outstanding Credit Card Balance</u>				
Under \$1,000	63.4	69.1	18.4	32.5
\$1,000 to \$2,499	61.7	15.4	21.2	37.5
\$2,500 to \$4,999	60.7	8.9	16.7	40.0
\$5,000 to \$9,999	55.4	5.0	17.6	35.3
\$10,000 or over	64.2	1.6	36.4	27.3
<u>When Used First Credit Card</u>				
Before graduating high school	64.0	20.1	23.5	30.9
When graduated high school	62.7	21.5	20.5	32.9
When started college	59.8	26.8	18.1	40.7
During first year in college	64.9	14.2	14.6	30.2
After first year in college	62.2	17.4	16.1	33.1
<u>Pays Credit Card Bills Late</u>				
Never	63.5	64.8	18.2	31.2
Once or twice since first card	63.0	24.4	21.8	35.2
Once or twice per year	51.0	5.2	14.3	60.0
More than two times per year	59.7	5.6	18.4	39.5

**Table 3-5**  
**College Students**  
**Test Results by Other Debt**

	College Mean <u>Score</u> 61.9%	College % of <u>Students</u> 100.0%	College % C or <u>Better</u> 17.5%	College % <u>Failing</u> 35.7%
<u>Expected Debt at Graduation</u>				
Nothing	61.3	34.7	17.4	38.7
Under \$5,000	59.5	7.2	9.5	40.5
\$5,000 to \$9,999	59.4	11.1	21.1	46.5
\$10,000 to \$19,999	62.9	14.7	15.9	32.5
\$20,000 to \$29,999	64.1	12.7	16.8	26.7
\$30,000 to \$49,999	63.4	8.7	18.9	27.8
\$50,000 or more	65.0	8.3	23.3	29.1
<u>Other Debt</u>				
Auto loans	60.8	12.5	14.7	35.7
Home mortgage	50.5	2.7	14.3	53.6
Personal or other debt	56.6	20.9	12.1	50.2
<u>How Much Worry About Debts</u>				
Never	60.1	26.8	13.7	41.5
A little	61.7	25.5	17.5	33.9
Some	64.4	22.1	20.6	30.5
Often	64.1	15.7	21.5	31.0
Nearly all the time	60.3	9.8	17.2	40.4



**Table 3-6**  
**College Students**  
**Test Results by Savings and Investments**

	College Mean <u>Score</u> 61.9%	College % of <u>Students</u> 100.0%	College % C or <u>Better</u> 17.5%	College % <u>Failing</u> 35.7%
<u>Has Checking Account</u>				
Yes	62.6	91.1	18.3	33.7
No	54.6	8.9	8.7	56.5
<u>Balance Checkbook<sup>1</sup></u>				
After every check, deposit and ATM withdrawal				
Weekly	62.9	23.3	16.5	33.0
Monthly	62.2	17.1	17.5	36.9
Several times per year	62.8	17.4	22.7	33.7
Once or twice per year	62.0	5.0	17.0	29.8
Never	64.2	4.3	25.0	22.5
	62.3	32.8	16.6	34.5
<u>Bounced Check<sup>1</sup></u>				
Never	63.0	70.9	18.2	33.3
Once or twice in lifetime	62.1	20.8	19.5	33.8
Once or twice per year	64.8	5.7	22.6	26.4
More than twice per year	50.0	2.6	0.0	58.3
<u>Types of Savings and Investments<sup>2</sup></u>				
Savings Account	62.6	80.9	18.2	34.0
CD	63.5	13.7	22.0	30.5
US Savings Bonds	61.3	18.3	19.1	35.1
Stocks	60.5	10.9	17.9	38.4
Mutual funds	68.5	8.9	20.8	45.8
Other bonds	59.4	2.3	20.8	45.8
Retirement accounts (e.g.: 401k, IRA)	65.8	6.9	25.4	28.3
<u>Adequacy of Savings &amp; Investments</u>				
Adequate for current needs	61.3	40.6	16.7	37.6
Slightly less than I should have	62.1	32.4	18.1	34.0
Much less than I should have	63.6	27.0	19.4	32.1

<sup>1</sup>Asked of those who have a checking account<sup>2</sup>Percents may total more than 100 percent with multiple responses possible

**Table 3-7  
College Students  
Test Results by Who Prepares Taxes**

	College Mean Score	College % of Students	College C or Better	College % Failing
<u>Who Prepares Taxes?</u>	61.9%	100.0%	17.5%	35.7%
Self, by hand	63.8	12.4	24.4	31.7
Self using computer program	65.0	19.7	24.0	29.6
Tax preparer	62.0	21.3	18.4	36.3
Parents	60.6	46.5	13.6	38.1

### Subject Results

Results of the 31 JumpStart questions were divided into five subject groups: income, money management, saving, spending and credit, which is a subset of spending (Table 3-8). Overall, college students did best in income (69.5 percent correct), followed by spending (67.1 percent) and credit (60.1 percent). At the bottom with 53.3 percent correct responses were money management and saving. At the bottom of the table one can see that high school students also did best in income and spending. College students tended to do better in every category as their education increased.

Table 3-9 shows that females do better than males in every subject category except saving, which includes investments. Table 3-10 shows that students who have taken a full semester course in money management or personal finance in high school appear to do worse than average in every subject while those who have played a high school stock market game or have taken a course in economics, finance or accounting in college seem to do better in every subject.

**Table 3-8**  
**College Students**  
**Subject Results by College Status**

	Money					Total Score
	Income	Management	Saving	Spending	Credit	
	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	
	69.5%	53.3%	53.3	67.1	60.1	61.9
<u>College Class</u>						
Freshman	68.9	46.9	50.2	65.4	59.2	59.3
Sophomore	69.5	53.6	52.8	65.0	58.7	61.0
Junior	68.9	53.8	54.8	66.8	59.7	62.1
Senior	70.7	57.8	55.0	71.4	65.4	64.8
<u>Type of College</u>						
Four Year	70.1	54.3	54.1	67.8	61.4	62.6
Two Year	67.0	49.1	49.9	64.1	57.8	58.7
<u>Major</u>						
Arts	67.0	49.5	51.8	64.5	57.0	59.4
Business or Econ.	69.3	53.9	56.4	66.3	60.8	62.4
Engineering	70.9	51.1	56.3	68.9	63.2	63.2
Humanities	70.3	54.9	54.0	65.9	58.7	62.1
Nursing	65.4	51.5	46.6	62.1	54.9	57.1
Science	71.0	52.8	54.7	68.9	63.5	63.4
Social Science	71.2	58.2	52.7	70.4	62.8	64.0
Other	69.4	51.9	51.6	66.3	60.9	60.9
<u>Expected Education</u>						
Associate Degree	61.2	48.6	46.9	58.7	51.7	54.6
Bachelor Degree	68.9	51.6	53.1	66.4	60.2	61.1
Master's Degree	71.4	54.7	54.7	69.2	62.9	63.6
Doctorate, Law or Professional	73.6	53.4	53.4	67.3	60.9	62.0
<u>Expected Full-Time Income</u>						
Under \$30,000	63.6	48.1	48.1	61.4	54.8	56.3
\$30,000 to \$39,999	69.8	54.8	54.6	68.0	61.7	62.8
\$40,000 to \$49,999	72.3	54.8	54.5	69.0	62.8	63.7
\$50,000 or more	70.9	53.6	54.2	68.3	61.8	62.9
<i>High School</i>	56.1	40.9	43.2	50.8	44.1	48.3

**Table 3-9**  
**College Students**  
**Test Results by Background**

	Money					Total
	Income	Management.	Saving	Spending	Credit	Score
	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>	<u>Score</u>
	69.5	53.3	53.3	67.1	60.1	61.9
<u>Parents' Income</u>						
Less than \$20,000	56.8	47.4	44.7	56.0	49.8	51.9
\$20,000 to \$39,999	71.0	53.3	53.1	67.2	60.1	62.2
\$40,000 to \$79,999	71.4	55.2	53.9	70.2	64.0	63.8
\$80,000 or more	72.5	54.5	57.6	69.2	62.6	64.6
<u>Highest Level of Parents' Education</u>						
Neither Finished H.S	59.1	50.0	47.2	58.3	52.3	54.3
Completed H.S.	70.5	54.1	51.8	69.0	62.9	62.5
Some College	65.3	50.5	49.8	63.2	57.0	58.2
College Grad or More	71.9	54.8	55.9	69.1	62.5	64.0
<u>Sex</u>						
Female	70.4	54.5	53.1	68.3	61.8	62.6
Male	66.9	49.7	54.2	63.6	57.6	59.7
<u>Race</u>						
White	71.2	55.3	54.6	68.3	61.9	63.3
African-American	62.4	45.3	46.3	62.0	56.0	55.3
Hispanic American	70.0	49.0	49.4	65.8	58.8	59.8
Asian-American	62.3	45.1	52.4	62.7	56.0	57.1
<i>High School</i>	<i>56.1</i>	<i>40.9</i>	<i>43.2</i>	<i>50.8</i>	<i>44.1</i>	<i>48.3</i>

**Table 3-10**  
**College Students**  
**Test Results by Money Management Education**

	Money					Total Score
	Income Score	Management. Score	Saving Score	Spending Score	Credit Score	
	69.5	53.3	53.3	67.1	60.1	61.9
<u>Classes in H.S.<sup>1</sup></u>						
Entire Course, Money						
Mgt./Personal Finance	67.6	50.6	50.4	64.5	58.5	59.3
Portion of Course, Money Mgt.	70.0	53.6	53.4	67.3	61.1	62.1
Entire Course, Economics	70.6	54.4	52.8	68.5	62.2	62.7
Portion Course, Economics	68.5	52.4	56.8	66.5	59.9	62.2
Stock Mkt. Game in Class	74.3	56.8	56.5	70.7	64.6	65.6
<u>Classes in College.<sup>1</sup></u>						
Entire Course, Money						
Mgt./Personal Finance	67.1	49.5	51.8	66.6	61.1	60.1
Portion of Course, Money Mgt.	66.3	51.3	51.2	61.2	55.9	58.2
Entire Course, Economics	70.7	55.3	55.3	67.6	61.8	63.2
Entire Course, Finance	71.3	56.4	57.4	69.4	64.3	64.6
Entire Course, Accounting	73.1	55.5	58.2	70.2	64.0	65.4
<i>High School</i>	56.1	40.9	43.2	50.8	44.1	48.3

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

## CHAPTER 4

# UNDERSTANDING INCOME

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### Introduction

Chapters 4 through 7 divide the questions contained in the *JumpStart Survey* into the four initial categories of the Standards established by the JumpStart Coalition<sup>®</sup>, namely Income, Money Management, Savings and Investment, and Spending and Credit. The JumpStart Standards have recently been expanded, but for reasons of historical continuity, we will continue to use these primary categories in this book. Since the *Survey* was administered in high schools in a single class period, the available class time allowed us to include just 31 substantive questions. As a result, we were not able to evaluate student knowledge in all of the specific areas of the standards. To gain some insight into student capabilities in these areas, however, we grouped related questions together within chapters of this book rather than analyze them in the order in which they appear in the *Survey* questionnaire.

In choosing the 31 questions for this *Survey*, members of the JumpStart Coalition attempted to balance coverage of the areas contained in the initial Standards with focus on the more critical areas of personal financial literacy. Our review and analysis of specific *Survey* results will attempt to maintain this balance.

### The Importance of Education, Skill and Location

The first three questions address decisions that can affect future income. These include the decision to seek higher education, the decision to improve on-the-job skills and the decision of where to locate.

**Question 24.** If you went to college and earned a four year degree, how much more money could you expect to earn than if you only had a high school diploma?

- a) About 10 times as much.
- b) No more; I would make about the same either way.
- c) A little more; about 20% more.
- d) A lot more; about 70% more.

The correct answer to this question is *d) A lot more; about 70 percent more.*

A college education is an investment in human capital that makes people more valuable in the workplace. These days, aside from a tiny number of star athletes or entertainers, the highest paid workers are the *knowledge workers* who use their brains and education. In our high-tech economy, many of the high-paying jobs that used to be done by hand by skilled workers are now done by robots in automated factories or are done overseas by workers who are willing to work for a fraction of U.S. wages. This has created a situation in which those with college degrees have seen their incomes increase substantially and those without college degrees have seen their *real* (after inflation) incomes stagnate.

### **High School Results from Question 24**

Overall, 47.6 percent of high school seniors answered this correctly in 2008. This was the worst performance on this question since the survey began, but the problem was *overestimation* rather than underestimation of the earnings gap due to education. Table 4-1a also shows that only a small proportion of the students (8.6 percent) felt that a college education would *not* increase earnings, but that 21.9 percent felt that a college graduate would earn 10 times as much as someone with just a high school degree. This is not surprising, given the fact that half of all high school seniors included in this survey intended to pursue a four-year college degree. The message is certainly well-understood by nearly all students who remain in school through the 12<sup>th</sup> grade. If there is mileage to be gained by repetition of this message, it should be directed toward students who are likely to drop out of high school before reaching their senior year.

It is interesting to look at both the students who grossly overestimated the payoff to a college education and those who substantially underestimated it. Native Americans were more likely than any other group to *overestimate* the value of a college education with 39.6 percent feeling that a college graduate would make *ten times* as much as a high school graduate. Just 34 percent of African-Americans answered this question correctly in contrast to 53.3 percent of white students. Not surprisingly, the 8.6 percent of all students who felt that college graduates were not likely to earn more than high school graduates were disproportionately represented by students who did not intend to pursue further education.

### **College Results from Question 24**

As expected, college students were more likely than high school seniors to answer this question correctly. Table 4-1b shows us that the question was answered correctly by 53 percent of college students as opposed to 47.6 percent of high school seniors (Table 4-1a). Overestimation of the earnings of college graduates was found in 17.6 percent of college students who felt that they would earn 10 times as much as high school graduates. College seniors were most pessimistic about their earnings with only 45.7 percent estimating that they would make 70 more than those with just a high school education. The proportion answering the question correctly, however, increased strongly and directly with the highest level of education expected by the students. Just 41.1 percent of those pursuing an associate degree answered the question correctly compared to 50.5 percent of those who expected to earn a 4-year degree, 56 percent of those expecting to earn a Master's degree and 61.3 percent of those anticipating a doctorate, law or professional degree.

Even among college students, African-Americans were less likely than White students to fully value the monetary returns to a 4-year college degree. Those who played a stock market game in high school or who took a college course in accounting were most likely to answer this question correctly.

**Table 4-1a**  
**High School Students**  
**Analysis of Question 24**  
**College Versus High School Earnings**

	(a) 10 Times <u>As Much</u>	(b) No <u>More</u>	(c) 20% <u>More</u>	(d)* 70% <u>More</u>
All Students 2008	21.9%	8.6%	22.0%	47.6%
All Students 2006	10.5%	2.1%	23.5%	63.9%
All Students 2004	15.9%	5.8%	19.5%	58.8%
All Students 2002	12.8%	3.2%	25.0%	59.0%
All Students 2000	18.3%	5.1%	23.4%	52.2%
All Students 1997	13.0%	3.4%	24.9%	58.7%
<u>Parents' Income</u>				
Less than \$20,000	27.3	11.1	24.1	37.5
\$20,000 to \$39,999	18.1	9.2	25.4	47.3
\$40,000 to \$79,999	23.1	5.9	21.9	49.1
\$80,000 or more	18.8	6.8	18.6	55.8
Don't Know	24.1	12.5	21.3	42.2
<u>Highest Level of Parents' Education</u>				
Neither Finished H. S.	19.9	10.3	27.6	42.3
Completed H. S.	22.5	11.1	23.2	43.3
Some College	23.5	7.5	20.4	48.6
College Grad or More	20.0	5.8	19.8	54.3
Don't Know	26.1	17.4	24.6	31.9
<u>Sex</u>				
Female	21.7	7.4	22.1	48.8
Male	21.8	9.8	21.4	47.0
<u>Race</u>				
White	20.2	5.9	20.6	53.3
African-American	28.0	13.4	22.1	36.4
Hispanic American	20.0	10.7	24.2	45.1
Asian-American	27.6	6.9	18.4	47.1
Native American	39.6	13.2	22.6	24.5
Other	20.5	16.5	28.3	34.6



**Table 4-1a (continued)**  
**High School Students**  
**Analysis of Question 24**  
**College Versus High School Earnings**

	(a) 10 Times <u>As Much</u>	(b) No <u>More</u>	(c) 20% <u>More</u>	(d)* 70% <u>More</u>
<u>Educational Plans</u>				
No Further Ed.	37.3	15.7	21.6	25.5
2-year or Jr. College	21.3	12.7	22.9	43.2
4-year College	21.4	6.0	21.1	51.5
Other Training or Ed.	24.4	13.1	22.5	40.0
Don't Know	19.2	20.0	27.5	33.3
<u>Planned Occupation</u>				
Manual Work	22.7	19.7	30.3	27.3
Skilled Trade	18.1	14.8	20.0	47.1
Service Worker	22.7	9.4	24.5	43.4
Professional Worker	21.0	6.0	19.6	53.4
Other or Don't Know	23.3	10.2	24.1	42.5
<u>Expected Full-Time Income</u>				
Under \$15,000	20.0	16.3	32.5	31.3
\$15,000 to \$19,999	30.0	11.9	24.4	33.8
\$20,000 to \$29,999	18.4	12.8	22.4	46.4
\$30,000 to \$39,999	21.6	6.6	20.9	50.9
\$40,000 or more	20.4	6.9	20.3	52.3
Don't Know	24.1	9.9	23.9	42.1
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money Mgt. or Personal Finance	22.7	9.8	20.4	47.2
Portion of Course, Money Mgt. or Personal Finance	20.3	8.9	21.1	49.7
Entire Course, Economics	20.4	8.8	21.8	49.0
Portion Course, Economics	20.7	8.3	23.2	47.8
Stock Mkt. Game in Class	21.3	7.0	19.0	52.7

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 4-1b**  
**College Students**  
**Analysis of Question 24**  
**College Versus High School Earnings**

	(a) 10 Times <u>As Much</u>	(b) No <u>More</u>	(c) 20% <u>More</u>	(d)* 70% <u>More</u>
All Students	17.6%	5.3%	24.1%	53.0%
<u>College Class</u>				
Freshman	19.6	4.9	21.0	54.5
Sophomore	16.4	6.4	20.1	57.0
Junior	18.8	6.2	21.1	54.1
Senior	16.3	3.5	34.5	45.7
<u>Type of College</u>				
Four Year	17.4	4.8	23.9	53.8
Two Year	17.5	5.3	24.1	53.1
<u>Major</u>				
Arts	16.5	7.3	26.6	49.5
Business or Econ.	18.2	3.6	22.9	55.2
Engineering	24.1	9.3	16.7	50.0
Humanities	20.3	4.1	24.3	51.4
Nursing	19.0	10.3	20.7	50.0
Science	12.5	5.9	22.4	59.2
Social Science	19.9	3.2	25.6	51.3
Other	16.7	4.8	26.8	51.8
<u>Expected Education</u>				
Associate Degree	25.3	11.6	22.1	41.1
Bachelor Degree	16.7	6.1	26.6	50.5
Master's Degree	18.9	3.3	21.8	56.0
Doctorate, Law or Professional	14.5	2.3	22.0	61.3
<u>Expected Full-Time Income</u>				
Under \$30,000	16.9	10.8	27.1	45.2
\$30,000 to \$39,999	19.2	4.9	28.3	47.6
\$40,000 to \$49,999	16.3	2.3	24.7	56.7
\$50,000 or more	17.5	4.9	17.8	59.8
<i>High School</i>	21.9	8.6	22.0	47.6

**Table 4-1b (continued)**  
**College Students**  
**Analysis of Question 24**  
**College Versus High School Earnings**

	(a) 10 Times <u>As Much</u>	(b) No <u>More</u>	(c) 20 <u>More</u>	(d)* 70 <u>More</u>
All Students	17.6%	5.3%	24.1%	53.0%
<u>Parents' Income</u>				
Less than \$20,000	19.6	16.1	22.3	42.0
\$20,000 to \$39,999	15.8	3.4	28.8	52.1
\$40,000 to \$79,999	16.8	3.6	25.4	54.1
\$80,000 or more	19.3	3.4	20.6	56.7
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	14.3	9.5	33.3	42.9
Completed H.S	21.7	5.4	22.9	50.0
1 Some College	5.8	7.7	27.0	49.5
College Grad or More	17.9	3.7	22.9	55.5
<u>Sex</u>				
Female	17.5	4.4	24.8	53.4
Male	18.7	8.5	21.7	51.1
<u>Race</u>				
White	18.0	5.1	23.0	53.9
African-American	19.5	6.9	27.6	46.0
Hispanic American	15.3	3.4	23.7	57.6
Asian-American	13.6	10.6	24.2	51.5
<i>High School</i>	<i>21.9</i>	<i>8.6</i>	<i>22.0</i>	<i>47.6</i>

**Table 4-1b (continued)**  
**College Students**  
**Analysis of Question 24**  
**College Versus High School Earnings**

	(a) 10 Times <u>As Much</u>	(b) No <u>More</u>	(c) 20 <u>More</u>	(d)* 70 <u>More</u>
All Students	17.6%	5.3%	24.1%	53.0%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	25.2	3.3	20.3	51.2
Portion of Money Mgt.	17.1	4.4	26.2	52.4
Entire Course, Economics	18.5	4.5	22.3	54.8
Portion Course, Economics	15.7	5.7	27.0	51.6
Stock Mkt. Game in Class	17.8	3.3	19.1	59.7
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	21.2	3.0	22.2	53.5
Portion of Money Mgt.	20.0	8.6	22.9	48.6
Entire Course, Economics	19.2	4.3	21.4	55.0
Entire Course, Finance	19.0	0.0	24.8	56.2
Entire Course, Accounting	16.8	2.0	20.9	60.2
<i>High School</i>	21.9	8.6	22.0	47.6

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<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

## 48 *The Financial Literacy of Young American Adults*

**Question 18. Don and Bill work together in the finance department of the same company. Bill spends his free time taking work related classes to improve his computer skills, while Don spends his free time socializing with friends and working out at a fitness center. After five years what is likely to be true?**

- a) Don will make more money because he is more social. .
- b) Don will make more because Bill is likely to be laid off.
- c) Bill will make more money because he is more valuable to his company.
- d) Don and Bill will continue to make the same money.

The answer to this question is *c) Bill will make more money because he is more valuable to his company.*

The need to acquire *human capital* in the form of education and skills no longer ends at age 18 when students graduate from high school or at age 22 when some graduate from college. Constant changes in technology compel American workers to learn new ways of doing their work more effectively. Office workers and professionals always have to learn new computer programs. Factory workers are often confronted with new machinery or are asked to cross-train on another piece of machinery to make them more versatile. Even truck drivers are now tracking their loads with tiny computers that use satellites to pinpoint their location.

The constant drive to become more productive is caused in part by worldwide competition. American workers are paid more than workers in most parts of the world, particularly those in developing countries who will work for extremely low wages. Since free trade allows countries to import those goods that offer consumers the best value, American workers must offer something extra to justify their higher rate of pay. This something extra generally involves a higher level of skill, often in the operation of sophisticated equipment, which enables them to be more productive in their work.

### **High School Results from Question 18**

Overall, 67.9 percent of high school seniors got this answer correct in the 2008 survey, the *lowest* proportion since the surveys were begun in 1997. This was below the 2006 study and far below the baseline 1997 study where 92.1 percent of students chose the correct answer. Nearly 11 percent felt that Don and Bill would continue to make the same amount of money and a total of 11.5 percent felt that Don would make more since he was more “social.” Table 4-2a summarizes the results. Women did better than men on this question as they had in 2006, 2004, and 2002. White students did much better than others as did those who aspired to be professional workers and those with first job income expectations above \$30,000.

### **College Results from Question 18**

Among college students, 84.2 percent answered this question correctly (see Table 4-2b). Those with higher educational aspirations did better on this question as did females (85 percent compared to 76.7 percent for males), Whites and Hispanic-American students.

Those college students who had played a stock market game in high school did better than others and those who had taken college coursework in money management or personal finance did considerably worse than college students who had not taken such a course.

**Table 4-2a**  
**High School Students**  
**Analysis of Question 18**  
**Who Will Make More?**

	(a) Don <u>More Social</u>	(b) Bill <u>Laid Off</u>	(c)* Bill <u>More Valuable</u>	(d) <u>Same</u>
All Students 2008	11.5%	9.8%	67.9%	10.8%
All Students 2006	10.9%	5.7%	71.8%	11.6%
All Students 2004	4.5%	7.7%	77.6%	11.3%
All Students 2002	6.0%	4.7%	79.6%	9.7%
All Students 2000	9.1%	4.7%	74.8%	10.9%
All Students 1997	1.6%	1.4%	92.1%	4.8%
<u>Parents' Income</u>				
Less than \$20,000	16.2	11.1	60.5	12.3
\$20,000 to \$39,999	12.1	10.1	66.6	11.2
\$40,000 to \$79,999	10.7	7.7	72.6	9.0
\$80,000 or more	10.1	8.9	72.0	9.0
Don't Know	11.0	11.9	63.3	13.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	13.0	11.2	61.0	14.9
Completed H.S.	11.7	9.2	70.1	9.0
Some College	11.8	10.0	70.9	7.3
College Grad or More	9.0	8.5	70.9	11.5
Don't Know	21.9	14.6	45.3	18.2
<u>Sex</u>				
Female	10.2	9.6	68.5	11.7
Male	12.3	9.6	68.2	9.9
<u>Race</u>				
White	9.3	7.7	74.0	9.0
African-American	15.6	14.7	58.1	11.6
Hispanic American	13.6	8.9	65.2	12.3
Asian-American	9.4	5.9	69.4	15.3
Native American	20.4	22.2	38.9	18.5
Other	12.7	16.7	53.2	17.5

**Table 4-2a (continued)**  
**High School Students**  
**Analysis of Question 18**  
**Who Will Make More?**

	(a) Don <u>More Social</u>	(b) Bill <u>Laid Off</u>	(c)* Bill <u>More Valuable</u>	(d) <u>Same</u>
<u>Educational Plans</u>				
No Further Ed.	23.5	29.4	35.3	11.8
2-year or Jr. College	14.8	8.9	63.0	13.2
4-year College	9.1	8.7	72.9	9.2
Other Training or Ed.	16.3	10.0	58.8	15.0
Don't Know	20.8	15.8	48.3	15.0
<u>Planned Occupation</u>				
Manual Work	18.2	16.7	48.5	16.7
Skilled Trade	17.6	16.3	57.5	8.5
Service Worker	17.7	11.7	61.7	8.9
Professional Worker	7.4	7.8	74.1	10.7
Other or Don't Know	13.3	9.9	65.6	11.2
<u>Expected Full-Time Income</u>				
Under \$15,000	19.8	19.8	45.7	14.8
\$15,000 to \$19,999	18.9	13.8	56.6	10.7
\$20,000 to \$29,999	9.2	12.0	68.4	10.4
\$30,000 to \$39,999	10.3	7.0	72.5	10.1
\$40,000 or more	10.3	9.0	70.6	10.0
Don't Know	12.7	9.2	65.4	12.7
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	12.6	11.4	65.6	10.4
Portion of Course, Money				
Mgt./Personal Finance	11.2	8.8	68.7	11.2
Entire Course, Economics				
Mgt./Personal Finance	11.5	9.5	69.2	9.8
Portion Course, Economics				
Mgt./Personal Finance	11.4	9.1	69.6	9.9
Stock Mkt. Game in Class	9.8	9.3	71.1	9.8

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 4-2b**  
**College Students**  
**Analysis of Question 18**  
**Who Will Make More?**

	(a) Don <u>More Social</u>	(b) Bill <u>Laid Off</u>	(c)* Bill <u>More Valuable</u>	(d) <u>Same</u>
All Students	4.7%	4.0%	83.2%	8.1%
<u>College Class</u>				
Freshman	6.3	2.3	84.2	7.2
Sophomore	5.7	3.7	82.8	7.7
Junior	2.5	6.2	80.6	10.7
Senior	4.2	3.9	84.9	6.9
<u>Type of College</u>				
Four Year	4.5	4.0	83.5	8.0
Two Year	5.2	4.2	81.8	8.9
<u>Major</u>				
Arts	5.6	4.6	78.7	11.1
Business or Econ.	4.2	5.2	83.2	7.3
Engineering	7.5	1.9	79.2	11.3
Humanities	5.3	4.0	81.3	9.3
Nursing	3.5	5.3	86.0	5.3
Science	2.6	3.9	83.7	9.8
Social Science	2.6	3.2	86.5	7.7
Other	7.0	3.5	83.3	6.1
<u>Expected Education</u>				
Associate Degree	7.2	9.3	75.3	8.2
Bachelor Degree	5.5	4.5	81.5	8.5
Master's Degree	4.0	2.2	85.8	8.0
Doctorate, Law or Professional	2.3	2.9	87.9	6.9
<u>Expected Full-Time Income</u>				
Under \$30,000	9.1	6.1	75.8	9.1
\$30,000 to \$39,999	3.2	4.5	83.1	9.1
\$40,000 to \$49,999	1.9	3.3	88.4	6.5
\$50,000 or more	5.9	2.5	84.0	7.7
<i>High School</i>	<i>11.5</i>	<i>9.8</i>	<i>67.9</i>	<i>10.8</i>



**Table 4-2b (continued)**  
**College Students**  
**Analysis of Question 18**  
**Who Will Make More?**

	(a) Don <u>More Social</u>	(b) Bill <u>Laid Off</u>	(c)* Bill <u>More Valuable</u>	(d) <u>Same</u>
All Students	4.7%	4.0%	83.2%	8.1%
<u>Parents' Income</u>				
Less than \$20,000	9.1	8.2	72.7	10.0
\$20,000 to \$39,999	4.1	6.8	84.4	4.8
\$40,000 to \$79,999	3.6	2.3	85.2	8.9
\$80,000 or more	4.3	2.8	85.1	7.7
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	5.0		90.0	5.0
Completed H.S.	3.6	3.6	84.9	7.8
Some College	5.6	5.2	80.1	9.1
College Grad or More	4.7	3.6	84.3	7.5
<u>Sex</u>				
Female	4.0	3.3%	85.0	7.7
Male	7.3	6.5	76.7	9.5
<u>Race</u>				
White	4.1	4.1	84.2%	7.7
African-American	9.3	3.5	79.1	8.1
Hispanic American	1.7	1.7	88.1	8.5
Asian-American	9.0	6.0	76.1	9.0
<i>High School</i>	<i>11.5</i>	<i>9.8</i>	<i>67.9</i>	<i>10.8</i>

**Table 4-2b (continued)**  
**College Students**  
**Analysis of Question 18**  
**Who Will Make More?**

	(a) Don <u>More Social</u>	(b) Bill <u>Laid Off</u>	(c)* Bill <u>More Valuable</u>	(d) <u>Same</u>
All Students	4.7%	4.0%	83.2%	8.1%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	7.3	4.9	80.5	7.3
Portion of Money Mgt.	5.2	6.0	82.1	6.7
Entire Course, Economics	4.7	4.3	84.1	6.9
Portion Course, Economics	6.3	4.4	82.3	7.0
Stock Mkt. Game in Class	3.0	3.0	87.7	6.3
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	10.3	6.2	75.3	8.2
Portion of Money Mgt.	7.2	6.5	78.4	7.9
Entire Course, Economics	4.6	4.9	83.4	7.1
Entire Course, Finance	5.7	1.9	82.9	9.5
Entire Course, Accounting	4.1	3.1	84.7	8.2
<i>High School</i>	<i>11.5</i>	<i>9.8</i>	<i>67.9</i>	<i>10.8</i>

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Question 21. Matt has a good job on the production line of a factory in his home town. During the past year or two, the state in which Matt lives has been raising taxes on its businesses to the point where they are much higher than in neighboring states. What effect is this likely to have on Matt's job?**

- a) Higher business taxes will cause more businesses to move into Matt's state, raising wages.
- b) Higher business taxes can't have any effect on Matt's job. .
- c) Matt's company may consider moving to a lower-tax state, threatening Matt's job.
- d) He is likely to get a large raise to offset the effect of higher taxes.

The answer to this question is c) *Matt's company may consider moving to a lower-tax state, threatening Matt's job.*

States compete fiercely to attract employers from other areas. Competition is particularly intense for manufacturers, particularly those such as auto companies that offer good salaries and benefits.

A state with very high business taxes, compared to other, nearby states, is going to find it difficult to attract or even retain employers such as factories. In our question, Matt will find that if he does not move to a state with lower business taxes and more job opportunities, his income prospects will be limited. With fewer and fewer factory jobs available in this state, the supply of people seeking such jobs will be greater than the job possibilities and employers will not have to raise wages to find all the employees they want. If Matt stays in the state, he will probably lose some of the future income he could have made if he moved to a state with more factory jobs available.

### **High School Results from Question 21**

Overall, 57.3 percent of high school seniors answered this question correctly, the *lowest* proportion since this question was first asked! Table 4-3a summarizes the results. Students whose parents were in the highest income category scored particularly well on this question as did students who were white and those who planned to take a 4 year college degree. Males did four percentage points better than females in this question, one of the largest gender gaps in the survey

### **College Results from Question 21**

College students did much better on this question than high school seniors. Table 4-3b shows that 83.8 percent answered this question correctly in contrast to 57.3 percent of high school seniors. African-American students did worse than others on this question as did students of nursing and those planning less higher education. The highest proportion of correct answers (91.4 percent) was given by those students who had taken a course in finance.

**Table 4-3a**  
**High School Students**  
**Analysis of Question 21<sup>1</sup>**  
**What Is the Effect on Mark's Job?**

	(a)	(b)	(c)*	(d)
	<u>Higher</u>	<u>No</u>	<u>Threat</u>	<u>Large</u>
	<u>Wages</u>	<u>Effect</u>	<u>To Job</u>	<u>Raise</u>
All Students 2008	14.4%	18.7%	57.3%	9.7%
All Students 2006	17.1%	8.6%	59.0%	15.3%
All Students 2004	15.5%	15.4%	60.3%	8.9%
All Students 2002	13.9%	11.1%	65.7%	9.2%
All Students 2000	12.7%	13.2%	61.2%	12.4%
<u>Parents' Income</u>				
Less than \$20,000	15.9	21.8	50.0	12.3
\$20,000 to \$39,999	14.8	19.0	55.1	11.2
\$40,000 to \$79,999	12.5	16.5	60.5	10.5
\$80,000 or more	13.6	16.0	65.1	5.3
Don't Know	17.0	23.0	49.7	10.3
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	15.2	23.4	49.1	12.3
Completed H.S.	16.5	18.6	53.9	11.0
Some College	12.4	20.3	58.7	8.7
College Grad or More	12.5	14.8	64.4	8.3
Don't Know	23.4	27.7	38.0	10.9
<u>Sex</u>				
Female	16.6	18.2	55.8	9.4
Male	11.5	18.9	59.8	9.8
<u>Race</u>				
White	11.3	14.9	65.7	8.2
African-American	19.6	25.6	43.2	11.7
Hispanic American	18.1	19.8	49.5	12.6
Asian-American	18.6	18.6	53.5	9.3
Native American	17.3	34.6	40.4	7.7
Other	17.1	30.1	45.5	7.3

<sup>1</sup> Question 21 in the 2008 questionnaire does not have a comparable 1997 question.

**Table 4-3a (continued)**  
**High School Students**  
**Analysis of Question 21<sup>1</sup>**  
**What Is the Effect on Mark's Job?**

	(a) Higher <u>Wages</u>	(b) No <u>Effect</u>	(c)* Threat <u>To Job</u>	(d) Large <u>Raise</u>
<u>Educational Plans</u>				
No Further Ed.	28.8	36.5	23.1	11.5
2-year or Jr. College	17.9	22.0	48.5	11.6
4-year College	13.4	15.9	62.7	8.0
Other Training or Ed.	10.0	22.5	55.0	12.5
Don't Know	15.0	29.2	37.7	19.2
<u>Planned Occupation</u>				
Manual Work	23.1	27.7	32.3	16.9
Skilled Trade	13.1	22.9	54.2	9.8
Service Worker	20.3	21.0	45.8	12.9
Professional Worker	11.9	16.3	62.9	8.9
Other or Don't Know	15.8	19.9	55.3	8.9
<u>Expected Full-Time Income</u>				
Under \$15,000	17.5	28.8	43.8	10.0
\$15,000 to \$19,999	16.4	20.8	50.9	11.9
\$20,000 to \$29,999	13.3	24.1	52.2	10.4
\$30,000 to \$39,999	15.5	15.9	61.4	7.2
\$40,000 or More	12.9	17.5	59.2	10.4
Don't Know	16.0	18.5	56.3	9.1
<u>Classes in H.S.<sup>2</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	15.7	20.0	53.8	10.4
Portion of Course, Money				
Mgt./Personal Finance	15.2	17.9	57.7	9.3
Entire Course, Economics				
Mgt./Personal Finance	14.2	18.0	58.6	9.2
Portion Course, Economics				
Mgt./Personal Finance	14.6	17.6	57.6	10.2
Stock Mkt. Game in Class				
Mgt./Personal Finance	13.5	17.5	60.2	8.8

<sup>1</sup> Question 21 in the 2008 questionnaire does not have a comparable 1997 question.

<sup>2</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 4-3b**  
**College Students**  
**Analysis of Question 21**  
**What Is the Effect on Matt's Job?**

	(a) Higher Wages	(b) No Effect	(c)* Threat To Job	(d) Large Raise
All Students	5.6%	6.9%	83.8%	3.7%
<u>College Class</u>				
Freshman	8.5	6.7	81.2	3.6
Sophomore	7.0	8.0	80.7	4.3
Junior	4.5	5.8	84.7	5.0
Senior	2.3	7.0	88.8	1.9
<u>Type of College</u>				
Four Year	5.0	6.7	84.9	3.5
Two Year	8.2	7.7	79.4	4.6
<u>Major</u>				
Arts	6.4	8.3	79.8	5.5
Business or Econ	7.3	4.7	84.4	3.6
Engineering	3.7	11.1	85.2	
Humanities	1.3	6.7	86.7	5.3
Nursing	18.6	8.5	69.5	3.4
Science	1.3	6.5	88.2	3.9
Social Science	1.9	6.4	89.1	2.6
Other	7.5	7.5	81.1	4.0
<u>Expected Education</u>				
Associate Degree	12.2	10.2	69.4	8.2
Bachelor Degree	6.1	7.8	83.1	3.0
Master's Degree	5.1	5.1	86.2	3.6
Doctorate, Law or Professional	1.2	4.7	91.9	2.3
<u>Expected Full-Time Income</u>				
Under \$30,000	8.4	10.2	76.6	4.8
\$30,000 to \$39,999	5.5	7.1	84.5	2.9
\$40,000 to \$49,999	5.1	4.2	86.5	4.2
\$50,000 or more	4.6	6.5	85.5	3.4
<i>High School</i>	<i>14.4</i>	<i>18.7</i>	<i>57.3</i>	<i>9.7</i>

**Table 4-3b (continued)**  
**College Students**  
**Analysis of Question 21**  
**What Is the Effect on Matt's Job?**

	(a) Higher <u>Wages</u>	(b) No <u>Effect</u>	(c)* Threat <u>To Job</u>	(d) Large <u>Raise</u>
All Students	5.6%	6.9%	83.8%	3.7%
<u>Parents' Income</u>				
Less than \$20,000	10.6	14.2	64.6	10.6
\$20,000 to \$39,999	5.4	3.4	87.8	3.4
\$40,000 to \$79,999	4.3	5.6	87.1	3.0
\$80,000 or more	4.6	6.2	87.4	1.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	4.8	14.3	81.0	
Completed H.S.	6.6	6.0	83.2	4.2
Some College	8.4	9.1	77.4	5.2
College Grad or More	3.9	5.6	87.7	2.8
<u>Sex</u>				
Female	6.1	5.8	84.4	3.7
Male	3.8	10.7	82.1	3.4
<u>Race</u>				
White	5.3	6.3	84.9	3.5
African-American	7.0	14.0	73.3	5.8
Hispanic American	6.7	5.0	85.0	3.3
Asian-American	7.5	7.5	82.1	3.0
<i>High School</i>	<i>14.4</i>	<i>18.7</i>	<i>57.3</i>	<i>9.7</i>

**Table 4-3b (continued)**  
**College Students**  
**Analysis of Question 21**  
**What Is the Effect on Matt's Job?**

	(a) Higher <u>Wages</u>	(b) No <u>Effect</u>	(c)* Threat <u>To Job</u>	(d) Large <u>Raise</u>
All Students	5.6%	6.9%	83.8%	3.7%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	9.8	6.5	81.3	2.4
Portion of Money Mgt.	7.1	8.7	80.6	3.6
Entire Course, Economics	5.3	6.3	85.0	3.4
Portion Course, Economics	5.6	10.6	82.5	1.3
Stock Mkt. Game in Class	5.6	10.6	82.5	1.3
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	9.1	10.1	78.8	2.0
Portion of Money Mgt.	9.3	10.0	77.1	3.6
Entire Course, Economics	4.6	6.2	87.6	1.6
Entire Course, Finance	1.9	3.8	91.4	2.9
Entire Course, Accounting	4.1	5.6	88.7	1.5
<i>High School</i>	<i>14.4</i>	<i>18.7</i>	<i>57.3</i>	<i>9.7</i>

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.



## Sources of Income

Over time, the mix of income sources is likely to change for people. To project future income with any degree of accuracy, young people must be aware of this mix and how it changes with the accumulation of wealth.

**Question 14. Which of the following best describes the primary sources of income for most people age 20-35?**

- a) Dividends and interest.
- b) Salaries, wages, tips.
- c) Profits from business.
- d) Rents.

The correct answer is *b) Salaries, wages, tips.*

Most young people have only one major source of income—selling their labor in exchange for salaries, wages and sometimes tips. Few have saved enough to make much money from stocks that pay dividends or bonds and savings accounts that pay interest. Nor have many been able to put up the large down payment needed to invest in rental housing that generates rents.

Finally, while some people in this age range may own businesses, it is unlikely that they have been able to invest enough money in the business to generate great profitability. In addition, they may think a business is profitable when much, if not all of the income taken from the business by the owner, is really the salary that he or she would have earned if they worked for someone else.

### High School Results from Question 14

Overall, 75.3 percent of students answered this question correctly, according to Table 4-4a. Males did better than females, and White and Asian-American students did better than others.

### College Results from Question 14

Table 4-4b shows the results for college students on this question. In total, nearly all students (92.6 percent) got it correct. Groups with scores less than 90 percent included students of the arts and nursing, those planning to end college after only two years, those with low income expectations or with low family income or parental education. Males also scored below 90 percent as did Asian-Americans and students who had taken a full semester course in money management or personal finance in either high school or college.

**Table 4-4a**  
**High School Students**  
**Analysis of Question 14**  
**Primary Income Sources for Young People**

	(a) Dividends & Interest	(b)* Salaries, Wages & Tips	(c) Profits from Business	(d) Rents
All Students 2008	9.1%	75.3%	9.1%	6.5%
All Students 2006	7.0	77.7	8.1	7.2
All Students 2004	6.9	78.9	8.5	5.6
All Students 2002	9.4	71.4	10.6	8.7
All Students 2000	9.5	71.2	11.0	7.7
All Students 1997	4.5	89.1	3.5	2.9
<u>Parents' Income</u>				
Less than \$20,000	11.1	70.8	10.7	7.5
\$20,000 to \$39,999	8.2	77.6	8.9	4.9
\$40,000 to \$79,999	7.2	79.8	8.5	4.5
\$80,000 or more	7.3	79.3	7.2	6.2
Don't Know	13.4	65.5	11.4	9.7
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	8.9	67.7	13.0	10.4
Completed H.S.	8.9	75.7	7.5	7.7
Some College	7.7	80.4	7.3	4.7
College Grad or More	7.7	79.2	9.0	4.1
Don't Know	22.6	48.9	16.8	11.7
<u>Sex</u>				
Female	9.0	74.5	9.4	7.1
Male	9.1	76.7	8.4	5.6
<u>Race</u>				
White	7.2	82.1	7.0	3.8
African-American	12.2	65.3	11.9	10.6
Hispanic American	10.0	68.6	11.2	9.7
Asian-American	8.1	79.1	10.5	2.3
Native American	9.6	61.5	15.4	13.5
Other	17.3	60.6	11.8	10.2

**Table 4-4a (continued)**  
**High School Students**  
**Analysis of Question 14**  
**Primary Income Sources for Young People**

	(a) Dividends and Interest	(b)* Salaries, Wages & Tips	(c) Profits from Business	(d) Rents
<u>Educational Plans</u>				
No Further Ed.	21.6	54.9	13.7	9.8
2-year or Jr. College	10.9	69.1	12.0	7.5
4-year College	7.5	79.1	7.8	5.6
Other Training or Ed.	10.7	74.8	9.4	5.0
Don't Know	15.8	60.8	11.7	11.7
<u>Planned Occupation</u>				
Manual Work	13.8	64.6	13.8	7.7
Skilled Trade	14.3	65.6	11.0	9.1
Service Worker	12.7	70.3	11.0	6.0
Professional Worker	6.8	82.1	5.9	5.0
Other or Don't Know	9.4	70.2	12.4	7.9
<u>Expected Full-Time Income</u>				
Under \$15,000	13.6	70.4	7.4	8.6
\$15,000 to \$19,999	11.3	63.5	15.1	10.1
\$20,000 to \$29,999	8.8	74.3	10.0	6.8
\$30,000 to \$39,999	7.4	80.2	7.6	4.3
\$40,000 or more	8.0	77.7	8.4	5.8
Don't Know	11.4	71.1	10.4	7.2
<u>Classes in H.S. (multiple responses possible)</u>				
Entire Course, Money				
Mgt./Personal Finance	9.2	73.5	9.8	7.1
Portion of Course, Money				
Mgt./Personal Finance	8.2	76.3	8.3	6.9
Entire Course, Econ.				
Mgt./Personal Finance	8.7	76.0	9.2	5.9
Portion Course, Econ.				
Mgt./Personal Finance	9.4	78.0	7.6	5.0
Stock Mkt. Game in Class				
Mgt./Personal Finance	8.4	80.0	7.5	4.0

**Table 4-4b**  
**College Students**  
**Analysis of Question 14**  
**Primary Income Sources for Young People**

	(a) Dividends & Interest	(b)* Salaries, Wages & Tips	(c) Profits from Business	(d) Rents
All Students	2.0%	92.6%	3.9%	1.6%
<u>College Class</u>				
Freshman	2.7	90.5	5.9	.9
Sophomore	2.7	92.3	3.3	1.7
Junior	1.2	92.1	5.0	1.7
Senior	1.2	95.0	1.9	1.9
<u>Type of College</u>				
Four Year	1.9	92.2	4.4	1.5
Two Year	2.1	93.8	2.1	2.1
<u>Major</u>				
Arts	3.6	89.1	4.5	2.7
Business or Econ	2.1	92.6	4.7	.5
Engineering	3.7	92.6	3.7	0.0
Humanities	0.0	91.9	4.1	4.1
Nursing	3.4	88.1	3.4	5.1
Science	2.0	94.0	2.6	1.3
Social Science	.6	94.9	3.8	6
Other	1.8	93.0	4.0	1.3
<u>Expected Education</u>				
Associate Degree	4.1	88.7	5.2	2.1
Bachelor Degree	1.9	91.3	4.7	2.1
Master's Degree	7.0	96.0	2.5	.7
Doctorate, Law or Professional	2.9 .	93.6	2.9	.6
<u>Expected Full-Time Income</u>				
Under \$30,000	4.2	86.7	6.0	3.0
\$30,000 to \$39,999	1.6	94.2	2.6	1.6
\$40,000 to \$49,999	.5	95.3	3.7	.5
\$50,000 or more	2.2	92.6	4.0	1.2
<i>High School</i>	<i>9.1</i>	<i>75.3</i>	<i>9.1</i>	<i>6.5</i>

**Table 4-4b (continued)**  
**College Students**  
**Analysis of Question 14**  
**Primary Income Sources for Young People**

	(a) Dividends & Interest	(b)* Salaries, Wages & Tips	(c) Profits from Business	(d) Rents
All Students	2.0%	92.6%	3.9%	1.6%
<u>Parents' Income</u>				
Less than \$20,000	4.5	80.4	10.7	4.5
\$20,000 to \$39,999	2.1	95.9	1.4	.7
\$40,000 to \$79,999	1.0	94.7	2.6	1.7
\$80,000 or more	1.2	93.8	4.0	.9
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	9.5	81.0	4.8%	4.8
Completed H.S.	1.2	96.4	1.8%	.6
Some College	2.5	89.0	6.0%	2.5
College Grad or More	1.7	93.9	3.4%	1.1
<u>Sex</u>				
Female	1.4	93.7	3.2%	1.7
Male	3.8	89.3	6.0%	.9
<u>Race</u>				
White	1.7	93.5	3.4%	1.4
African-American	2.4	92.9	2.4%	2.4
Hispanic American	1.7	93.3	5.0%	0.0
Asian-American	3.0	83.6	10.4%	3.0
<i>High School</i>	<i>9.1</i>	<i>75.3</i>	<i>9.1</i>	<i>6.5</i>

**Table 4-4b (continued)**  
**College Students**  
**Analysis of Question 14**  
**Primary Income Sources for Young People**

	(a) Dividends & Interest	(b)* Salaries, Wages & Tips	(c) Profits from Business	(d) Rents
All Students	2.0%	92.6%	3.9%	1.6%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	1.6	88.7	7.3	2.4
Portion of Money Mgt.	2.4	93.3	2.8	1.6
Entire Course, Economics	1.4	94.3	3.0	1.2
Portion Course, Economics	1.3	90.6	5.7	2.5
Stock Mkt. Game in Class	1.0	96.4	2.0	.7
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	5.1	87.8	3.1	4.1
Portion of Money Mgt.	3.5	90.1	5.0	1.4
Entire Course, Economics	1.4	93.5	4.6	.5
Entire Course, Finance	1.9	93.3	3.8	1.0
Entire Course, Accounting	.5	95.9	3.1	.5
<i>High School</i>	<i>9.1</i>	<i>75.3</i>	<i>9.1</i>	<i>6.5</i>

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

## Anticipating Taxes and Other Deductions

Before committing to significant expenditures, it is important to estimate just how much income is likely to be available to pay for them. This means that *net* income, after all mandatory deductions have been made, is more important to estimate than *gross* income before deductions. Students who eventually take full-time jobs may be amazed at how much of their gross income is taken out for income tax, Social Security payments, premiums for items such as health, life and disability insurance, and sometimes even charges for parking the car at work. In addition, even after net pay is calculated, sales taxes reduce the purchasing power of that amount even further. The final three questions in the income section test students' knowledge of how taxes and other deductions are likely to diminish the value of their future paychecks.

**Question 13. Chelsea worked her way through college earning \$15,000 per year. After graduation her first job pays \$30,000. The total dollar amount Chelsea will have to pay in Federal Income taxes in her new job will:**

- a) Double, at least, from when she was in college.
- b) Go up a little from when she was in college.
- c) Stay the same as when she was in college.
- d) Be lower than when she was in college.

The correct answer is *a) Double, at least, from when she was in college.*

The reason is that the federal income tax system is *progressive*, meaning that taxes increase as a percentage of income as income goes up. If income doubles, taxes will double at least and may more than double.

Many large consumption decisions made by young people are based upon estimates of their future disposable income. If they do not factor in the increasing burden of taxes, they will tend to overestimate their take-home pay and may find themselves in some difficulty in the future. The question was phrased to allow those who merely feel that federal taxes are proportional (“double, at least”) to be scored “correct” since tax brackets are large and some students whose income doubles may remain in the same tax bracket.

### High School Results from Question 13

Table 4-5a shows that just 47.1 percent of high school seniors answered this question correctly in 2008, an increase from the 42.1 percent who answered it correctly in 2006. Therefore, nearly half of students feel that taxes are less than proportional, i.e., *regressive*.

Whites and Hispanic-Americans did far better than other racial groups as did those in the highest family income category. Those with higher expected full-time incomes (who would really test the progressivity of the tax system) also tended to do better on this question.

Those who had taken a full semester course in economics did *worst* on this question, which is covered substantively in the high school economics curriculum. It is likely that those who had taken economics could have answered the question correctly if phrased in the

following manner: Which of the following best describes the structure of the federal income tax system in the United States?"

- a) Regressive
- b) Proportional
- c) Progressive

Students cover many concepts in economics, which *could* make them more financially literate. Unfortunately, few teachers of economics have had formal exposure to the discipline of money management and this lack of cross-training appears to have a significant effect on the financial literacy of young Americans.

### **College Results from Question 13**

It is remarkable that college students, nearly all of whom have received paychecks in their lives, did not do better on this question than did the high school seniors. It is even more remarkable that the accuracy of answering this question *fell* with more years of schooling. Table 4-5b tells us that 50.7 percent of college freshmen got it right, falling to just 43.4 percent of college seniors. Nursing students did substantially worse than other college students on this question as did African-American and Asian-American students. Students who had taken an entire college course in money management did much worse than others as did, surprisingly, students who had taken an entire course in Finance in college.



**Table 4-5a**  
**High School Students**  
**Analysis of Question 13**  
**If Income Doubles, Taxes will \_\_\_\_\_?**

	(a)* Double at Least	(b) Increase a Little	(c) Stay Same	(d) Be Lower
All Students 2008	47.1%	36.4%	10.0%	6.5%
All Students 2006	42.1%	36.2%	11.0%	10.7%
All Students 2004	52.5%	36.7%	7.1%	3.7%
All Students 2002	37.7%	42.4%	10.4%	9.5%
All Students 2000	38.3%	40.4%	11.3%	8.8%
All Students 1997	49.4%	41.6%	4.7%	4.3%
<u>Parents' Income</u>				
Less than \$20,000	46.4	34.0	10.8	8.8
\$20,000 to \$39,999	45.9	34.5	12.1	7.6
\$40,000 to \$79,999	48.8	36.8	9.0	5.3
\$80,000 or more	49.3	37.3	8.1	5.3
Don't Know	44.2	38.1	10.8	6.9
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	50.0	29.3	13.2	7.5
Completed H.S.	47.1	36.5	8.7	7.7
Some College	47.6	38.4	8.9	5.1
College Grad or More	47.4	37.2	9.9	5.5
Don't Know	37.0	37.8	14.1	11.1
<u>Sex</u>				
Female	46.4	37.5	9.9	6.2
Male	48.2	35.3	10.0	6.5
<u>Race</u>				
White	48.7	37.7	8.1	5.5
African-American	43.0	37.7	10.8	8.5
Hispanic American	48.0	33.1	11.7	7.2
Asian-American	40.5	46.4	10.7	2.4
Native American	43.4	22.6	18.9	15.1
Other	43.7	33.3	16.7	6.3

**Table 4-5a (continued)**  
**High School Students**  
**Analysis of Question 13**  
**If Income Doubles, Taxes will \_\_\_\_\_?**

	(a)* Double at Least	(b) Increase a Little	(c) Stay Same	(d) Be Lower
<u>Educational Plans</u>				
No Further Ed.	56.9	17.6	15.7	9.8
2-year or Jr. College	44.6	35.8	11.8	7.7
4-year College	48.9	37.1	8.8	5.3
Other Training or Ed.	42.4	37.3	10.8	9.5
Don't Know	35.0	38.3	15.8	10.8
<u>Planned Occupation</u>				
Manual Work	43.8	23.4	17.2	15.6
Skilled Trade	44.1	34.2	10.5	11.2
Service Worker	44.7	35.5	12.8	7.1
Professional Worker	50.5	35.6	8.4	5.5
Other or Don't Know	43.9	39.5	10.6	5.9
<u>Expected Full-Time Income</u>				
Under \$15,000	37.5	36.3	13.8	12.5
\$15,000 to \$19,999	42.4	36.7	9.5	11.4
\$20,000 to \$29,999	42.9	35.6	14.6	6.9
\$30,000 to \$39,999	48.0	37.7	8.0	6.2
\$40,000 or more	50.6	35.5	8.5	5.5
Don't Know	44.3	37.6	12.4	5.7
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	47.0	34.4	10.9	7.7
Portion of Course, Money				
Mgt./Personal Finance	48.3	35.4	9.2	7.1
Entire Course, Econ.				
Mgt./Personal Finance	44.9	37.7	11.0	6.4
Portion Course, Econ.				
Mgt./Personal Finance	48.5	35.3	9.4	6.7
Stock Mkt. Game in Class	47.5	37.8	8.6	6.1

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 4-5b**  
**College Students**  
**Analysis of Question 13**  
**If Income Doubles, Taxes will \_\_\_\_\_?**

	(a)* Double at Least	(b) Increase a Little	(c) Stay Same	(d) Be Lower
All Students	47.1%	43.2%	7.0%	2.7%
<u>College Class</u>				
Freshman	50.7	38.1	9.4	1.8
Sophomore	48.0	40.6	7.7	3.7
Junior	46.5	44.0	7.5	2.1
Senior	43.4	50.0	3.5	3.1
<u>Type of College</u>				
Four Year	47.1	43.4	7.0	2.4
Two Year	46.6	43.0	6.7	3.6
<u>Major</u>				
Arts	49.5	39.4	7.3	3.7
Business or Econ	41.7	47.4	8.3	2.6
Engineering	48.1	38.9	5.6	7.4
Humanities	45.3	45.3	2.7	6.7
Nursing	39.7	48.3	8.6	3.4
Science	46.3	46.3	4.0	3.4
Social Science	47.5	43.0	7.6	1.9
Other	53.1	38.5	8.4	
<u>Expected Education</u>				
Associate Degree	33.7	51.0	11.2	4.1
Bachelor Degree	50.2	40.4	6.4	3.0
Master's Degree	46.2	44.7	7.3	1.8
Doctorate, Law or Professional	48.6	43.4	5.2	2.9
<u>Expected Full-Time Income</u>				
Under \$30,000	47.0	38.0	10.2	4.8
\$30,000 to \$39,999	46.1	45.2	6.5	2.3
\$40,000 to \$49,999	47.7	44.9	5.1	2.3
\$50,000 or more	48.1	42.2	7.1	2.5
<i>High School</i>	<i>47.1</i>	<i>36.4</i>	<i>10.0</i>	<i>6.5</i>

**Table 4-5b (continued)**  
**College Students**  
**Analysis of Question 13**  
**If Income Doubles, Taxes will \_\_\_\_\_?**

	(a)* Double at Least	(b) Increase a Little	(c) Stay Same	(d) Be Lower
All Students	47.1%	43.2%	7.0%	2.7%
<u>Parents' Income</u>				
Less than \$20,000	38.9	44.2	9.7	7.1
\$20,000 to \$39,999	46.6	46.6	6.2	.7
\$40,000 to \$79,999	48.8	43.9	5.0	2.3
\$80,000 or more	50.6	40.1	6.5	2.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	33.3	52.4		14.3
Completed H.S.	49.7	40.7	7.2	2.4
Some College	45.6	42.0	9.2	3.2
College Grad or More	47.8	43.8	6.2	2.2
<u>Sex</u>				
Female	47.9	44.2	6.0	1.8
Male	47.2	43.0	7.0	2.8
<u>Race</u>				
White	49.2	41.9	6.0	2.9
African-American	41.9	46.5	11.6	
Hispanic American	51.7	41.7	6.7	
Asian-American	34.8	45.5	12.1	7.6
<i>High School</i>	<i>47.1</i>	<i>36.4</i>	<i>10.0</i>	<i>6.5</i>

**Table 4-5b (continued)**  
**College Students**  
**Analysis of Question 13**  
**If Income Doubles, Taxes will \_\_\_\_\_?**

	(a)* Double at Least	(b) Increase a Little	(c) Stay Same	(d) Be Lower
All Students	47.1%	43.2%	7.0%	2.7%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	43.5	39.5	9.7	7.3
Portion of Money Mgt.	50.8	39.7	6.3	3.2
Entire Course, Economics	47.4	44.3	6.3	2.0
Portion Course, Economics	42.1	47.8	7.5	2.5
Stock Mkt. Game in Class	51.0	42.4	4.9	1.6
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	39.4	48.5	7.1	5.1
Portion of Money Mgt.	48.2	41.7	8.6	1.4
Entire Course, Economics	45.0	44.7	7.5	2.7
Entire Course, Finance	37.1	56.2	3.8	2.9
Entire Course, Accounting	45.9	46.4	5.6	2.0
<i>High School</i>	<i>47.1</i>	<i>36.4</i>	<i>10.0</i>	<i>6.5</i>

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible

**Question 7. Your take-home pay from your job is less than the total amount you earn. Which of the following best describes what is taken out of your total pay?**

- a) Social security and Medicare contributions.
- b) Federal income tax, property tax, and Medicare and social security contributions.
- c) Federal income tax, social security and Medicare contributions.
- d) Federal income tax, sales tax, and social security contributions.

The correct answer is c) *Federal income tax, social security and Medicare contributions.*

Answers b) and d) are not correct because sales tax and property tax are not deducted from paychecks. Answer a) does not include federal income tax, which tends to be the largest deduction from a working person's paycheck.

### **High School Results from Question 7**

Overall, 56.4 percent of high school seniors answered this question correctly (Table 4-6a). In analyzing those who answered incorrectly, 12.9 percent thought that sales tax was taken from paychecks and 21.2 percent thought that property tax was deducted from one's paycheck. Logically, the 23.6 percent of the students who had never worked for pay (48.7 percent) did worse than did those who had actually received a paycheck.

Perhaps because this is an area of immediate concern to most students, material that they learn in a course in money management is reinforced with each paycheck. For this question, those who had taken a full semester course in money management or personal finance did better than average. These findings certainly help reinforce the hypothesis that the long-term effectiveness of a course in money management is enhanced by focusing on those items which students are likely to experience continuously and in the short run.

### **College Results from Question 7**

College students did much better than high school seniors on this question. Table 4-6b shows that 74.2 percent got it right as compared to just 56.4 percent of high school students. College females did much better than college males, whites did much better than African-Americans, Hispanic-Americans and Asian-Americans and those who played a stock market game in high school also did a lot better than others.

**Table 4-6a**  
**High School Students**  
**Analysis of Question 7**  
**Deductions from Pay**

	(a)	(b)	(c)*	(d)
	<u>Social Security &amp; Medicare</u>	<u>Income Tax, Property Tax, Medicare &amp; Social Security</u>	<u>Income Tax, Social Security &amp; Medicare</u>	<u>Income Tax, Sales Tax &amp; Social Security</u>
All Students 2008	9.5%	21.2%	56.4%	12.9%
All Students 2006	9.5%	20.2%	53.2%	17.2%
All Students 2004	6.0%	17.8%	62.1%	14.1%
All Students 2002	8.8%	20.6%	57.1%	18.9%
All Students 2000	8.0%	15.2%	56.1%	20.0%
All Students 1997	5.1%	13.5%	68.3%	13.1%
<u>Parents' Income</u>				
Less than \$20,000	13.0	20.6	47.8	18.6
\$20,000 to \$39,999	9.1	20.3	57.0	13.6
\$40,000 to \$79,999	8.9	21.7	59.5	9.9
\$80,000 or more	9.0	20.8	59.2	11.0
Don't Know	9.5	22.2	53.1	15.3
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	8.1	22.1	56.5	13.3
Completed H.S.	8.9	20.5	56.6	14.1
Some College	10.4	22.2	57.6	9.8
College Grad or More	9.1	20.5	58.0	12.4
Don't Know	14.1	23.7	40.7	21.5
<u>Sex</u>				
Female	8.6	22.0	56.5	13.0
Male	10.6	20.0	56.9	12.5
<u>Race</u>				
White	8.0	19.9	61.1	11.1
African-American	13.4	21.3	50.6	14.7
Hispanic American	9.1	20.9	53.5	16.5
Asian-American	11.5	31.0	50.6	6.9
Native American	23.1	26.9	34.6	15.4
Other	11.1	25.4	46.8	16.7

**Table 4-6a (continued)**  
**High School Students**  
**Analysis of Question 7**  
**Deductions from Pay**

	(a)	(b)	(c)*	(d)
	Social Security & Medicare	Income Tax, Property Tax, Medicare & Social Security	Income Tax, Social Security & Medicare	Income Tax, Sales Tax & Social Security
<u>Educational Plans</u>				
No Further Ed.	19.6	17.6	45.1	17.6
2-year or Jr. College	11.0	23.1	53.9	12.1
4-year College	8.5	20.5	58.9	12.1
Other Training or Ed.	8.8	20.6	51.3	19.4
Don't Know	15.1	25.2	44.5	15.1
<u>Planned Occupation</u>				
Manual Work	18.2	27.3	42.4	12.1
Skilled Trade	13.0	20.8	52.6	13.6
Service Worker	10.6	18.4	58.7	12.4
Professional Worker	8.6	20.2	59.0	12.1
Other or Don't Know	8.9	23.5	53.8	13.8
<u>Expected Full-Time Income</u>				
Under \$15,000	15.0	18.8	43.8	22.5
\$15,000 to \$19,999	11.9	22.5	51.3	14.4
\$20,000 to \$29,999	7.2	22.0	58.4	12.4
\$30,000 to \$39,999	7.7	21.3	60.5	10.6
\$40,000 or more	8.4	20.6	58.0	13.0
Don't Know	13.6	21.8	51.2	13.4
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	10.0	22.2	58.0	9.8
Portion of Course, Money				
Mgt./Personal Finance	8.4	20.1	58.0	13.5
Entire Course, Econ.	10.8	19.1	58.5	11.7
Portion Course, Econ.	9.4	22.8	54.0	13.7
Stock Mkt. Game in Class	9.1	19.8	59.5	11.6

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.



**Table 4-6a (continued)**  
**High School Students**  
**Analysis of Question 7**  
**Deductions from Pay**

	(a)	(b)	(c)*	(d)
	Social Security & <u>Medicare</u>	Income Tax, Property Tax, Medicare & <u>Social Security</u>	Income Tax, Social Security & <u>Medicare</u>	Income Tax, Sales Tax & Social <u>Security</u>
<u>Employment History</u>				
Work FT Sum. PT School	10.1	18.4	61.7	9.9
Work FT Summers Only	8.8	23.0	55.4	12.8
Work PT Sum. PT School	8.8	19.7	59.0	12.5
Work PT Summer Only	10.1	21.6	53.6	14.7
Have Never Worked for Pay	9.7	25.9	48.7	15.6

**Table 4-6b**  
**College Students**  
**Analysis of Question 7**  
**Deductions from Pay**

	(a)	(b)	(c)*	(d)
	Social Security & Medicare	Income Tax, Property Tax, Medicare & Social Security	Income Tax, Social Security & Medicare	Income Tax, Sales Tax & Social Security
All Students	4.8%	12.5%	74.2%	8.6%
<u>College Class</u>				
Freshman	5.8	12.9	70.5	10.7
Sophomore	3.3	14.0	75.1	7.6
Junior	5.8	9.5	76.4	8.3
Senior	4.7	13.2	74.0	8.1
<u>Type of College</u>				
Four Year	4.6	12.9	75.4	7.1
Two Year	5.2	10.8	69.1	14.9
<u>Major</u>				
Arts	7.3	18.2	62.7	11.8
Business or Econ	6.8	13.2	75.3	4.7
Engineering	7.4	9.3	77.8	5.6
Humanities	9.3	10.7	73.3	6.7
Nursing	3.4	6.8	72.9	16.9
Science	2.6	15.0	75.2	7.2
Social Science	2.5	11.4	77.8	8.2
Other	3.1	11.0	75.3	10.6
<u>Expected Education</u>				
Associate Degree	9.2	8.2	70.4	12.2
Bachelor Degree	4.2	14.4	73.1	8.3
Master's Degree	5.1	12.3	75.1	7.6
Doctorate, Law or Professional	2.3	10.5	77.9	9.3
<u>Expected Full-Time Income</u>				
Under \$30,000	7.2	17.4	66.5	9.0
\$30,000 to \$39,999	2.9	10.4	77.0	9.7
\$40,000 to \$49,999	3.7	8.8	75.5	12.0
\$50,000 or more	5.8	14.8	74.2	5.2
<i>High School</i>	9.5	21.2	56.4	12.9

**Table 4-6b (continued)**  
**College Students**  
**Analysis of Question 7**  
**Deductions from Pay**

	(a)	(b)	(c)*	(d)
	Social Security & Medicare	Income Tax, Property Tax, Medicare & Social Security	Income Tax, Social Security & Medicare	Income Tax, Sales Tax & Social Security
All Students	4.8%	12.5%	74.2%	8.6%
<u>Parents' Income</u>				
Less than \$20,000	8.8	20.2	60.5	10.5
\$20,000 to \$39,999	4.8	13.7	74.7	6.8
\$40,000 to \$79,999	2.6	11.1	76.4	9.8
\$80,000 or more	4.6	12.0	76.5	6.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	4.8	28.6	61.9	4.8
Completed H.S.	3.0	13.8	75.4	7.8
Some College	4.5	13.9	70.7	10.8
College Grad or More	5.0	10.8	76.4	7.8
<u>Sex</u>				
Female	4.0	11.1	75.6	9.3
Male	7.3	17.6	68.7	6.4
<u>Race</u>				
White	4.2	10.8	76.6	8.5
African-American	5.7	19.5	67.8	6.9
Hispanic American	6.7	15.0	66.7	11.7
Asian-American	6.1	22.7	62.1	9.1
<i>High School</i>	9.5	21.2	56.4	12.9

**Table 4-6b (continued)**  
**College Students**  
**Analysis of Question 7**  
**Deductions from Pay**

	(a)	(b)	(c)*	(d)
	Social Security & Medicare	Income Tax, Property Tax, Medicare & Social Security	Income Tax, Social Security & Medicare	Income Tax, Sales Tax & Social Security
All Students	4.8%	12.5%	74.2%	8.6%
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money Mgt./Personal Finance	6.5	15.4	73.2	4.9
Portion of Money Mgt.	4.7	11.8	75.6	7.9
Entire Course, Economics	3.6	10.1	75.1	11.1
Portion Course, Economics	4.4	10.6	75.6	9.4
Stock Mkt. Game in Class	2.6	9.2	80.6	7.6
<u>Classes in College.<sup>1</sup></u>				
Entire Course, Money Mgt./Personal Finance	8.2	9.3	78.4	4.1
Portion of Money Mgt.	4.3	15.6	73.0	7.1
Entire Course, Economics	4.6	11.9	75.9	7.6
Entire Course, Finance	1.9	9.7	78.6	9.7
Entire Course, Accounting	3.6	11.3	79.0	6.2
<i>High School</i>	9.5	21.2	56.4	12.9

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Question 2. Which of the following is true about sales taxes?**

- a) The national sales tax percentage rate is 6%.
- b) The federal government will deduct it from your paycheck.
- c) You don't have to pay the tax if your income is very low
- d) It makes things more expensive for you to buy.

The correct answer is d) *It makes things more expensive for you to buy*

This is correct since you have to pay the sales tax in addition to the price of many things that you buy. Answer c) is not correct since the merchant has no way of knowing what a customer's income is when he or she buys something. Answer a) is incorrect since there is no national sales tax on most good that we buy although there may be a federal "excise tax," which is similar to a sales tax, on things such as alcohol, tobacco and some luxury goods. Answer b) is not correct since the federal government will not deduct it from a paycheck.

**High School Results from Question 2**

Table 4-7a shows that only 41.9 percent of high school seniors answered this question correctly, the *worst* performance since the test began. While 25.5 percent felt that sales tax is deducted from paychecks, 27.2 percent said that the national sales tax rate is six percent.

Males were far more likely than females to have answered this question correctly. Only 32.8 percent of African-Americans got this question right while 30.0 percent felt that there was a national sales tax of six percent. Those who had taken a full-semester course in money management did *worse* than average on this question, which is more likely to have been covered conceptually in a course in economics than in money management

**College Results from Question 12**

Table 4-7b shows that 55.8 percent of college students came up with the correct answer to this question. College seniors did best and science students, who did well in general, did worse than any other specific major. As with the high school seniors, college males were far more likely to answer this question than college females. Whites (58.6 percent) answered this question far more accurately than African-Americans (41.4 percent).

College students who had a college course in Money Management or Personal Finance did better than average as did students who had taken a course in finance.

**Table 4-7a**  
**High School Students**  
**Analysis of Question 2**  
**Sales Taxes**

	(a) (d)* National Rate is 6%	(b) Deducted from Paycheck	(c) Don't Pay If Income is Low	Makes Purchases More Expensive
All Students 2008	27.2%	25.5%	4.9%	41.9%
All Students 2006	29.4%	15.0%	5.9%	49.7%
All Students 2004	27.1%	16.4%	5.0%	51.6%
All Students 2002	21.2%	17.0%	3.7%	58.0%
All Students 2000	26.2%	21.9%	2.8%	48.8%
All Students 1997	16.1%	8.7%	3.5%	71.5%
<u>Parents' Income</u>				
Less than \$20,000	25.1	34.9	6.3	33.7
\$20,000 to \$39,999	31.8	25.3	5.1	37.7
\$40,000 to \$79,999	28.3	23.8	4.6	43.3
\$80,000 or more	29.0	17.4	4.2	49.4
Don't Know	21.0	32.2	5.2	41.6
<u>Highest Level of Parents' Education</u>				
Neither Finished	22.7	34.2	4.8	38.3
Completed H.S.	27.6	26.0	4.9	41.5
Some College	31.2	23.6	4.7	40.5
College Grad or More	27.4	21.1	4.6	46.9
Don't Know	21.2	40.1	8.0	30.7
<u>Sex</u>				
Female	27.8	26.9	4.7	40.6
Male	26.8	24.0	4.9	44.3
<u>Race</u>				
White	29.2	18.4	3.5	48.8
African-American	30.0	30.3	6.9	32.8
Hispanic American	21.7	37.7	5.7	34.9
Asian-American	23.9	36.4	5.7	34.1
Native American	24.5	24.5	11.3	39.6
Other	26.6	33.9	8.1	31.5

**Table 4-7a (continued)**  
**High School Students**  
**Analysis of Question 2**  
**Sales Taxes**

	(a) National Rate is 6%	(b) Deducted from Paycheck	(c) Don't Pay If Income is Low	(d)* Makes Purchases More Expensive
<u>Planned Occupation</u>				
Manual Work	27.7	21.5	16.9	33.8
Skilled Trade	34.2	20.6	5.2	40.0
Service Worker	26.5	33.4	6.3	33.8
Professional Worker	27.1	23.6	4.3	45.0
Other or Don't Know	26.8	26.1	4.4	42.7
<u>Expected Full-Time Income</u>				
Under \$15,000	27.2	35.8	9.9	27.2
\$15,000 to \$19,999	28.3	33.3	6.9	31.4
\$20,000 to \$29,999	29.5	25.1	5.6	39.8
\$30,000 to \$39,999	28.2	25.1	3.5	43.2
\$40,000 or more	28.0	23.8	4.6	43.6
Don't Know	23.5	24.7	5.2	46.7
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	28.5	25.6	4.5	41.4
Portion of Course, Money				
Mgt./Personal Finance	27.5	24.6	3.4	44.5
Entire Course, Econ.				
Mgt./Personal Finance	28.0	24.2	5.2	42.6
Portion Course, Econ.				
Mgt./Personal Finance	28.5	26.2	3.7	41.5
Stock Mkt. Game in Class	27.8	23.3	3.7	45.2
<u>Educational Plans</u>				
No Further Ed.	25.5	35.3	13.7	25.5
2-year or Jr. College	25.1	32.6	5.5	36.9
4-year College	28.0	22.2	4.4	45.4
Other Training or Ed.	27.3	31.1	3.7	37.9
Don't Know	28.1	30.6	5.8	35.5

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 4-7b**  
**College Students**  
**Analysis of Question 2**  
**Sales Taxes**

	(a) National <u>Rate is 6%</u>	(b) Deducted from <u>Paycheck</u>	(c) Don't Pay <u>If Income is Low</u>	(d)* Makes Purchases <u>More</u>
<u>Expensive</u>				
All Students	28.2%	12.7%	3.2%	55.8%
<u>College Class</u>				
Freshman	25.8	16.4	3.1	54.7
Sophomore	28.9	14.3	3.7	53.2
Junior	31.7	12.8	3.7	51.9
Senior	26.3	7.7	2.3	63.7
<u>Type of College</u>				
Four Year	28.3	11.7	3.1	56.9
Two Year	27.2	17.4	3.6	51.8
<u>Major</u>				
Arts	26.4	10.9		62.7
Business or Econ	24.9	16.6	1.6	57.0
Engineering	22.2	9.3	3.7	64.8
Humanities	22.7	8.0	5.3	64.0
Nursing	18.6	20.3	5.1	55.9
Science	31.4	9.8	5.9	52.9
Social Science	30.6	12.1	2.5	54.8
Other	33.8	13.2	3.5	49.6
<u>Expected Education</u>				
Associate Degree	29.6	15.3	2.0	53.1
Bachelor Degree	27.9	13.7	2.5	55.8
Master's Degree	25.6	12.3	4.7	57.4
Doctorate, Law or Professional	32.4	9.2	3.5	54.9
<u>Expected Full-Time Income</u>				
Under \$30,000	27.5	18.6	1.8	52.1
\$30,000 to \$39,999	29.0	9.0	4.2	57.7
\$40,000 to \$49,999	24.5	15.3	1.9	58.3
\$50,000 or more	30.4	11.7	4.0	54.0
<i>High School</i>	27.2	25.5	4.9	41.9



**Table 4-7b**  
**College Students**  
**Analysis of Question 2**  
**Sales Taxes**

	(a) National <u>Rate is 6%</u>	(b) Deducted from <u>Paycheck</u>	(c) Don't Pay <u>If Income is Low</u>	(d)* Makes Purchases <u>More Expensive</u>
<u>Parents' Income</u>				
Less than \$20,000	30.1	20.4	5.3	44.2
\$20,000 to \$39,999	29.3	12.2	.7	57.8
\$40,000 to \$79,999	28.9	13.1	2.6	55.4
\$80,000 or more	25.8	10.7	3.7	59.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	27.3	22.7	4.5	45.5
Completed H.S.	26.9	16.2	2.4	54.5
Some College	32.4	14.6	3.8	49.1
College Grad or More	26.7	10.4	3.2	59.7
<u>Sex</u>				
Female	29.8	11.9	3.6	54.8
Male	22.9	15.3	2.1	59.7
<u>Race</u>				
White	27.4	10.9	3.0	58.6
African-American	41.4	14.9	2.3	41.4
Hispanic American	31.7	16.7	1.7	50.0
Asian-American	14.9	28.4	9.0	47.8
<i>High School</i>	27.2	25.5	4.9	41.9

**Table 4-7b**  
**College Students**  
**Analysis of Question 2**  
**Sales Taxes**

	(a) National <u>Rate is 6%</u>	(b) Deducted from <u>Paycheck</u>	(c) Don't Pay <u>If Income is Low</u>	(d)* Makes Purchases <u>More Expensive</u>
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	28.2	13.7	.8	57.3
Portion of Money Mgt.	28.3	11.8	2.4	57.5
Entire Course, Economics	27.3	14.6	2.2	55.9
Portion Course, Economics	26.9	11.9	4.4	56.9
Stock Mkt. Game in Class	30.3	10.9	1.3	57.6
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	28.3	10.1	1.0	60.6
Portion of Money Mgt.	26.4	19.3	2.9	51.4
Entire Course, Economics	27.4	12.9	2.2	57.5
Entire Course, Finance	25.7	11.4	1.9	61.0
Entire Course, Accounting	28.6	11.7	1.5	58.2
<i>High School</i>	27.2	25.5	4.9	41.9

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible

## CHAPTER 5

### UNDERSTANDING MONEY MANAGEMENT

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### Financial Goals and Plans

**Question 8. Retirement income paid by a company is called:**

- a) 401 (k)
- b) Pension
- c) Rents and profits
- d) Social Security

The correct answer is b). *Retirement income received from a company is called a pension.*

Social Security is retirement income received from the Federal Government and a 401(k) is a retirement plan funded by contributions from employees (sometimes matched by employers). The 401(k) money is put into an account at a bank or investment company and is owned by the employee, who can move it from one employer to another. Rents and profits may be received by retired persons but may also be received by persons who are still working.

#### High School Results from Question 8

Overall, only 36.2 percent of high school seniors answered this question correctly, down from 63.8 percent in 1997 and 46 percent in 2000 (Table 5-1a). Part of the problem is that “pension” has become an archaic term, particularly for young adults who are very unlikely to receive retirement income paid by a company. It is amazing that the word “pension” appears to have been dropped from the lexicon of 12<sup>th</sup> graders so completely over a period of just ten years since the first survey in 1997-98. This bit of “illiteracy” may be interpreted conversely, however, as a sign that young people have become somewhat more realistic in understanding their own future retirement possibilities.

Males did substantially better than females on this question. Students who had taken a full semester course in money management or personal finance did far *worse* than others on this question while those who had taken a full semester course in economics did better than average.

#### College Results from Question 8

Table 5-1b shows that only 44.2 percent of college students got this question correct, a small improvement over high school seniors. The only college students scoring above 50 percent on this question were those headed for doctorate, law or professional degree and those who had taken a college course in Finance.

**Table 5-1a**  
**High School Students**  
**Analysis of Question 8**  
**Name for Retirement Income from a Company**

	(a)	(b)*	(c)	(d)
	<u>401K</u>	<u>Pension</u>	<u>Rents &amp; Profits</u>	<u>Social Security</u>
All Students 2008	37.4%	36.2%	3.6%	22.8%
All Students 2006	32.9%	37.6%	3.6%	25.9
All Students 2004	37.9%	34.2%	2.9%	25.0%
All Students 2002	27.7%	35.1%	3.8%	33.3%
All Students 2000	18.9%	46.0%	4.4%	30.3%
All Students 1997	6.5%	63.8%	0.8%	28.9%
<u>Parents' Income</u>				
Less than \$20,000	31.7	36.9	5.2	26.2
\$20,000 to \$39,999	36.1	36.1	3.6	24.2
\$40,000 to \$79,999	42.9	34.6	3.0	19.5
\$80,000 or more	40.8	38.5	2.9	17.8
Don't Know	29.3	36.1	4.5	30.1
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	31.0	38.7	4.8	25.5
Completed H.S.	38.2	32.1	3.6	26.0
Some College	41.5	34.0	3.5	21.0
College Grad or More	36.6	40.4	2.7	20.3
Don't Know	35.0	30.7	5.8	28.5
<u>Sex</u>				
Female	34.7	35.0	3.2	27.1
Male	40.6	38.2	3.6	17.6
<u>Race</u>				
White	41.4	36.8	2.4	19.4
African-American	33.4	29.4	5.3	31.9
Hispanic American	28.7	39.9	4.2	27.2
Asian-American	36.8	41.4	2.3	19.5
Native American	39.6	26.4	11.3	22.6
Other	34.6	37.8	6.3	21.3

**Table 5-1a (continued)**  
**High School Students**  
**Analysis of Question 8**

**Name for Retirement Income from a Company**

	(a)	(b)*	(c)	(d)
	<u>401K</u>	<u>Pensions</u>	<u>Rents &amp; Profits</u>	<u>Social Security</u>
<u>Educational Plans</u>				
No Further Ed.	27.5	33.3	17.6	21.6
2-year or Jr. College	37.0	32.1	3.6	27.3
4-year College	36.9	38.9	2.6	21.6
Other Training or Ed.	40.4	31.7	5.6	22.4
Don't Know	42.5	25.0	7.5	25.0
<u>Planned Occupation</u>				
Manual Work	40.9	33.3	3.0	22.7
Skilled Trade	41.8	35.3	5.9	17.0
Service Worker	36.6	35.2	4.9	23.3
Professional Worker	38.9	36.3	2.6	22.2
Other or Don't Know	33.4	37.2	4.2	25.2
<u>Expected Full-Time Income</u>				
Under \$15,000	36.7	34.2	6.3	22.8
\$15,000 to \$19,999	38.1	26.9	6.9	28.1
\$20,000 to \$29,999	36.7	38.2	1.6	23.5
\$30,000 to \$39,999	38.3	35.8	3.7	22.2
\$40,000 or more	39.5	37.2	2.4	20.9
Don't Know	30.2	37.8	5.2	26.8
<u>Classes in H.S. (multiple responses possible)</u>				
Entire Course, Money				
Mgt./Personal Finance	42.9	32.5	3.5	21.1
Portion of Course, Money				
Mgt./Personal Finance	38.6	35.2	3.0	23.1
Entire Course, Econ.				
Mgt./Personal Finance	38.4	34.4	3.4	23.9
Portion Course, Econ.				
Mgt./Personal Finance	35.2	39.1	3.4	22.3
Stock Mkt. Game in Class				
Mgt./Personal Finance	38.7	37.2	2.1	22.0

**Table 5-1b**  
**College Students**  
**Analysis of Question 8**  
**Name for Retirement Income from a Company**

	(a)	(b)*	(c)	(d)
	<u>401K</u>	<u>Pension</u>	<u>Rents &amp; Profits</u>	<u>Social Security</u>
All Students	46.4%	44.2%	1.3%	8.1%
<u>College Class</u>				
Freshman	47.5	39.9	1.3	11.2
Sophomore	46.5	45.2	.7	7.7
Junior	45.9	43.8	1.7	8.7
Senior	46.1	46.9	1.6	5.4
<u>Type of College</u>				
Four Year	44.4	46.5	1.2	7.9
Two Year	54.9	34.7	1.6	8.8
<u>Major</u>				
Arts	43.6	40.9	.9	14.5
Business or Econ	42.3	47.1	2.6	7.9
Engineering	48.1	40.7	1.9	9.3
Humanities	43.2	48.6	--	8.1
Nursing	67.8	25.4	--	6.8
Science	46.4	44.4	.7	8.5
Social Science	44.3	45.6	2.5	7.6
Other	47.8	46.5	.4	5.3
<u>Expected Education</u>				
Associate Degree	49.0	36.7	1.0	13.3
Bachelor Degree	47.7	42.8	1.5	8.1
Master's Degree	46.5	44.0	1.1	8.4
Doctorate, Law or Professional	40.9	53.8	1.2	4.1
<u>Expected Full-Time Income</u>				
Under \$30,000	51.5	37.1	3.0	8.4
\$30,000 to \$39,999	45.3	45.0	1.3	8.4
\$40,000 to \$49,999	45.4	46.8	1.4	6.5
\$50,000 or more	45.7	45.7	.3	8.4
<i>High School</i>	37.4	36.2	3.6	22.8

**Table 5-1b (continued)**  
**College Students**  
**Analysis of Question 8**  
**Name for Retirement Income from a Company**

	(a)	(b)*	(c)	(d)
	<u>401K</u>	<u>Pension</u>	<u>Rents &amp; Profits</u>	<u>Social Security</u>
All Students	46.4%	44.2%	1.3%	8.1%
<u>Parents' Income</u>				
Less than \$20,000	45.6	40.4	5.3	8.8
\$20,000 to \$39,999	52.4	41.4	--	6.2
\$40,000 to \$79,999	44.6	44.9	1.0	9.6
\$80,000 or more	47.5	45.1	.9	6.5
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	42.9	42.9	4.8	9.5
Completed H.S.	51.5	40.7	.6	7.2
Some College	46.5	42.3	2.1	9.1
College Grad or More	44.7	46.7	.9	7.7
<u>Sex</u>				
Female	47.6	43.4	.9	8.1
Male	42.5	46.8	2.6	8.2
<u>Race</u>				
White	45.0	46.5	1.0	7.5
African-American	54.0	37.9	2.3	5.7
Hispanic American	51.7	33.3	1.7	13.3
Asian-American	47.0	36.4	3.0	13.6
<i>High School</i>	<i>37.4</i>	<i>36.2</i>	<i>3.6</i>	<i>22.8</i>

**Table 5-1b (continued)**  
**College Students**  
**Analysis of Question 8**  
**Name for Retirement Income from a Company**

	(a)	(b)*	(c)	(d)
	<u>401K</u>	<u>Pension</u>	<u>Rents &amp; Profits</u>	<u>Social Security</u>
All Students	46.4%	44.2%	1.3%	8.1%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	51.6	38.7	.8	8.9
Portion of Money Mgt.	48.8	42.1	2.0	7.1
Entire Course, Economics	47.0	45.6	.8	6.5
Portion Course, Economics	50.6	36.1	1.9	11.4
Stock Mkt. Game in Class	46.2	46.5	.3	6.9
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	47.4	43.3	--	9.3
Portion of Money Mgt.	46.4	39.3	3.6	10.7
Entire Course, Economics	42.8	48.2	1.6	7.3
Entire Course, Finance	41.2	52.9	1.0	4.9
Entire Course, Accounting	45.4	47.9	1.0	5.7
<i>High School</i>	37.4	36.2	3.6	22.8

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<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.



**Question 1. Inflation can cause difficulty in many ways. Which group would have the greatest problem during periods of high inflation that last several years?**

- a) Older, working couples saving for retirement..
- b) Older people living on fixed retirement income.
- c) Young couples with no children who both work.
- d) Young working couples with children.

The correct answer is *b) older people living on fixed retirement income.*

People who work generally find that their incomes will be increased during periods of inflation to at least help keep up with increases in prices. Therefore, those hurt most by inflation are people who live on fixed incomes which do not increase to help them buy things that keep getting more expensive.

What exactly is a “fixed” retirement income? Technically, it is income that stays the same in terms of dollars paid regardless of inflation.

### **High School Results from Question 1**

This is a fairly sophisticated question, so it is not too surprising that only 40.0 percent of high school seniors got it right. Table 5-2a shows that students from the highest income category as well as children of college graduates and students who were white did much better than others on this question.

### **College Results from Question 1**

Table 5-2b shows that just about half of college students got this question right. Those with more years of college did better as did those who aspired to higher degrees, women, nursing students, and white students. Those who had taken a course in money management or personal finance at the high school or college level did particularly poorly on this question.

**Table 5-2a**  
**High School Students**  
**Analysis of Question 1**  
**Group with Greatest Inflation Problem**

	(a) Older <u>No Kids</u>	(b)* Older <u>Retired</u>	(c) Young, Working <u>No Kids</u>	(d) Young Working <u>with Kids</u>
All Students 2008	10.6%	40.0%	7.2%	41.7%
All Students 200	13.3%	44.1%	8.7%	33.9%
All Students 2004	12.3%	46.0%	7.3%	34.3%
All Students 2002	11.1%	34.7%	10.1%	44.2%
All Students 2000	11.7%	38.6%	11.2%	37.7%
All Students 1997	8.3%	40.2%	5.4%	46.0%
<u>Parents' Income</u>				
Less than \$20,000	9.8	36.6	10.2	43.3
\$20,000 to \$39,999	12.7	37.2	7.2	42.9
\$40,000 to \$79,999	10.7	40.6	6.2	42.5
\$80,000 or more	8.5	49.6	5.1	36.8
Don't Know	10.8	33.5	9.9	45.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	14.7	27.9	9.2	48.2
Completed H.S.	10.8	37.7	8.0	43.5
Some College	8.3	43.3	6.1	42.3
College Grad or More	9.5	45.6	5.9	39.0
Don't Know	14.0	29.4	14.0	42.6
<u>Sex</u>				
Female	9.9	40.2	7.8	42.1
Male	11.6	40.1	6.8	41.5
<u>Race</u>				
White	9.1	45.4	5.6	40.0
African-American	10.7	37.9	10.3	41.1
Hispanic American	13.6	28.9	9.1	48.4
Asian-American	13.8	43.7	6.9	35.6
Native American	9.6	44.2	5.8	40.4
Other	9.6	32.8	11.2	46.4

**Table 5-2a (continued)**  
**High School Students**  
**Analysis of Question 1**  
**Group with Greatest Inflation Problem**

	(a) Older <u>Working</u>	(b)* Older <u>Retired</u>	(c) Young, Working <u>No Kids</u>	(d) Young Working <u>with Kids</u>
<u>Educational Plans</u>				
No Further Ed.	13.7	29.4	11.8	45.1
2-year or Jr. College	12.0	35.3	7.0	45.7
4-year College	9.7	43.0	6.5	40.8
Other Training or Ed.	8.1	33.5	9.3	49.1
Don't Know	16.5	34.7	13.2	35.5
<u>Planned Occupation</u>				
Manual Work	15.2	31.8	10.6	42.4
Skilled Trade	9.7	37.4	9.7	43.2
Service Worker	12.9	35.3	7.7	44.1
Professional Worker	9.4	43.4	6.6	40.6
Other or Don't Know	11.0	38.7	7.2	43.1
<u>Expected Full-Time Income</u>				
Under \$15,000	17.3	28.4	8.6	45.7
\$15,000 to \$19,999	11.3	34.4	12.5	41.9
\$20,000 to \$29,999	11.6	39.6	6.0	42.8
\$30,000 to \$39,999	10.1	40.2	6.4	43.3
\$40,000 or more	8.9	43.1	7.1	40.9
Don't Know	11.6	38.7	7.4	42.4
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	10.8	38.4	6.5	44.3
Portion of Course, Money				
Mgt./Personal Finance	10.9	40.1	7.4	41.6
Entire Course, Econ.	10.8	43.2	7.5	38.6
Portion Course, Econ.	9.6	40.0	6.6	43.9
Stock Mkt. Game in Class	8.9	41.4	5.8	43.9

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 5-2b**  
**College Students**  
**Analysis of Question 1**  
**Group with Greatest Inflation Problem**

	(a) Older <u>Working</u>	(b)* Older <u>Retired</u>	(c) Young, Working <u>No Kids</u>	(d) Young Working <u>with Kids</u>
All Students	8.2%	50.1%	5.7%	36.0%
<u>College Class</u>				
Freshman	8.0	42.0	7.6	42.4
Sophomore	9.6	50.8	6.6	32.9
Junior	7.4	53.3	5.3	34.0
Senior	7.3	53.3	3.5	35.9
<u>Type of College</u>				
Four Year	8.2	52.0	4.8	34.9
Two Year	7.2	42.6	9.7	40.5
<u>Major</u>				
Arts	14.5	40.0	14.5	40.9
Business or Econ.	6.2	57.0	7.8	29.0
Engineering	5.6	53.7	3.7	37.0
Humanities	8.0	48.0	6.7	37.3
Nursing	6.8	59.3	5.1	28.8
Science	7.8	49.7	3.3	39.2
Social Science	4.5	56.1	5.7	33.8
Other	10.5	43.0	6.6	39.9
<u>Expected Education</u>				
Associate Degree	8.2	41.8	10.2	39.8
Bachelor Degree	9.7	50.3	6.3	33.6
Master's Degree	8.3	49.1	4.7	37.9
Doctorate, Law or Professional	4.0	56.6	3.5	35.8
<u>Expected Full-Time Income</u>				
Under \$30,000	7.1	47.0	8.9	36.9
\$30,000 to \$39,999	9.1	50.5	7.8	32.7
\$40,000 to \$49,999	8.3	48.6	4.6	38.4
\$50,000 or more	7.7	52.8	3.1	36.5
<i>High School</i>	<i>10.6</i>	<i>40.0</i>	<i>7.2</i>	<i>41.7</i>

**Table 5-2b (continued)**  
**College Students**  
**Analysis of Question 1**  
**Group with Greatest Inflation Problem**

	(a) Older <u>Working</u>	(b)* Older <u>Retired</u>	(c) Young, Working <u>No Kids</u>	(d) Young Working <u>with Kids</u>
All Students	8.2%	50.1%	5.7%	36.0%
<u>Parents' Income</u>				
Less than \$20,000	8.8	43.0	14.0	34.2
\$20,000 to \$39,999	6.8	51.7	5.4	36.1
\$40,000 to \$79,999	8.2	50.0	3.6	38.2
\$80,000 or more	8.3	54.6	4.9	32.2
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	4.5	40.9	--	54.5
Completed H.S.	6.6	53.3	4.2	35.9
Some College	8.3	49.0	7.3	35.4
College Grad or More	8.9	50.2	5.6	35.3
<u>Sex</u>				
Female	8.2	51.0	5.6	35.2
Male	8.5	47.9	6.4	37.3
<u>Race</u>				
White	7.9	53.4	5.1	33.6
African-American	11.5	33.3	11.5	43.7
Hispanic American	5.0	33.3	5.0	56.7
Asian-American	14.9	47.8	9.0	28.4
<i>High School</i>	<i>10.6</i>	<i>40.0</i>	<i>7.2</i>	<i>41.7</i>

**Table 5-2b (continued)**  
**College Students**  
**Analysis of Question 1**  
**Group with Greatest Inflation Problem**

	(a) Older <u>Working</u>	(b)* Older <u>Retired</u>	(c) Young, Working <u>No Kids</u>	(d) Young Working <u>with Kids</u>
All Students	8.2%	50.1%	5.7%	36.0%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money Mgt./Personal Finance	8.1	44.4	5.6%	41.9
Portion of Money Mgt.	7.1	52.0	3.9%	37.0
Entire Course, Economics	7.7	52.5	4.4%	35.4
Portion Course, Economics	6.9	56.9	6.3%	30.0
Stock Mkt. Game in Class	6.9	56.9	6.3%	30.0
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money Mgt./Personal Finance	9.1	45.5	5.1%	40.4
Portion of Money Mgt.	7.1	52.5	9.2%	31.2
Entire Course, Economics	8.3	55.4	4.8%	31.5
Entire Course, Finance	8.6	53.3	4.8%	33.3
Entire Course, Accounting	7.1	55.1	4.1%	33.7
<i>High School</i>	<i>10.6</i>	<i>40.0</i>	<i>7.2</i>	<i>41.7</i>

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<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

## Understanding Insurance

**Question 26.** If each of the following persons had the same amount of take home pay, who would need the greatest amount of life insurance?

- a) An elderly retired man, with a wife who is also retired.
- b) A young married man without children.
- c) A young single woman with two young children.
- d) A young single woman without children.

The correct answer is *c) A young single woman with two young children.*

This is because the primary purpose of life insurance is to provide income for those who are dependent upon a breadwinner. The younger the dependent, the greater the total amount of money needed to provide for that dependent until he or she is old enough to provide for him or herself. Therefore, young single parents tend to have the greatest need for life insurance because they are the sole source of money needed by young children for a long time.

A young single woman without children (d) may have no need for life insurance whatsoever, unless she is supporting a parent or other relative who is dependent upon her income. An elderly retired man with a retired wife (a) may need some life insurance to enable his wife to maintain her standard of living if he dies. Older people have shorter life expectancies than younger people, however, and will generally require less insurance money since they will likely be dependent for less time. A young married man without children (b) is unlikely to have dependents.

### High School Results from Question 26

Table 5-3a reveals that 51.1 percent of high school seniors answered this question correctly. Females did much better on this question than did males, as they had in previous years, perhaps because of gender bias that causes males to think of themselves as the primary breadwinner and in greatest need of insurance. Native Americans and Hispanic Americans did better than those of all other racial backgrounds on this question.

Students who had taken a full-semester course in money management or personal finance did worse than average on this question while those who played the stock market game in class did best.

### College Results from Question 26

According to Table 5-3b, 61.4 percent of college students answered this question correctly. Students with more years of college were more likely to know the correct answer as were students of social science (71.8 percent), females (64 percent), whites (63.3 percent) and Native Americans.

Those who played a stock market game in high school did better on this question as did those who took an economics course in high school or an accounting course in college.

**Table 5-3a**  
**High School Students**  
**Analysis of Question 26**  
**Greatest Need for Life Insurance**

	(a) Elderly Retired Man with <u>Retired Wife</u>	(b) Young Married Man No <u>Children</u>	(c)* Young Single Woman, Two <u>Children</u>	d) Young Single Woman, <u>No Children</u>
All Students 2008	31.6%	10.0%	51.1%	7.2%
All Students 2006	30.1%	4.2%	61.3%	4.4%
All Students 2004	26.1%	4.0%	67.5%	2.4%
All Students 2002	33.2%	9.0%	49.6%	8.2%
All Students 2000	33.9%	7.6%	50.6%	7.2%
All Students 1997	33.3%	4.2%	58.0%	4.5%
<u>Parents' Income</u>				
Less than \$20,000	28.6	11.9	50.0	9.5
\$20,000 to \$39,999	33.6	10.5	48.5	7.4
\$40,000 to \$79,999	33.6	7.6	52.4	6.4
\$80,000 or more	31.0	8.4	53.9	6.6
Don't Know	29.2	13.3	49.6	7.9
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	32.8	10.3	49.8	7.0
Completed H.S.	29.5	9.7	53.0	7.8
Some College	28.7	10.9	53.9	6.4
College Grad or More	34.6	7.6	51.9	5.8
Don't Know	30.1	19.9	32.4	17.6
<u>Sex</u>				
Female	31.3	8.4	53.5	6.8
Male	32.1	11.5	48.6	7.8
<u>Race</u>				
White	32.5	8.1	54.4	4.9
African-American	30.2	14.3	46.1	9.3
Hispanic American	31.1	11.0	49.9	8.0
Asian-American	40.2	8.0	41.4	10.3
Native American	25.0	13.5	50.0	11.5
Other	26.0	13.4	43.3	17.3



**Table 5-3a (continued)**  
**High School Students**  
**Analysis of Question 26**  
**Greatest Need for Life Insurance**

	(a) Elderly Retired Man with <u>Retired Wife</u>	(b) Young Married Man No <u>Children</u>	(c)* Young Single Woman, Two <u>Children</u>	(d) Young Single Woman, <u>No Children</u>
<u>Educational Plans</u>				
No Further Ed.	23.5	23.5	41.2	11.8
2-year or Jr. College	33.7	9.7	49.1	7.5
4-year College	32.3	8.6	53.1	6.0
Other Training or Ed.	28.8	13.1	46.9	11.3
Don't Know	22.9	15.3	44.9	16.9
<u>Planned Occupation</u>				
Manual Work	31.8	19.7	34.8	13.6
Skilled Trade	26.0	18.8	43.5	11.7
Service Worker	30.4	10.5	50.7	8.4
Professional Worker	34.0	7.3	53.2	5.5
Other or Don't Know	29.3	10.9	51.5	8.3
<u>Expected Full-Time Income</u>				
Under \$15,000	26.8	20.7	41.5	11.0
\$15,000 to \$19,999	30.0	15.6	44.4	10.0
\$20,000 to \$29,999	31.1	10.4	50.6	8.0
\$30,000 to \$39,999	33.2	8.5	53.0	5.4
\$40,000 or more	32.4	8.2	53.0	6.4
Don't Know	30.0	11.3	49.3	9.4
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	31.6	11.3	49.7	7.4
Portion of Course, Money				
Mgt./Personal Finance	32.4	9.6	50.8	7.2
Entire Course, Econ.	30.6	9.6	52.4	7.5
Portion Course, Econ.	33.5	8.5	50.9	7.1
Stock Mkt. Game in Class	31.3	7.9	53.7	7.2

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 5-3b**  
**College Students**  
**Analysis of Question 26**  
**Greatest Need for Life Insurance**

	(a) Elderly Retired Man with <u>Retired Wife</u>	(b) Young Married Man No <u>Children</u>	(c)* Young Single Woman, Two <u>Children</u>	d) Young Single Woman, <u>No Children</u>
All Students	28.8%	6.6%	61.4%	3.2%
<u>College Class</u>				
Freshman	32.7	7.2	57.4	2.7
Sophomore	31.1	6.7	58.2	4.0
Junior	25.8	7.1	63.3	3.8
Senior	25.4	5.5	66.8	2.3
<u>Type of College</u>				
Four Year	27.7%	6.1	63.0	3.2
Two Year	33.2	8.3	54.9	3.6
<u>Major</u>				
Arts	25.2	10.3	60.7	3.7
Business or Econ	30.4	5.2	60.2	4.2
Engineering	33.3	11.1	51.9	3.7
Humanities	26.0	6.8	63.0	4.1
Nursing	20.7	10.3	63.8	5.2
Science	33.6	3.3	61.2	2.0
Social Science	21.2	5.1	71.8	1.9
Other	32.9	7.0	57.0	3.1
<u>Expected Education</u>				
Associate Degree	28.9%	12.4	52.6	6.2
Bachelor Degree	32.5	7.1	56.1	4.3
Master's Degree	25.3	5.8	68.2	.7
Doctorate, Law or Professional	24.6	2.9	69.6	2.9
<u>Expected Full-Time Income</u>				
Under \$30,000	29.5	10.8%	53.6	6.0
\$30,000 to \$39,999	27.1	5.9	64.7	2.3
\$40,000 to \$49,999	27.7	3.8	65.7	2.8
\$50,000 or more	31.1	6.5	59.4	3.1
<i>High School</i>	<i>31.6</i>	<i>10.0</i>	<i>51.1</i>	<i>7.2</i>

**Table 5-3b (continued)**  
**College Students**  
**Analysis of Question 26**  
**Greatest Need for Life Insurance**

	(a) Elderly Retired Man with <u>Retired Wife</u>	(b) Young Married Man No <u>Children</u>	(c)* Young Single Woman, Two <u>Children</u>	(d) Young Single Woman, <u>No Children</u>
All Students	28.8%	6.6%	61.4%	3.2%
<u>Parents' Income</u>				
Less than \$20,000	36.3	10.6	49.6	3.5
\$20,000 to \$39,999	29.0	9.0	60.0	2.1
\$40,000 to \$79,999	27.5	6.0	64.2	2.3
\$80,000 or more	28.7	4.6	63.0	3.7
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	28.6	14.3	52.4	4.8
Completed H.S.	30.1	5.4	63.3	1.2
Some College	31.1	9.8	54.9	4.2
College Grad or More	27.4	4.9	64.5	3.2
<u>Sex</u>				
Female	27.4	5.4	64.0	3.2
Male	33.0	10.3	53.2	3.4
<u>Race</u>				
White	27.5	6.0	63.3	3.1
African-American	27.9	9.3	58.1	4.7
Hispanic American	32.2	6.8	59.3	1.7
Asian-American	40.9	6.1	47.0	6.1
<i>High School</i>	<i>31.6</i>	<i>10.0</i>	<i>51.1</i>	<i>7.2</i>

**Table 5-3b (continued)**  
**College Students**  
**Analysis of Question 26**  
**Greatest Need for Life Insurance**

	(a) Elderly Retired Man with <u>Retired Wife</u>	(b) Young Married Man No <u>Children</u>	(c)* Young Single Woman, Two <u>Children</u>	d) Young Single Woman, <u>No Children</u>
All Students	28.8%	6.6%	61.4%	3.2%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money Mgt./Personal Finance	27.9	8.2	58.2	5.7
Portion of Money Mgt.	29.2	8.3	59.7	2.8
Entire Course, Economics	28.4	6.3	62.2	3.1
Portion Course, Economics	34.8	6.3	56.3	2.5
Stock Mkt. Game in Class	30.4	3.3	65.0	1.3
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money Mgt./Personal Finance	32.7	6.1	58.2	3.1
Portion of Money Mgt.	29.0	8.0	59.4	3.6
Entire Course, Economics	30.2	6.5	60.9	2.4
Entire Course, Finance	30.5	5.7	60.0	3.8
Entire Course, Accounting	26.7	5.6	64.6	3.1
<i>High School</i>	<i>31.6</i>	<i>10.0</i>	<i>51.1</i>	<i>7.2</i>

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Question 22. If you have caused an accident, which type of automobile insurance would cover damage to your own car?**

- a) Comprehensive.
- b) Liability.
- c) Term.
- d) Collision.

The correct answer is d) *Collision*.

Liability insurance covers you for damages that you have caused to others while comprehensive insurance covers things such as fire and theft of your car, and term insurance relates to life insurance, not automobile insurance.

### **High School Results from Question 22**

Overall, 36.8 percent of high school seniors correctly identified collision insurance as the type that covers damage to the driver's own car. This is, by far, the lowest percentage that has answered the question correctly. The most frequent response, given by 40.0 percent, was that liability insurance covered damage to the drivers' car, while 16.1 percent responded that comprehensive insurance was the correct answer. Only 7.1 percent of all students answered "term insurance," indicating that students could at least differentiate automobile insurance from other types of insurance.

Table 5-4a shows that differences in responses by demographic category were not very pronounced. The last section of Table 5-4a shows that in this instance, at least, experience with automobile insurance does enable students to better differentiate between the various types and purposes. Those who own a car and pay for their own insurance did substantially better on this question (43.1 percent) than those who were not so intimately involved in funding their own auto insurance.

### **College Results from Question 22**

Table 5-4b shows us that college students only did a little better on this question than did high school students in spite of greater experience driving a car and likely paying for their own insurance. This was one of few questions in which students who expected to earn, at most, a 2-year college degree did better than their counterparts with higher educational aspirations. Similarly, those from families with more income and education also tended to do worse than those from less privileged backgrounds. Females did better than males on this question.

College students who had taken a full semester course in personal finance or money management also did better than others on this question.

**Table 5-4a**  
**High School Students**  
**Analysis of Question 22**  
**Auto Insurance Covering Damage to Your Car<sup>1</sup>**

	(a) <u>Comprehensive</u>	(b) <u>Liability</u>	(c) <u>Term</u>	(d)* <u>Collision</u>
All Students 2008	16.1%	40.0%	7.1%	36.8%
All Students 2006	9.7%	38.7%	1.1%	50.5%
All Students 2004	11.5%	34.8%	6.6%	47.1%
All Students 2002	10.5%	35.0%	3.1%	51.3%
All Students 2000	12.0%	33.2%	3.3%	51.2%
<u>Parents' Income</u>				
Less than \$20,000	16.2	41.1	12.6	30.0
\$20,000 to \$39,999	17.1	40.4	6.1	36.4
\$40,000 to \$79,999	15.7	39.9	5.1	39.3
\$80,000 or more	15.2	37.7	7.0	40.1
Don't Know	15.7	42.4	7.7	34.2
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	13.0	42.8	14.1	30.1
Completed H.S.	16.6	40.5	7.1	35.8
Some College	14.7	41.6	6.5	37.3
College Grad or More	16.0	39.1	4.9	39.9
Don't Know	22.6	33.6	10.2	33.6
<u>Sex</u>				
Female	12.4	43.1	7.8	36.8
Male	20.5	36.2	6.1	37.2
<u>Race</u>				
White	15.2	38.9	4.9	40.9
African-American	17.1	41.6	9.3	32.0
Hispanic American	16.3	43.8	8.7	31.3
Asian-American	11.4	44.3	10.2	34.1
Native American	24.5	26.4	13.2	35.8
Other	15.9	39.7	14.3	30.2

<sup>1</sup> A different version of this question was asked in 1997 calling for another response. However, 66.7 percent of students answered this question correctly in that year.

**Table 5-4a (continued)**  
**High School Students**  
**Analysis of Question 22**  
**Auto Insurance Covering Damage to Your Car**

	(a) <u>Comprehensive</u>	(b) <u>Liability</u>	(c) <u>Term</u>	(d)* <u>Collision</u>
<u>Educational Plans</u>				
No Further Ed.	18.0	42.0	22.0	18.0
2-year or Jr. College	18.0	39.0	8.9	34.2
4-year College	14.6	41.6	5.4	38.4
Other Training or Ed.	18.0	32.3	6.8	42.9
Don't Know	21.7	34.2	16.7	27.5
<u>Planned Occupation</u>				
Manual Work	28.8	30.3	10.6	30.3
Skilled Trade	21.9	32.3	12.3	33.5
Service Worker	16.8	38.9	10.5	33.7
Professional Worker	13.6	41.7	5.2	39.5
Other or Don't Know	16.9	40.4	7.3	35.4
<u>Expected Full-Time Income</u>				
Under \$15,000	22.2	39.5	11.1	27.2
\$15,000 to \$19,999	17.5	38.1	8.8	35.6
\$20,000 to \$29,999	17.3	42.2	6.0	34.5
\$30,000 to \$39,999	15.2	39.3	6.2	39.3
\$40,000 or more	15.8	39.3	6.7	38.2
Don't Know	13.8	42.9	8.6	34.7
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	18.0	36.5	6.4	39.1
Portion of Course, Money				
Mgt./Personal Finance	14.4	40.2	7.2	38.3
Entire Course, Econ.	15.6	39.2	7.2	38.1
Portion Course, Econ.	15.2	41.7	5.1	38.0
Stock Mkt. Game in Class	15.5	38.9	6.1	39.4

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 5-4a (continued)**  
**High School Students**  
**Analysis of Question 22**  
**Auto Insurance Covering Damage to Your Car**

	(a) <u>Comprehensive</u>	(b) <u>Liability</u>	(c) <u>Term</u>	(d)* <u>Collision</u>
<u>Auto Use/Pay Insurance</u>				
No License	15.3	43.3	8.1	33.3
License, no car	15.0	36.0	14.0	35.0
Family car, pay insur.	20.2	36.8	10.5	32.5
Family car, don't pay	15.4	44.1	5.7	34.8
Own car, pay insur.	17.9	32.1	6.9	43.1
Own car, don't pay	14.7	42.0	5.4	37.9



**Table 5-4b**  
**College Students**  
**Analysis of Question 22**  
**Auto Insurance Covering Damage to Your Car**

	(a) <u>Comprehensive</u>	(b) <u>Liability</u>	(c) <u>Term</u>	(d)* <u>Collision</u>
All Students	20.3%	31.6%	5.4%	42.7%
<u>College Class</u>				
Freshman	19.3	34.1	7.2	39.5
Sophomore	18.7	31.7	4.3	45.3
Junior	21.0	32.1	6.2	40.7
Senior	22.5	29.1	4.3	44.2
<u>Type of College</u>				
Four Year	20.6	33.5	5.3	40.6
Two Year	18.6	24.2	5.7	51.5
<u>Major</u>				
Arts	19.1	36.4	5.5	39.1
Business or Econ	22.9	28.6	8.3	40.1
Engineering	20.8	22.6	7.5	49.1
Humanities	24.3	28.4	4.1	43.2
Nursing	16.9	30.5	8.5	44.1
Science	21.6	32.7	3.9	41.8
Social Science	19.0	34.2	4.4	42.4
Other	18.1	32.7	3.5	45.6
<u>Expected Education</u>				
Associate Degree	15.3	25.5	7.1	52.0
Bachelor Degree	20.9	31.7	6.3	41.0
Master's Degree	19.7	34.3	4.4	41.6
Doctorate, Law or Professional	22.0	31.2	2.9	43.9
<u>Expected Full-Time Income</u>				
Under \$30,000	23.2	32.7	7.1	36.9
\$30,000 to \$39,999	20.7	29.1	5.8	44.3
\$40,000 to \$49,999	19.2	34.6	3.3	43.0
\$50,000 or more	19.1	32.0	5.2	43.7
<i>High School</i>	<i>16.1</i>	<i>40.0</i>	<i>7.1</i>	<i>36.8</i>

**Table 5-4b (continued)**  
**College Students**  
**Analysis of Question 22**  
**Auto Insurance Covering Damage to Your Car**

	(a) <u>Comprehensive</u>	(b) <u>Liability</u>	(c) <u>Term</u>	(d)* <u>Collision</u>
All Students	20.3%	31.6%	5.4%	42.7%
<u>Parents' Income</u>				
Less than \$20,000	23.0	24.8	8.8	43.4
\$20,000 to \$39,999	20.4	29.9	5.4	44.2
\$40,000 to \$79,999	21.7	26.6	3.3	48.4
\$80,000 or more	18.8	36.7	4.6	39.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	10.0	30.0	--	60.0
Completed H.S.	20.4	29.9	4.2	45.5
Some College	20.5	30.6	8.7	40.3
College Grad or More	20.0	33.2	4.1	42.7
<u>Sex</u>				
Female	19.2	33.0	4.0	43.9
Male	23.6	27.5	9.9	39.1
<u>Race</u>				
White	21.9	29.9	4.8	43.4
African-American	13.8	44.8	5.7	35.6
Hispanic American	10.0	31.7	6.7	51.7
Asian-American	18.2	42.4	9.1	30.3
<i>High School</i>	<i>16.1</i>	<i>40.0</i>	<i>7.1</i>	<i>36.8</i>

**Table 5-4b (continued)**  
**College Students**  
**Analysis of Question 22**  
**Auto Insurance Covering Damage to Your Car**

	(a) <u>Comprehensive</u>	(b)* <u>Liability</u>	(c) <u>Term</u>	(d) <u>Collision</u>
All Students	20.3%	31.6%	5.4%	42.7%
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	13.7	27.4	8.1	50.8
Portion of Money Mgt.	22.2	26.2	7.1	44.4
Entire Course, Economics	19.7	32.5	4.1	43.8
Portion Course, Economics	25.8	24.5	8.2	41.5
Stock Mkt. Game in Class	21.5	27.2	5.0	46.4
<u>Classes in College.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	22.2	28.3	7.1	42.4
Portion of Money Mgt.	17.7	32.6	12.8	36.9
Entire Course, Economics	22.3	29.3	5.7	42.7
Entire Course, Finance	22.9	29.5	3.8	43.8
Entire Course, Accounting	23.6	30.3	4.6	41.5
<i>High School</i>	<i>16.1</i>	<i>40.0</i>	<i>7.1</i>	<i>36.8</i>

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Question 17. Many young people receive health insurance benefits through their parents. Which of the following statements is true about health insurance coverage?**

- a) You are covered by your parents' insurance until you marry, regardless of your age.
- b) If your parents become unemployed, your insurance coverage may stop, regardless of your age.
- c) Young people don't need health insurance because they are so healthy.
- d) You continue to be covered by your parents' insurance as long as you live at home, regardless of your age.

The correct answer is *b) If your parents become unemployed, your insurance coverage may stop, regardless of your age.*

Most health insurance is provided through the employer. For children, it is provided by the employer of their parents. If the parents become unemployed, the health benefits may cease after a period of time. Answers a) and d) are not correct because there are age limits on how long your parent's insurance will cover you. And c) is not correct because young people may be involved in accidents or suffer from a serious illness.

### **High School Results from Question 17**

Forty point four percent of high school seniors answered this question correctly. This was the third best proportion since the surveys began and may reflect the emphasis paid to this issue during the presidential election of 2008 or to the rising unemployment rate at the time the survey was given. Table 5-5a shows that females were more likely than males to answer this question correctly, as they have been in the past, and Whites did better than students of other identified racial backgrounds. Those who had had a full semester course in money management did worse than those who had not taken such a course, an anomaly which has been consistent over many recent surveys.

### **College Results from Question 17**

College students did much better on this question than high school students with 69.5 percent getting it right. Table 5-5b shows that correct answers increased dramatically with years of college, perhaps because the older students are beginning to worry about health insurance. Students of the humanities did better than others and females did much better than males as they did in nearly all questions relating to insurance.

White students did substantially better on this question than African-Americans. College students who had taken a course in personal finance or money management in either high school or college did much worse on this question than did others.

**Table 5-5a**  
**High School Students**  
**Analysis of Question 17**  
**True About Health Insurance**

	(a)	(b)*	(c)	(d)
	<u>Covered</u>	<u>May Stop</u>	<u>Young People</u>	<u>Parents</u>
	<u>Until Married</u>	<u>if Parents</u>	<u>Don't Need</u>	<u>Cover</u>
		<u>Unemployed</u>		<u>While Home</u>
All Students 2008	18.4%	40.4%	8.2%	33.0%
All Students 2006	20.9%	40.3%	5.8%	33.0%
All Students 2004	19.0%	33.1%	8.7%	39.2%
All Students 2002	15.0%	49.1%	3.3%	32.6%
All Students 1997	19.9%	42.8%	1.9%	35.3%
<u>Parents' Income</u>				
Less than \$20,000	20.2	37.9	8.3	33.6
\$20,000 to \$39,999	16.9	41.2	8.5	33.4
\$40,000 to \$79,999	18.0	40.8	6.4	34.8
\$80,000 or more	17.1	44.2	7.2	31.5
Don't Know	21.0	35.6	11.6	31.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	23.3	35.6	8.1	33.0
Completed H.S.	15.9	40.2	9.8	34.1
Some College	18.9	38.3	7.3	35.6
College Grad or More	17.3	43.5	6.9	32.3
Don't Know	25.0	37.5	14.0	23.5
<u>Sex</u>				
Female	18.7	41.6	7.3	32.4
Male	18.3	39.0	8.5	34.2
<u>Race</u>				
White	16.0	41.4	6.3	36.2
African-American	23.5	37.9	11.3	27.3
Hispanic American	22.0	39.7	8.1	30.0
Asian-American	19.5	36.8	5.7	37.9
Native American	23.1	38.5	21.2	17.3
Other	15.1	42.1	14.3	28.6

**Table 5-5a (continued)**  
**High School Students**  
**Analysis of Question 17**  
**True About Health Insurance**

	(a) Covered <u>Until Married</u>	(b)* May Stop if Parents <u>Unemployed</u>	(c) Young People <u>Don't Need</u>	(d) Parents Cover <u>While Home</u>
<u>Educational Plans</u>				
No Further Ed.	15.7	35.3	19.6	29.4
2-year or Jr. College	20.6	38.2	8.5	32.7
4-year College	17.8	41.3	7.1	33.8
Other Training or Ed.	17.5	38.8	11.3	32.5
Don't Know	18.5	41.2	12.6	27.7
<u>Planned Occupation</u>				
Manual Work	21.2	33.3	13.6	31.8
Skilled Trade	23.2	36.8	12.9	27.1
Service Worker	16.6	37.5	9.5	36.4
Professional Worker	18.4	42.0	6.6	33.0
Other or Don't Know	17.4	40.7	8.5	33.4
<u>Expected Full-Time Income</u>				
Under \$15,000	27.5	30.0	12.5	30.0
\$15,000 to \$19,999	23.4	34.2	10.1	32.3
\$20,000 to \$29,999	18.8	40.0	8.8	32.4
\$30,000 to \$39,999	19.3	42.1	5.0	33.6
\$40,000 or more	17.4	41.6	8.1	32.9
Don't Know	15.6	39.8	10.4	34.3
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	18.6	38.3	10.7	32.4
Portion of Course, Money				
Mgt./Personal Finance	20.4	39.5	7.6	32.5
Entire Course, Econ.	18.5	39.9	8.2	33.4
Portion Course, Econ.	19.7	41.3	7.1	31.9
Stock Mkt. Game in Class	17.5	42.8	7.7	32.0

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 5-5b**  
**College Students**  
**Analysis of Question 17**  
**True About Health Insurance**

	(a)	(b)*	(c)	(d)
	<u>Covered</u>	<u>May Stop</u>	<u>Young People</u>	<u>Parents</u>
	<u>Until Married</u>	<u>if Parents</u>	<u>Don't Need</u>	<u>Cover</u>
		<u>Unemployed</u>		<u>While Home</u>
All Students	10.4%	69.5%	3.3%	16.8%
<u>College Class</u>				
Freshman	15.2	57.6	4.5%	22.8
Sophomore	11.7	69.6	2.3%	16.4
Junior	8.7	70.1	4.1%	17.0
Senior	6.2	79.2	2.7%	12.0
<u>Type of College</u>				
Four Year	10.0	71.0	3.3%	15.7
Two Year	11.4	63.7	3.6%	21.2
<u>Major</u>				
Arts	8.3	68.8	5.5%	17.4
Business or Econ	10.5	67.9	4.7%	16.8
Engineering	7.4	61.1	--	31.5
Humanities	10.7	74.7	2.7%	12.0
Nursing	16.9	66.1	1.7%	15.3
Science	10.5	67.3	3.3%	19.0
Social Science	6.3	76.6	1.9%	15.2
Other	12.8	69.0	3.5%	14.6
<u>Expected Education</u>				
Associate Degree	13.4	60.8	5.2%	20.6
Bachelor Degree	9.7	69.3	3.4%	17.6
Master's Degree	9.8	71.7	2.9%	15.6
Doctorate, Law or Professional	11.0	72.1	2.9%	14.0
<u>Expected Full-Time Income</u>				
Under \$30,000	9.6	67.1	6.0%	17.4
\$30,000 to \$39,999	8.4	71.4	2.3%	17.9
\$40,000 to \$49,999	11.2	71.6	2.8%	14.4
\$50,000 or more	12.0	67.7	3.4%	16.9
<i>High School</i>	<i>18.4</i>	<i>40.4</i>	<i>8.2</i>	<i>33.0</i>

**Table 5-5b (continued)**  
**College Students**  
**Analysis of Question 17**  
**True About Health Insurance**

	(a)	(b)*	(c)	(d)
	<u>Covered</u>	<u>May Stop</u>	<u>Young People</u>	<u>Parents</u>
	<u>Until Married</u>	<u>if Parents</u>	<u>Don't Need</u>	<u>Cover</u>
		<u>Unemployed</u>	<u>While Home</u>	
All Students	10.4%	69.5%	3.3%	16.8%
<u>Parents' Income</u>				
Less than \$20,000	10.6	61.9	6.2	21.2
\$20,000 to \$39,999	11.7	71.7	4.1	12.4
\$40,000 to \$79,999	9.9	70.1	2.3	17.8
\$80,000 or more	9.8	71.1	2.2	16.9
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	19.0	66.7	--	14.3
Completed H.S.	13.8	68.3	1.8	16.2
Some College	9.5	67.6	6.3	16.5
College Grad or More	9.3	71.4	2.4	16.9
<u>Sex</u>				
Female	10.8	71.5	2.8	14.9
Male	8.9	63.6	5.1	22.5
<u>Race</u>				
White	8.9	71.3	3.4	16.4
African-American	16.3	62.8	4.7	16.3
Hispanic American	13.3	68.3	--	18.3
Asian-American	11.9	65.7	3.0	19.4
<i>High School</i>	<i>18.4</i>	<i>40.4</i>	<i>8.2</i>	<i>33.0</i>



**Table 5-5b (continued)**  
**College Students**  
**Analysis of Question 17**  
**True About Health Insurance**

	(a)	(b)*	(c)	(d)
	<u>Covered</u> <u>Until Married</u>	<u>May Stop</u> <u>if Parents</u> <u>Unemployed</u>	<u>Young People</u> <u>Don't Need</u>	<u>Parents</u> <u>Cover</u> <u>While Home</u>
All Students	10.4%	69.5%	3.3%	16.8%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	15.3	62.1	4.8	17.7
Portion of Money Mgt.	9.9	71.1	2.8	16.2
Entire Course, Economics	8.3	69.3	3.5	18.9
Portion Course, Economics	10.7	73.0	.6	15.7
Stock Mkt. Game in Class	10.6	70.6	.7	18.2
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	18.4	60.2	2.0	19.4
Portion of Money Mgt.	12.1	70.7	2.9	14.3
Entire Course, Economics	9.5	71.3	3.5	15.7
Entire Course, Finance	6.9	75.5	2.9	14.7
Entire Course, Accounting	8.8	70.5	4.1	16.6
<i>High School</i>	<i>18.4</i>	<i>40.4</i>	<i>8.2</i>	<i>33.0</i>

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

## CHAPTER 6

# UNDERSTANDING SAVINGS AND INVESTMENT

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### Budgeting to Save

**Question 10.** David just found a job with a take home pay of \$2,000 per month. He must pay \$900 for rent and \$150 for groceries each month. He also spends \$250 per month on transportation. If he budgets \$100 each month for clothing, \$200 for restaurants and \$250 for everything else, how long will it take him to accumulate savings of \$600.

- a) 3 months.
- b) 4 months.
- c) 1 month.
- d) 2 months .

The correct answer is *b) 4 months*.

David takes home \$2,000 per month. He spends \$900 (rent) plus \$150 (groceries) plus \$250 (transportation) plus \$100 (clothing) plus \$200 (restaurants) plus \$250 (everything else) for a total of \$1,850; \$2,000 in income minus \$1,850 in expenses leaves \$150 a month for savings. Therefore, it will take him 4 months to save \$600.

### High School Results from Question 10

This is really a pretty easy question, demanding only simple arithmetic to arrive at the right answer. Nevertheless, nearly 40 percent of students managed to get it wrong as shown in Table 6-1a. The proportion answering this question correctly is above that of 2004 and 2002 but substantially below the three-quarters who answered correctly in 1997. Note that only the proportions answering the question correctly are given from previous years since the numbers in the question are changed each time to discourage memorization of the answer.

Males did better than females on this question, and those who had taken a full semester course in money management did substantially *worse* than others.

### College Results from Question 10

College students did better on this simple question than did high school students (Table 6-1b), with 77.8 percent of them answering this question correctly. Since it was a test of numeracy, it was surprising that students of science or engineering did not do substantially better than others. In fact, few of the variables contained in the analysis helped to explain differences in the ability to answer this question.

**Table 6-1a**  
**High School Students**  
**Analysis of Question 10**  
**Months to Accumulate Savings of \$900**

	(a)	(b)*	(c)	(d)
	<u>3</u>	<u>4</u> <sup>2</sup>	<u>1</u>	<u>2</u>
All Students 2008	20.9%	60.2%	6.7%	12.2%
All Students 2006		66.3%		
All Students 2004		59.3%		
All Students 2002		53.3%		
All Students 2000		69.3%		
All Students 1997		75.2%		
<u>Parents' Income</u>				
Less than \$20,000	21.7	58.2	9.2	10.8
\$20,000 to \$39,999	19.7	59.4	6.6	14.2
\$40,000 to \$79,999	22.9	62.4	5.6	9.1
\$80,000 or more	16.5	65.3	6.1	12.1
Don't Know	23.0	53.9	7.9	15.2
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	25.3	58.4	7.4	8.9
Completed H.S.	19.9	57.9	7.1	15.1
Some College	18.1	60.4	8.5	13.0
College Grad or More	20.6	64.0	4.9	10.5
Don't Know	26.1	50.0	8.7	15.2
<u>Sex</u>				
Female	21.0	59.6	7.1	12.3
Male	20.5	61.3	6.3	11.9
<u>Race</u>				
White	19.6	64.3	6.1	10.0
African-American	23.1	48.4	8.9	19.6
Hispanic American	23.2	55.7	7.4	13.7
Asian-American	15.9	69.3	3.4	11.4
Native American	27.8	50.0	11.1	11.1
Other	18.5	66.1	6.5	8.9

**Table 6-1a (continued)**  
**High School Students**  
**Analysis of Question 10**  
**Months to Accumulate Savings of \$900**

	(a)	(b)*	(c)	(d)
	<u>3</u>	<u>4</u>	<u>1</u>	<u>2</u>
<u>Educational Plans</u>				
No Further Ed.	25.5	54.9	9.8	9.8
2-year or Jr. College	22.4	57.2	6.3	14.0
4-year College	20.1	62.2	6.5	11.2
Other Training or Ed.	21.0	56.2	6.2	16.7
Don't Know	20.8	54.2	10.8	14.2
<u>Planned Occupation</u>				
Manual Work	27.3	47.0	6.1	19.7
Skilled Trade	21.9	54.8	6.5	16.8
Service Worker	26.1	50.5	8.7	14.6
Professional Worker	17.7	65.0	6.4	10.9
Other or Don't Know	22.6	59.1	6.5	11.7
<u>Expected Full-Time Income</u>				
Under \$15,000	25.9	51.9	11.1	11.1
\$15,000 to \$19,999	29.8	52.2	7.5	10.6
\$20,000 to \$29,999	21.3	58.6	7.2	12.9
\$30,000 to \$39,999	19.8	63.8	5.4	11.0
\$40,000 or more	18.4	63.2	6.6	11.8
Don't Know	22.7	54.6	7.4	15.3
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	23.9	59.2	5.9	11.0
Portion of Course, Money				
Mgt./Personal Finance	19.9	64.4	6.3	9.5
Entire Course, Econ.				
Mgt./Personal Finance	22.1	59.3	6.7	11.9
Portion Course, Econ.				
Mgt./Personal Finance	19.2	63.1	7.1	10.7
Stock Mkt. Game in Class				
Mgt./Personal Finance	20.0	64.1	6.3	9.6

<sup>1</sup>Percents may total more than 100 percent with multiple responses possible.

<sup>2</sup>Only those giving correct answer are shown for previous surveys since numbers used in problem vary.

**Table 6-1b**  
**College Students**  
**Analysis of Question 10**  
**Months to Accumulate Savings of \$900**

	(a)	(b)*	(c)	(d)
All Students	<u>3</u> 11.2%	<u>4</u> 77.8%	<u>1</u> 3.6%	<u>2</u> 7.3%
<u>College Class</u>				
Freshman	12.7	76.9	4.1	6.3
Sophomore	12.0	77.3	3.3	7.4
Junior	10.7	75.7	4.9	8.6
Senior	9.7	81.1	2.3	6.9
<u>Type of College</u>				
Four Year	10.5	78.7	3.6	7.1
Two Year	14.1	73.8	3.7	8.4
<u>Major</u>				
Arts	11.9	79.8	5.5	2.8
Business or Econ	11.6	77.8	3.7	6.9
Engineering	7.4	79.6	1.9	11.1
Humanities	4.0	78.7	6.7	10.7
Nursing	17.2	72.4	1.7	8.6
Science	9.8	77.1	2.6	10.5
Social Science	10.1	82.3	2.5	5.1
Other	14.1	74.9	4.0	7.0
<u>Expected Education</u>				
Associate Degree	13.4	75.3	4.1	7.2
Bachelor Degree	12.1	76.4	4.2	7.2
Master's Degree	11.2	79.3	2.9	6.5
Professional	7.0	81.4	2.3	9.3
<u>Expected Full-Time Income</u>				
Under \$30,000	13.8	70.7	6.0	9.6
\$30,000 to \$39,999	12.9	79.7	2.3	5.2
\$40,000 to \$49,999	8.9	81.3	2.8	7.0
\$50,000 or more	9.6	77.7	4.0	8.7
<i>High School</i>	20.9	60.2	6.7	12.2

**Table 6-1b (continued)**  
**College Students**  
**Analysis of Question 10**  
**Months to Accumulate Savings of \$900**

	(a)	(b)*	(c)	(d)
All Students	<u>3</u> 11.2%	<u>4</u> 77.8%	<u>1</u> 3.6%	<u>2</u> 7.3%
<u>Parents' Income</u>				
Less than \$20,000	12.5	75.0	3.6	8.9
\$20,000 to \$39,999	8.2	81.6	2.7	7.5
\$40,000 to \$79,999	11.2	77.2	3.6	7.9
\$80,000 or more	10.5	80.3	3.4	5.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	9.5	66.7	4.8	19.0
Completed H.S.	11.4	77.7	1.8	9.0
Some College	11.9	74.4	7.0	6.7
College Grad or More	10.8	80.4	2.2	6.5
<u>Sex</u>				
Female	11.3	78.1	4.0	6.7
Male	10.7	77.8	2.1	9.4
<u>Race</u>				
White	11.1	78.4	3.3	7.2
African-American	10.5	79.1	5.8	4.7
Hispanic American	11.7	70.0	3.3	15.0
Asian-American	9.0	79.1	3.0	9.0
<i>High School</i>	20.9	60.2	6.7	12.2

**Table 6-1b (continued)**  
**College Students**  
**Analysis of Question 10**  
**Months to Accumulate Savings of \$900**

	(a)	(b)*	(c)	(d)
All Students	<u>3</u> 11.2%	<u>4</u> 77.8%	<u>1</u> 3.6%	<u>2</u> 7.3%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	15.6	72.1	4.1	8.2
Portion of Money Mgt.	11.4	79.5	3.5	5.5
Entire Course, Economics				
Portion Course, Economics	8.8	81.9	5.6	3.8
Stock Mkt. Game in Class	11.6	79.2	3.6	5.6
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	12.1	74.7	4.0	9.1
Portion of Money Mgt.	12.8	73.0	5.0	9.2
Entire Course, Economics				
Entire Course, Finance	10.5	77.1	3.8	8.6
Entire Course, Accounting	7.7	83.1	1.5	7.7
<i>High School</i>	20.9	60.2	6.7	12.2

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

## Short- and Long-Term Saving and Investment Strategies

**Question 16. Rob and Mary are the same age. At age 25 Mary began saving \$2,000 a year while Rob saved nothing. At age 50, Rob realized that he needed money for retirement and started saving \$4,000 per year while Mary kept saving her \$2,000. Now they are both 75 years old. Who has the most money in his or her retirement account?**

- a) They would each have the same amount because they put away exactly the same
- b) Rob, because he saved more each year
- c) Mary, because she has put away more money
- d) Mary, because her money has grown for a longer time at compound interest

The correct answer is d) *Mary, because her money has grown for a longer time at compound interest*

### High School Results from Question 16

Slightly more than half the students answered this question correctly (Table 6-2a). Whites and Asian-Americans did far better than other groups as did those who aspired to attend a four-year college. Those who took a full semester course in money management or personal finance did worse than others in this question.

### College Results from Question 16

A total of 61.6 percent of college students answered this question correctly (Table 6-2b). Juniors and seniors did better than underclassmen as did females and those from families with more income and education. African Americans did far worse (44.7 percent) than other racial categories. Those who had taken accounting in college did much better than others on this question, followed closely by those who had taken an entire course in finance.



**Table 6-2a**  
**High School Students**  
**Analysis of Question 16**  
**Who Has the Most Retirement Money?**

	(a)	(b)	(c)	(d)*
	<u>Same</u>	<u>Rob-- Saved More</u>	<u>Mary-- Saved More</u>	<u>Mary—Money Compounded Longer</u>
All Students 2008	24.8%	11.7%	12.5%	51.1%
All Students 2004	23.6%	14.7%	10.5%	51.2%
All Students 2002	23.4%	9.8%	7.0%	59.8%
All Students 2000	32.9%	9.1%	7.2%	50.3%
All Students 1997	31.3%	9.1%	7.2%	52.4%
<u>Parents' Income</u>				
Less than \$20,000	28.6	18.7	14.3	38.5
\$20,000 to \$39,999	23.7	11.0	15.4	49.9
\$40,000 to \$79,999	25.3	11.7	7.9	55.1
\$80,000 or more	24.1	9.4	11.4	55.1
Don't Know	23.4	11.0	15.5	50.1
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	24.9	12.3	17.5	45.4
Completed H.S.	27.6	13.2	12.7	46.5
Some College	26.1	10.4	11.0	52.5
College Grad or More	23.2	10.4	10.0	56.4
Don't Know	17.0	15.6	21.5	45.9
<u>Sex</u>				
Female	22.5	11.6	14.2	51.8
Male	27.7	11.6	10.2	50.5
<u>Race</u>				
White	24.3	8.9	10.2	56.6
African-American	27.1	18.7	14.6	39.6
Hispanic American	23.7	12.1	16.9	47.2
Asian-American	25.3	8.0	10.3	56.3
Native American	30.2	24.5	9.4	35.8
Other	26.4	14.4	18.4	40.8

**Table 6-2a (continued)**  
**High School Students**  
**Analysis of Question 16**  
**Who Has the Most Retirement Money**

	(a)	(b)	(c)	(d)*
	<u>Same</u>	<u>Rob-- Saved More</u>	<u>Mary-- Saved More</u>	<u>Mary—Money Compounded Longer</u>
<u>Educational Plans</u>				
No Further Ed.	35.3	15.7	19.6	29.4
2-year or Jr. College	24.0	14.6	16.4	45.0
4-year College	25.1	9.7	10.7	54.4
Other Training or Ed.	21.3	15.0	14.4	49.4
Don't Know	25.2	16.0	15.1	43.7
<u>Planned Occupation</u>				
Manual Work	36.4	16.7	13.6	33.3
Skilled Trade	22.1	14.9	18.8	44.2
Service Worker	23.7	14.1	16.3	45.9
Professional Worker	26.0	8.6	10.2	55.1
Other or Don't Know	22.5	14.1	12.9	50.6
<u>Expected Full-Time Income</u>				
Under \$15,000	33.3	11.1	17.3	38.3
\$15,000 to \$19,999	22.0	18.9	16.4	42.8
\$20,000 to \$29,999	20.5	15.3	13.7	50.6
\$30,000 to \$39,999	23.9	10.1	12.4	53.6
\$40,000 or more	26.3	9.7	10.1	53.8
Don't Know	24.0	13.4	14.6	48.0
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	25.0	13.8	11.8	49.4
Portion of Course, Money				
Mgt./Personal Finance	26.1	11.9	12.3	49.7
Entire Course, Econ.				
Mgt./Personal Finance	25.2	11.0	13.1	50.7
Portion Course, Econ.				
Mgt./Personal Finance	22.7	13.6	12.0	51.7
Stock Mkt. Game in Class				
Mgt./Personal Finance	23.4	9.4	11.7	55.5

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 6-2b**  
**College Students**  
**Analysis of Question 16**  
**Who Has the Most Retirement Money**

	(a)	(b)	(c)	(d)*
	<u>Same</u>	<u>Rob-- Saved More</u>	<u>Mary-- Saved More</u>	<u>Mary --Money Compounded Longer</u>
All Students 2008	22.9%	6.1%	9.5%	61.6%
<u>College Class</u>				
Freshman	25.0	8.9	8.9	57.1
Sophomore	22.8	7.4	9.1	60.7
Junior	23.6	4.5	7.9	64.0
Senior	20.2	3.5	12.0	64.3
<u>Type of College</u>				
Four Year	22.2	6.2	9.2	62.4
Two Year	25.5	5.7	10.9	57.8
<u>Major</u>				
Arts	14.5	10.0	9.1	66.4
Business or Econ.	19.3	5.7	7.3	67.7
Engineering	19.2	5.8	9.6	65.4
Humanities	12.0	5.3	10.7	72.0
Nursing	36.2	8.6	13.8	41.4
Science	25.7	5.3	5.9	63.2
Social Science	28.7	3.8	12.1	55.4
Other	25.1	6.2	10.6	58.1
<u>Expected Education</u>				
Associate Degree	23.5	11.2	11.2	54.1
Bachelor Degree	19.0	6.6	10.9	63.5
Master's Degree	26.4	4.0	8.3	61.2
Doctorate, Law or Professional	27.7	5.2	5.8	61.3
<u>Expected Full-Time Income</u>				
Under \$30,000	22.2	7.8	13.8	56.3
\$30,000 to \$39,999	17.2	6.1	10.7	66.0
\$40,000 to \$49,999	25.5	2.8	8.3	63.4
\$50,000 or more	26.7	7.5	6.8	59.0
<i>High School</i>	24.8	11.7	12.5	51.1

**Table 6-2b (continued)**  
**College Students**  
**Analysis of Question 16**  
**Who Has the Most Retirement Money**

	(a)	(b)	(c)	(d)*
	<u>Same</u>	<u>Rob-- Saved More</u>	<u>Mary-- Saved More</u>	<u>Mary—Money Compounded Longer</u>
All Students 2008	22.9%	6.1%	9.5%	61.6%
<u>Parents' Income</u>				
Less than \$20,000	23.9	15.9	17.7	42.5
\$20,000 to \$39,999	18.4	7.5	15.6	58.5
\$40,000 to \$79,999	24.1	4.3	7.6	64.0
\$80,000 or more	20.7	3.4	6.8	69.0
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	25.0	10.0	15.0	50.0
Completed H.S.	22.8	5.4	12.6	59.3
Some College	28.9	7.0	9.5	54.6
College Grad or More	19.9	5.6	8.4	66.2
<u>Sex</u>				
Female	22.7	5.8	9.5	62.1
Male	23.6	7.3	9.4	59.7
<u>Race</u>				
White	21.1	5.4	9.1	64.4
African-American	27.1	14.1	14.1	44.7
Hispanic American	28.3	1.7	10.0	60.0
Asian-American	28.4	7.5	6.0	58.2
<i>High School</i>	24.8	11.7	12.5	51.1

**Table 6-2b (continued)**  
**College Students**  
**Analysis of Question 16**  
**Who Has the Most Retirement Money**

	(a)	(b)	(c)	(d)*
	<u>Same</u>	<u>Rob-- Saved More</u>	<u>Mary-- Saved More</u>	<u>Mary—Money Compounded Longer</u>
All Students 2008	22.9%	6.1%	9.5%	61.6%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	25.0	7.3	9.7	58.1
Portion of Money Mgt.	26.2	6.3	11.5	56.0
Entire Course, Economics	26.8	6.3	7.9	58.9
Portion Course, Economics	19.6	6.3	10.1	63.9
Stock Mkt. Game in Class	25.1	3.6	8.6	62.7
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	16.2	9.1	9.1	65.7
Portion of Money Mgt.	20.0	7.9	10.7	61.4
Entire Course, Economics	22.2	6.5	7.3	64.1
Entire Course, Finance	13.3	7.6	11.4	67.6
Entire Course, Accounting	17.4	5.1	8.2	69.2
<i>High School</i>	24.8	11.7	12.5	51.1

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

## Risk, Return and Liquidity

**Question 3. Rebecca has saved \$12,000 for her college expenses by working part-time. Her plan is to start college next year, and she needs all of the money she saved. Which of the following is the safest place for her college money?**

- a) Locked in her closet at home.
- b) Stocks.
- c) Corporate bonds.
- d) A bank savings account.

The correct answer is d) *a bank savings account*.

Money locked in a closet at home may be stolen. Stocks and corporate bonds tend to fluctuate in value and may be worth less than \$12,000 at the time Rebecca needs it.

### High School Results from Question 3

Table 6-3a, below, shows that 87.7 percent of students answered this question correctly. This was the second highest proportion since the surveys began. Asian-Americans did best on the question, and students who had taken a full-semester course in money management did *worse* than others on this question, in spite of the fact that it is currently relevant to college-bound students who comprise the vast majority of those included in the survey. It appears that either the importance of liquidity isn't covered in such a course or it isn't covered in a way that makes it important to the lives and current plans of the students.

### College Results from Question 3

Very few college students, just slightly more than 10 percent, got this question wrong (Table 6-3b). Not only do college students have more experience with savings, but a question about saving for college is right in their wheelhouse. When percentages of correct answers are this high, it is not generally useful to see which elements of the population did better than others.

**Table 6-3a**  
**High School Students**  
**Analysis of Question 3**  
**Safest Place for College Money**

	(a)	(b)	(c)	(d)*
	<u>Closet</u>	<u>Stocks</u>	<u>Corporate Bonds</u>	<u>Bank Savings Account</u>
All Students 2008	3.7%	3.7%	4.8%	87.7%
All Students 2006	5.3%	3.9%	10.4%	80.4%
All Students 2004	2.8%	1.8%	5.2%	90.2%
All Students 2002	5.1%	6.9%	9.6%	78.3%
All Students 2000	2.2%	5.6%	8.3%	83.2%
All Students 1997	3.6%	3.1%	7.0%	86.3%
<u>Parents' Income</u>				
Less than \$20,000	4.7	4.7	7.1	83.4
\$20,000 to \$39,999	4.4	3.4	4.4	87.8
\$40,000 to \$79,999	1.9	3.7	4.0	90.5
\$80,000 or more	4.4	3.3	5.5	86.8
Don't Know	3.6	4.1	4.5	87.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	5.9	3.7	5.1	85.3
Completed H.S.	3.5	4.0	4.7	87.9
Some College	2.0	3.5	5.1	89.4
College Grad or More	2.7	3.1	4.4	89.8
Don't Know	12.4	7.3	6.6	73.7
<u>Sex</u>				
Female	3.5	3.8	4.5	88.1
Male	3.7	3.5	5.3	87.5
<u>Race</u>				
White	3.1	2.8	4.8	89.3
African-American	4.0	5.9	6.9	83.2
Hispanic American	4.4	3.4	3.6	88.6
Asian American	2.3	.0	3.4	94.3
Native American	7.4	11.1	5.6	75.9
Other	3.9	6.3	5.5	84.3

**Table 6-3a (continued)**  
**High School Students**  
**Analysis of Question 3**  
**Safest Place for College Money**

	(a)	(b)	(c)	(d)*
	<u>Closet</u>	<u>Stocks</u>	<u>Corporate Bonds</u>	<u>Bank Savings Account</u>
<u>Educational Plans</u>				
No Further Ed.	13.7	7.8	7.8	70.6
2-year or Jr. College	3.2	4.5	4.3	88.0
4-year College	3.1	3.0	4.8	89.1
Other Training or Ed.	6.3	4.4	5.0	84.4
Don't Know	5.0	6.7	4.2	84.2
<u>Planned Occupation</u>				
Manual Work	6.2	12.3	7.7	73.8
Skilled Trade	7.1	4.5	5.8	82.6
Service Worker	5.2	7.0	5.2	82.6
Professional Worker	2.7	2.6	4.4	90.3
Other or Don't Know	3.7	2.8	4.9	88.6
<u>Expected Full-Time Income</u>				
Under \$15,000	8.5	9.8	4.9	76.8
\$15,000 to \$19,999	3.1	6.9	3.8	86.2
\$20,000 to \$29,999	2.8	5.2	5.2	86.9
\$30,000 to \$39,999	2.1	3.1	3.5	91.3
\$40,000 or more	4.2	2.9	5.3	87.6
Don't Know	4.4	2.9	5.4	87.2
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	3.9	3.9	5.9	86.3
Portion of Course, Money				
Mgt./Personal Finance	3.5	3.0	3.8	89.6
Entire Course, Econ.				
Mgt./Personal Finance	3.3	4.0	5.0	87.7
Portion Course, Econ.				
Mgt./Personal Finance	3.4	3.4	5.7	87.6
Stock Mkt. Game in Class	3.5	2.1	4.5	89.9

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.



**Table 6-3b**  
**College Students**  
**Analysis of Question 3**  
**Safest Place for College Money**

	(a)	(b)	(c)	(d)*
	<u>Closet</u>	<u>Stocks</u>	<u>Corporate Bonds</u>	<u>Bank Savings Account</u>
All Students 2008	2.7%	2.3%	5.3%	89.6%
<u>College Class</u>				
Freshman	3.6	3.1	4.9	88.4
Sophomore	2.7	3.0	5.0	89.4
Junior	2.0	1.2	5.3	91.4
Senior	2.3	1.9	6.2	89.5
<u>Type of College</u>				
Four Year	2.0	2.7	5.3	90.0
Two Year	5.1	1.0	5.6	88.2
<u>Major</u>				
Arts	3.7	2.8	3.7	89.9
Business or Econ.	1.6	5.2	5.2	88.1
Engineering	5.6	--	7.4	87.0
Humanities	2.7	--	6.7	90.7
Nursing	5.1	1.7	1.7	91.5
Science	2.0	.7	5.9	91.5
Social Science	4.4	1.9	5.7	88.0
Other	1.3	2.6	5.7	90.4
<u>Expected Education</u>				
Associate Degree	9.2	2.0	4.1	84.7
Bachelor Degree	1.7	3.4	4.9	90.1
Master's Degree	1.4	1.8	5.4	91.3
Doctorate, Law or Professional	2.9	.6	6.9	89.6
<u>Expected Full-Time Income</u>				
Under \$30,000	3.6	4.8	4.2	87.5
\$30,000 to \$39,999	2.3	2.9	5.2	89.6
\$40,000 to \$49,999	2.8	.5	6.5	90.3
\$50,000 or more	2.1	1.8	5.2	90.8
<i>High School</i>	3.7	3.7	4.8	87.7

**Table 6-3b (continued)**  
**College Students**  
**Analysis of Question 3**  
**Safest Place for College Money**

	(a)	(b)	(c)	(d)*
	<u>Closet</u>	<u>Stocks</u>	<u>Corporate Bonds</u>	<u>Bank Savings Account</u>
All Students 2008	2.7%	2.3%	5.3%	89.6%
<u>Parents' Income</u>				
Less than \$20,000	7.0	3.5	7.9	81.6
\$20,000 to \$39,999	4.1	--	7.5	88.4
\$40,000 to \$79,999	2.0	2.3	3.3	92.5
\$80,000 or more	1.5	2.8	4.9	90.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	9.1	--	9.1	81.8
Completed H.S.	2.4	--	4.8	92.8
Some College	3.5	3.1	6.3	87.1
College Grad or More	1.9	2.8	4.8	90.5
<u>Sex</u>				
Female	2.6	1.8	4.9	90.8
Male	2.5	4.2	6.4	86.9
<u>Race</u>				
White	2.1	2.2	4.3	91.4
African-American	1.1	5.7	10.3	82.8
Hispanic American	5.0	--	6.7	88.3
Asian-American	3.0	3.0	10.4	83.6
<i>High School</i>	3.7	3.7	4.8	87.7

**Table 6-3b (continued)**  
**College Students**  
**Analysis of Question 3**  
**Safest Place for College Money**

	(a)	(b)	(c)	(d)*
	<u>Closet</u>	<u>Stocks</u>	<u>Corporate Bonds</u>	<u>Bank Savings Account</u>
All Students 2008	2.7%	2.3%	5.3%	89.6%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	.8	2.4	7.3	89.5
Portion of Money Mgt.	3.5	3.5	2.8	90.2
Entire Course, Economics	1.6	2.2	5.5	90.7
Portion Course, Economics	2.5	1.3	6.9	89.4
Stock Mkt. Game in Class	2.3	1.0	4.9	91.8
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	2.0	3.0	5.1	89.9
Portion of Money Mgt.	3.5	5.7	5.7	85.1
Entire Course, Economics	2.7	1.9	7.3	88.2
Entire Course, Finance	1.0	1.9	7.6	89.5
Entire Course, Accounting		2.0	7.1	90.8
<i>High School</i>	3.7	3.7	4.8	87.7

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Question 11. Sara and Joshua just had a baby. They received money as baby gifts and want to put it away for the baby's education. Which of the following tends to have the highest growth over periods of time as long as 18 years?**

- a) A checking account.
- b) Stocks.
- c) A U.S. Govt. savings bond.
- d) A savings account.

The correct answer is b) *Stocks*.

### **High School Results from Question 11**

Only 16.8 percent of students answered this question correctly (Table 6-4a). It should be noted that at the time this survey was done, late 2007 and early 2008, the great bear market of 2008 had not yet begun and could not account for the low level of trust in equities.

From the time that these data were first collected in 1926, there has never been an 18-year period in which stocks have *not* had a higher rate of growth than the other three assets given as choices in this problem! Chances are that most of these students will not have an opportunity to learn much more about investments until they are forced to choose investment vehicles that will constitute their 401(k)'s. The difference in historical growth rates between equities and the other investment choices in this problem is so large that over 45 years of work, the investment in equities is almost certain to be worth many times the amount that would result from investing in savings bonds, savings accounts or checking accounts.

Stocks, however, also tend to be riskier since values fluctuate more than the other assets included in this question over short periods of time. Therefore, stocks are considered to be a good long-term investment but not a very good short-term investment if the money is needed in a relatively short period of time.

In each study, including the current survey, students were far more likely to choose U.S. Government Savings bonds and savings accounts than stocks for maximizing likely *growth* over 18 years.

Men did much better than women on this question and have done so since the surveys began. Whites did only slightly better than African-Americans. Native Americans did extremely well on this question, as they have in the past, but the reason for their extraordinary performance cannot be determined.

As might be anticipated, those who owned stocks did quite a bit better than others in answering this question correctly. Twenty-nine point four percent of students who owned stock in their own name and 28.7 percent who owned stocks in their parents' name got this correct. Surprisingly, those who played the stock market game did *only slightly better than average* (17.7 percent correct). This finding is consistent with the results of the 2004 and 2006 studies and may indicate that students who play this game do not learn much about instruments other than stocks and may also come away from the game with the feeling that stocks are too risky to employ for important goals, even over periods as long as 18 years.

### **College Results from Question 11**

College students did not do much better than their high school counterparts on this critical question (Table 6-4b). Only 19.2 percent of college students felt that stocks would grow faster than checking accounts (2 percent), U.S. Government Savings bonds (61.9 percent) or savings accounts (17 percent) over an 18 year holding period. And, as noted above, the great bear market in stocks had not yet begun in earnest at the time of this survey.

This response has severe ramifications for the retirement of today's young people. Those who are currently in college will soon be asked to make asset allocations of their 401k retirement savings. A choice of savings bonds (or equivalent secure instruments) over a 45 year period has historically resulted in total accumulation that is a fraction of the returns expected from equities. If we add to this the impact of the current bear market in stocks, it is likely that even *fewer* young people will choose to invest in equities.

Offsetting this, to some extent, is the 2006 Pension Protection Act that chooses equity investments for young workers who do not make their own asset allocations in a 401k plan. These plans automatically vary asset allocation over the life cycle, winding down the proportion of equities as workers approach retirement.

In contrast to other difficult questions, students with more education did not generally do better than others on this question. In fact, the only systematic variable that yields superior results was experience in managing one's money. Only 14 percent of students who owned no securities chose "stock" as the best investment. However, 29 percent of those who owned stocks in their own name and 28.7 percent who owned stock in their parents' name did make this choice.

**Table 6-4a**  
**High School Students**  
**Analysis of Question 11**  
**Highest Likely Growth Over 18 Years**

	(a)	(b)	(c)	(d)*
	<u>Checking</u>	<u>Stock</u>	<u>U.S. Gov't.</u>	<u>Savings</u>
	<u>Account</u>	<u>Account</u>	<u>Savings Bond</u>	<u>Account</u>
All Students 2008	4.7%	16.8%	37.3%	41.3%
All Students 2006	6.2%	14.2%	44.8%	34.8%
All Students 2004	3.3%	17.2%	45.9%	33.6%
All Students 2002	3.6%	18.7%	40.2%	35.7%
All Students 2000	3.0%	23.4%	36.9%	35.8%
All Students 1997	2.7%	14.7%	54.7%	27.9%
<u>Parents' Income</u>				
Less than \$20,000	4.7	15.4	32.3	47.6
\$20,000 to \$39,999	4.4	15.6	36.8	43.2
\$40,000 to \$79,999	4.5	15.4	41.7	38.5
\$80,000 or more	4.8	23.5	40.4	31.3
Don't Know	4.9	12.0	31.2	51.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	5.2	11.5	37.0	46.3
Completed H.S.	4.0	14.1	37.3	44.6
Some College	4.1	13.3	38.2	44.3
College Grad or More	4.9	21.2	38.0	35.9
Don't Know	8.0	21.2	29.2	41.6
<u>Sex</u>				
Female	4.2	13.8	37.1	44.8
Male	5.1	20.0	37.6	37.4
<u>Race</u>				
White	4.2	17.8	42.2	35.8
African-American	5.3	16.8	29.0	48.9
Hispanic American	4.0	12.3	29.5	54.1
Asian-American	8.0	19.5	37.9	34.5
Native American	5.8	26.9	40.4	26.9
Other	8.8	16.0	33.6	41.6

**Table 6-4a (continued)**  
**High School Students**  
**Analysis of Question 11**  
**Highest Likely Growth Over 18 Years**

	(a) <u>Checking Account</u>	(b) <u>Stock</u>	(c) <u>U.S. Gov't. Savings Bond</u>	(d)* <u>Savings Account</u>
<u>Educational Plans</u>				
No Further Ed.	7.8	25.5	17.6	49.0
2-year or Jr. College	4.8	15.9	34.4	44.9
4-year College	4.2	16.9	38.8	40.1
Other Training or Ed.	5.0	14.5	40.3	40.3
Don't Know	7.6	15.1	33.6	43.7
<u>Planned Occupation</u>				
Manual Work	4.6	15.4	36.9	43.1
Skilled Trade	6.5	18.1	45.8	29.7
Service Worker	4.6	20.8	36.4	38.2
Professional Worker	4.1	15.5	38.6	41.8
Other or Don't Know	5.4	16.6	33.7	44.3
<u>Expected Full-Time Income</u>				
Under \$15,000	7.6	15.2	35.4	41.8
\$15,000 to \$19,999	8.1	15.6	29.4	46.9
\$20,000 to \$29,999	5.6	14.3	41.8	38.2
\$30,000 to \$39,999	3.7	13.6	40.7	41.9
\$40,000 or more	3.7	18.9	38.7	38.7
Don't Know	5.4	16.5	31.1	46.9
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	5.7	17.3	37.1	39.9
Portion of Course, Money				
Mgt./Personal Finance	4.8	15.5	39.3	40.4
Entire Course, Econ.	4.2	18.6	39.6	37.6
Portion Course, Econ.	3.2	18.8	36.3	41.8
Stock Mkt. Game in Class	4.5	17.7	43.4	34.4

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 6-4a (continued)**  
**High School Students**  
**Analysis of Question 11**  
**Highest Likely Growth Over 18 Years**

	(a) <u>Checking</u> <u>Account</u>	(b) <u>Stock</u>	(c) <u>U.S. Gov't.</u> <u>Savings Bond</u>	(d)* <u>Savings</u> <u>Account</u>
<u>Security Ownership</u>				
None	4.0	14.0	36.8	45.2
Stocks in Own Name	5.9	29.4	40.6	24.1
Stocks in Parents' Name	6.2	28.7	35.9	29.2
Mut. Funds in Own Name	7.6	25.0	46.5	20.8
Mut. Funds in Parents' Name	6.7	20.7	36.7	36.0



**Table 6-4b**  
**College Students**  
**Analysis of Question 11**  
**Highest Likely Growth Over 18 Years**

	(a) Checking <u>Account</u>	(b)* <u>Stocks</u>	(c) U.S. Gov't. <u>Savings Bond</u>	(d) Savings <u>Account</u>
All Students 2008	2.0%	19.2%	61.9%	17.0%
<u>College Class</u>				
Freshman	2.3	18.0	56.8	23.0
Sophomore	3.7	17.4	61.7	17.1
Junior	1.7	24.1	60.6	13.7
Senior	--	17.2	68.0	14.8
<u>Type of College</u>				
Four Year	1.8	19.6	62.7	15.9
Two Year	2.1	17.3	58.6	22.0
<u>Major</u>				
Arts	3.7	13.9	57.4	25.0
Business or Econ.	2.6	27.7	57.1	12.6
Engineering	--	24.5	56.6	18.9
Humanities	1.3	12.0	68.0	18.7
Nursing	3.4	12.1	72.4	12.1
Science	.7	21.2	62.9	15.2
Social Science	1.9	17.8	66.9	13.4
Other	1.8	16.9	60.4	20.9
<u>Expected Education</u>				
Associate Degree	5.2	15.5	61.9	17.5
Bachelor Degree	2.2	19.8	58.7	19.4
Master's Degree	.7	21.4	64.5	13.4
Doctorate, Law or Professional Degree	1.7	16.2	65.9	16.2
<u>Expected Full-Time Income</u>				
Under \$30,000	6.1	17.0	56.4	20.6
\$30,000 to \$39,999	1.6	18.2	62.2	17.9
\$40,000 to \$49,999	.9	17.7	66.5	14.9
\$50,000 or more	.9	22.4	60.6	16.1
<i>High School</i>	4.7	16.8%	37.3	41.3

**Table 6-4b (continued)**  
**College Students**  
**Analysis of Question 11**  
**Highest Likely Growth Over 18 Years**

	(a) Checking <u>Account</u>	(b)* <u>Stocks</u>	(c) U.S. Gov't. <u>Savings Bond</u>	(d) Savings <u>Account</u>
All Students 2008	2.0%	19.2%	61.9%	17.0%
<u>Parents' Income</u>				
Less than \$20,000	8.1	21.6	44.1	26.1
\$20,000 to \$39,999	.7	12.9	63.3	23.1
\$40,000 to \$79,999	1.0	16.6	67.4	15.0
\$80,000 or more	.9	24.5	61.0	13.6
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	--	19.0	42.9	38.1
Completed H.S.	1.2	13.9	65.1	19.9
Some College	4.2	20.1	58.3	17.3
College Grad or More	1.1	20.6	62.7	15.5
<u>Sex</u>				
Female	1.7	16.2	64.1	18.0
Male	3.0	3.0	53.9	14.2
<u>Race</u>				
White	2.1	19.4	62.3	16.2
African-American	2.4	13.1	69.0	15.5
Hispanic American	--	15.3	61.0	23.7
Asian-American	1.5	30.3	47.0	21.2
<i>High School</i>	4.7	16.8	37.3	41.3

**Table 6-4b (continued)**  
**College Students**  
**Analysis of Question 11**  
**Highest Likely Growth Over 18 Years**

	(a) Checking <u>Account</u>	(b)* <u>Stocks</u>	(c) U.S. Gov't. <u>Savings Bond</u>	(d) Savings <u>Account</u>
All Students 2008	2.0%	19.2%	61.9%	17.0%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	3.3	22.8	60.2	13.8
Portion of Money Mgt.	2.0	21.9	64.9	11.2
Entire Course, Economics	1.4	20.0	63.2	15.3
Portion Course, Economics	.6	21.4	61.0	17.0
Stock Mkt. Game in Class	1.0	23.9	63.1	12.0
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	3.1	21.4	60.2	15.3
Portion of Money Mgt.	2.9	22.5	60.9	13.8
Entire Course, Economics	2.4	21.9	63.0	12.7
Entire Course, Finance	3.8	28.6	61.0	6.7
Entire Course, Accounting	.5	27.6	61.7	10.2
<i>High School</i>	4.7	16.8	37.3	41.3

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Question 9. Many people put aside money to take care of unexpected expenses. If Juan and Elva have money put aside for emergencies, in which of the following forms would it be of LEAST benefit to them if they needed it right away?**

- a) Invested in down payment on the house.
- b) Checking account.
- c) Stocks
- d) Savings account.

The correct answer is money a) *Invested in a down payment on the house.*

It is important to have “liquid” assets that are available at any time to meet emergencies. Money invested in a down payment on a house is not very liquid since it takes time to sell a house to get the money. In addition, while they may be able to take out a fraction of the down payment in the form of a home equity loan, this could take some time and would not give them access to all of the funds they had invested in their house.

### **High School Results from Question 9**

In all, 40.1 percent of the students answered the question correctly (Table 6-5a). This was the lowest proportion of correct answers since the study began and may have reflected the tail end of the home financing bubble in which home equity loans were widely promoted. Almost a third felt that stocks would be of least benefit, reflecting a general aversion to stocks that permeates many of the answers.

Students from higher income and better educated families were more likely than others to give the correct answer as were (overwhelmingly) Whites. Students from home-owning families were also much more likely than renters to get this question correct.

### **College Results from Question 9**

In contrast to the high school students, 64 percent of college students got this question right (Table 6-5b). This went up with the student’s number of years of college and expected education and was highest for those majoring in a social science. Females were more likely than males to get this question correct.

Those who had taken a full semester of money management or personal finance in high school or college tended to do especially poorly on this question, indicating a lack of conceptual understanding of the meaning and value of liquidity.

**Table 6-5a**  
**High School Students**  
**Analysis of Question 9**  
**Least Benefit in Emergencies**

	(a)* Down Payment <u>on House</u>	(b) Checking <u>Account</u>	(c) <u>Stocks</u>	(d) Savings <u>Account</u>
All Students 2008	40.1%	13.2%	32.1%	14.6%
All Students 2006	42.8%	8.5%	35.6%	13.1%
All Students 2004	42.9%	8.6%	33.5%	15.0%
All Students 2002	42.4%	8.3%	34.3%	15.1%
All Students 2000	48.3%	10.6%	28.9%	11.8%
All Students 1997	52.9%	8.4%	29.9%	8.7%
<u>Parents' Income</u>				
Less than \$20,000	35.6	11.9	33.2	19.4
\$20,000 to \$39,999	35.7	13.5	33.6	17.1
\$40,000 to \$79,999	42.4	12.8	34.1	10.7
\$80,000 or more	46.2	11.2	31.0	11.6
Don't Know	36.7	15.5	28.8	19.1
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	34.7	15.5	29.9	19.9
Completed H.S.	36.5	13.0	33.7	16.8
Some College	39.7	13.9	32.8	13.6
College Grad or More	46.9	10.4	31.3	11.4
Don't Know	24.4	20.0	33.3	22.2
<u>Sex</u>				
Female	38.7	13.1	33.0	15.2
Male	41.7	13.4	31.2	13.7
<u>Race</u>				
White	46.0	11.2	32.2	10.6
African-American	31.7	16.0	34.5	17.9
Hispanic American	34.8	14.2	29.9	21.0
Asian-American	27.6	17.2	31.0	24.1
Native American	28.3	26.4	22.6	22.6
Other	34.4	14.1	35.9	15.6

**Table 6-5a (continued)**  
**High School Students**  
**Analysis of Question 9**  
**Least Benefit in Emergencies**

	(a)* Down Payment <u>on House</u>	(b) Checking <u>Account</u>	(c) <u>Stocks</u>	(d) Savings <u>Account</u>
<u>Educational Plans</u>				
No Further Ed.	41.2	9.8	27.5	21.6
2-year or Jr. College	32.1	15.4	31.7	20.8
4-year College	43.5	11.9	32.7	12.0
Other Training or Ed.	36.0	13.7	32.9	17.4
Don't Know	29.2	19.2	29.2	22.5
<u>Planned Occupation</u>				
Manual Work	26.2	20.0	30.8	23.1
Skilled Trade	37.3	16.3	32.7	13.7
Service Worker	35.9	14.6	32.1	15.3
Professional Worker	44.9	11.7	31.3	12.1
Other or Don't Know	35.8	13.0	32.8	18.4
<u>Expected Full-Time Income</u>				
Under \$15,000	35.4	19.0	24.1	21.5
\$15,000 to \$19,999	29.2	16.1	34.8	19.9
\$20,000 to \$29,999	39.6	14.0	34.4	12.0
\$30,000 to \$39,999	40.4	12.6	33.6	13.4
\$40,000 or more	43.8	11.8	30.5	13.9
Don't Know	36.0	13.3	33.6	17.0
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	37.8	14.5	30.6	17.1
Portion of Course, Money				
Mgt./Personal Finance	40.9	11.2	31.9	16.0
Entire Course, Econ.	40.7	12.6	31.3	15.5
Portion Course, Econ.	40.9	11.7	33.5	13.9
Stock Mkt. Game in Class	44.5	12.0	31.1	12.4
<u>Home Ownership</u>				
Rent	33.0	14.7	32.5	19.8
Own	42.1	12.7	32.1	13.2

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 6-5b**  
**College Students**  
**Analysis of Question 9**  
**Least Benefit in Emergencies**

	(a)* Down Payment <u>on House</u>	(b) Checking <u>Account</u>	(c) <u>Stocks</u>	(d) Savings <u>Account</u>
All Students 2008	64.0%	6.5%	22.9%	6.5%
<u>College Class</u>				
Freshman	59.8	6.3	26.3	7.6
Sophomore	62.7	8.3	23.7	5.3
Junior	63.4	4.9	24.3	7.4
Senior	69.5	6.3	18.0	6.3
<u>Type of College</u>				
Four Year	65.4	5.8	22.0	6.8
Two Year	57.7	9.3	27.3	5.7
<u>Major</u>				
Arts	59.1	10.9	26.4	3.6
Business or Econ.	67.0	5.8	16.2	11.0
Engineering	67.9	7.5	15.1	9.4
Humanities	64.0	6.7	21.3	8.0
Nursing	50.8	3.4	37.3	8.5
Science	65.1	5.3	25.0	4.6
Social Science	68.8	5.1	21.7	4.5
Other	62.1	7.5	25.1	5.3
<u>Expected Education</u>				
Associate Degree	52.0	10.2	25.5	12.2
Bachelor Degree	60.3	7.9	24.6	7.2
Master's Degree	68.8	5.1	20.7	5.4
Doctorate, Law or Professional	72.1	3.5	20.9	3.5
<u>Expected Full-Time Income</u>				
Under \$30,000	51.2	11.9	26.2	10.7
\$30,000 to \$39,999	63.6	4.5	26.3	5.5
\$40,000 to \$49,999	68.4	4.2	23.7	3.7
\$50,000 or more	67.3	7.1	18.2	7.4
<i>High School</i>	40.1	13.2	32.1	14.6

**Table 6-5b (continued)**  
**College Students**  
**Analysis of Question 9**  
**Least Benefit in Emergencies**

	(a)* Down Payment <u>on House</u>	(b) Checking <u>Account</u>	(c) <u>Stocks</u>	(d) Savings <u>Account</u>
All Students 2008	64.0%	6.5%	22.9%	6.5%
<u>Parents' Income</u>				
Less than \$20,000	45.6	14.9	28.1	11.4
\$20,000 to \$39,999	63.9	4.8	25.9%	5.4
\$40,000 to \$79,999	65.1	4.9	25.0	4.9
\$80,000 or more	71.6	5.6	15.7	7.1
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	57.1	4.8	23.8	14.3
Completed H.S.	66.5	7.8	23.4	2.4
Some College	57.2	8.4	24.9	9.5
College Grad or More	66.7	5.2	22.2	6.0
<u>Sex</u>				
Female	64.8	4.7	25.5	5.0
Male	60.3	12.8	15.0	12.0
<u>Race</u>				
White	65.8	6.1	22.0	6.0
African-American	54.0	10.3	26.4	9.2
Hispanic American	61.0	6.8	27.1	5.1
Asian-American	57.6	9.1	21.2	12.1
<i>High School</i>	40.1	13.2	32.1	14.6



**Table 6-5b**  
**Analysis of Question 9**  
**Least Benefit in Emergencies**

	(a)* Down Payment <u>on House</u>	(b) Checking <u>Account</u>	(c) <u>Stocks</u>	(d) Savings <u>Account</u>
All Students 2008	64.0%	6.5%	22.9%	6.5%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	59.7	10.5	21.8	8.1
Portion of Money Mgt.	65.7	7.5	21.7	5.1
Entire Course, Economics				
Portion Course, Economics	64.0	5.7	22.7	7.7
Stock Mkt. Game in Class	69.4	6.3	18.1	6.3
	69.7	4.3	18.4	7.6
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	59.6	7.1	24.2	9.1
Portion of Money Mgt.	58.9	12.1	24.1	5.0
Entire Course, Economics				
Entire Course, Finance	65.1	6.5	21.1	7.3
Entire Course, Accounting	64.4	3.8	21.2	10.6
	66.5	5.2	19.6	8.8
<i>High School</i>	<i>40.1</i>	<i>13.2</i>	<i>32.1</i>	<i>14.6</i>

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Question 25. Many savings programs are protected by the Federal government against loss. Which of the following is not?**

- a) A U.S. Savings Bond
- b) A certificate of deposit at the bank.
- c) A bond issued by one of the 50 states.
- d) A U.S. Treasury Bond.

The correct answer is c) *A bond issued by one of the 50 States.*

Savings bonds are issued by, and guaranteed by the Federal Government, as are U.S. Treasury Bonds. Certificates of deposit at a bank tend to be insured by an agency of the Federal Government. Bonds that are issued by a state tend to be safe but are guaranteed by the state and not by the federal government.

### **High School Results from Question 25**

Just 28.4 percent of the students answered this question correctly (Table 6-6a). While few high school students are expected to know much about state bonds, they should have been able to rule out U. S. Savings Bonds and U. S. Treasury Bonds since they are issued by the Federal Government and thus protected by the government against loss. They also should presumably know that a certificate of deposit at the bank, like other bank accounts, is almost always insured by the Federal Government against loss. This would leave bonds issued by the states as the only possible correct answer.

### **College Results from Question 25**

College students did a little better on this question than did the high school seniors with 37.4 answering it correctly (Table 6-6b). Males did far better than females on this question and this was one question where those who study business or economics did substantially better than others (44.8 percent correct).

There was little relationship between correct answers and socio-economic status on this question.

**Table 6-6a**  
**High School Students**  
**Analysis of Question 25**  
**Assets Not Protected by the Federal Government**

	(a) U.S. Savings <u>Bond</u>	(b) Bank <u>CD</u>	(c)* State <u>Bond</u>	(d) U.S. Treasury <u>Bond</u>
All Students 2008	13.4%	43.8%	28.4%	14.4%
All Students 2006	9.7%	49.3%	28.6%	12.4%
All Students 2004	8.1%	42.3%	35.3%	14.4%
All Students 2002	9.3%	50.8%	27.1%	12.7%
All Students 2000	6.7%	45.5%	32.4%	14.5%
All Students 1997	8.0%	51.6%	29.8%	10.6%
<u>Parents' Income</u>				
Less than \$20,000	19.8	43.9	23.7	12.6
\$20,000 to \$39,999	13.9	46.6	25.8	13.7
\$40,000 to \$79,999	10.9	46.8	27.2	15.2
\$80,000 or more	11.7	40.3	34.6	13.4
Don't Know	15.2	40.6	27.7	16.5
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	19.1	37.5	27.9	15.4
Completed H.S.	14.1	43.8	28.0	14.2
Some College	11.7	47.0	27.6	13.7
College Grad or More	11.7	44.3	29.9	14.1
Don't Know	17.6	40.4	24.3	17.6
<u>Sex</u>				
Female	12.9	45.4	25.5	16.2
Male	13.8	41.9	32.0	12.2
<u>Race</u>				
White	11.0	45.9	30.0	13.1
African-American	17.5	43.4	25.3	13.8
Hispanic American	15.0	39.5	28.3	17.1
Asian-American	13.8	46.0	26.4	13.8
Native American	27.8	24.1	27.8	20.4
Other	14.3	42.9	23.0	19.8

**Table 6-6a (continued)**  
**High School Students**  
**Analysis of Question 25**  
**Assets Not Protected by the Federal Government**

	(a) U.S. Savings <u>Bond</u>	(b) Bank <u>CD</u>	(c)* State <u>Bond</u>	(d) U.S. Treasury <u>Bond</u>
<u>Educational Plans</u>				
No Further Ed.	37.3	25.5	21.6	15.7
2-year or Jr. College	13.3	45.7	25.8	15.2
4-year College	12.0	44.9	29.4	13.7
Other Training or Ed.	13.1	41.3	31.9	13.8
Don't Know	23.9	34.2	22.2	19.7
<u>Planned Occupation</u>				
Manual Work	21.2	31.8	24.2	22.7
Skilled Trade	18.1	38.7	30.3	12.9
Service Worker	18.8	44.6	24.7	11.8
Professional Worker	10.6	45.9	29.5	14.0
Other or Don't Know	14.0	42.3	28.2	15.5
<u>Expected Full-Time Income</u>				
Under \$15,000	22.2	37.0	23.5	17.3
\$15,000 to \$19,999	18.0	39.1	25.5	17.4
\$20,000 to \$29,999	15.7	47.8	24.5	12.0
\$30,000 to \$39,999	13.0	44.9	28.4	13.8
\$40,000 or more	11.1	43.6	30.6	14.7
Don't Know	14.4	44.1	27.5	14.1
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	15.5	43.3	24.5	16.7
Portion of Course, Money				
Mgt./Personal Finance	12.8	44.6	27.3	15.3
Entire Course, Econ.				
Portion Course, Econ.	12.9	42.9	28.7	15.5
Stock Mkt. Game in Class				
	13.6	40.9	32.1	13.4
	11.7	42.8	30.5	15.0

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 6-6b**  
**College Students**  
**Analysis of Question 25**  
**Assets Not Protected by the Federal Government**

	(a) U.S. Savings <u>Bond</u>	(b) Bank <u>CD</u>	(c)* State <u>Bond</u>	(d) U.S. Treasury <u>Bond</u>
All Students 2008	6.2%	48.2%	37.4%	8.2%
<u>College Class</u>				
Freshman	6.7	50.0	33.5	9.8
Sophomore	6.6	44.5	41.2	7.6
Junior	5.8	47.9	38.4	7.9
Senior	5.5	51.6	35.5	7.4
<u>Type of College</u>				
Four Year	6.2	48.6	37.4	7.9
Two Year	5.7	47.2	37.3	9.8
<u>Major</u>				
Arts	4.6	48.6	34.9	11.9
Business or Econ	4.7	42.7	44.8	7.8
Engineering	13.0	42.6	37.0	7.4
Humanities	4.1	48.6	33.8	13.5
Nursing	3.4	57.6	32.2	6.8
Science	5.9	53.3	35.5	5.3
Social Science	8.3	47.1	36.9	7.6
Other	6.6	48.9	36.6	7.9
<u>Expected Education</u>				
Associate Degree	11.3	47.4	32.0	9.3
Bachelor Degree	5.7	48.1	37.5	8.7
Master's Degree	5.4	47.8	38.4	8.3
Doctorate, Law or Professional	5.2	50.0	39.0	5.8
<u>Expected Full-Time Income</u>				
Under \$30,000	7.8	49.4	36.1	6.6
\$30,000 to \$39,999	5.2	44.6	41.4	8.8
\$40,000 to \$49,999	5.6	50.5	36.6	7.4
\$50,000 or more	6.1	49.7	35.3	8.9
<i>High School</i>	<i>13.4</i>	<i>43.8</i>	<i>28.4</i>	<i>14.4</i>

**Table 6-6b (continued)**  
**College Students**  
**Analysis of Question 25**  
**Assets Not Protected by the Federal Government**

	(a) U.S. Savings <u>Bond</u>	(b) Bank <u>CD</u>	(c)* State <u>Bond</u>	(d) U.S. Treasury <u>Bond</u>
All Students 2008	6.2%	48.2%	37.4%	8.2%
<u>Parents' Income</u>				
Less than \$20,000	10.6	51.3	30.1	8.0
\$20,000 to \$39,999	5.5	46.2	40.7	7.6
\$40,000 to \$79,999	5.9	49.0	37.2	7.9
\$80,000 or more	5.2	44.9	40.9	8.9
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	--	42.9	52.4	4.8
Completed H.S.	6.7	58.2	29.1	6.1
Some College	5.6	50.0	35.4	9.0
College Grad or More	6.5	44.2	40.9	8.4
<u>Sex</u>				
Female	5.6	50.7	35.2	8.5
Male	7.7	40.6	44.4	7.3
<u>Race</u>				
White	5.9	49.2	37.1	7.8
African-American	6.9	41.4	44.8	6.9
Hispanic American	5.0	60.0	26.7	8.3
Asian-American	11.9	35.8	40.3	11.9
<i>High School</i>	<i>13.4</i>	<i>43.8</i>	<i>28.4</i>	<i>14.4</i>

**Table 6-6b (continued)**  
**College Students**  
**Analysis of Question 25**  
**Assets Not Protected by the Federal Government**

	(a) U.S. Savings <u>Bond</u>	(b) Bank <u>CD</u>	(c)* State <u>Bond</u>	(d) U.S. Treasury <u>Bond</u>
All Students 2008	6.2%	48.2%	37.4%	8.2%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money Mgt./Personal Finance	10.6	43.9	36.6	8.9
Portion of Money Mgt.	6.0	47.8	37.8	8.4
Entire Course, Economics	5.7	51.2	36.6	6.5
Portion Course, Economics	5.6	39.4	46.3	8.8
Stock Mkt. Game in Class	6.3	45.9	41.6	6.3
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money Mgt./Personal Finance	7.1	46.9	38.8	7.1
Portion of Money Mgt.	12.2	46.0	32.4	9.4
Entire Course, Economics	6.7	44.5	39.6	9.2
Entire Course, Finance	2.9	43.8	44.8	8.6
Entire Course, Accounting	2.6	44.6	45.1	7.7

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

## Impact of Taxes and Inflation on Savings and Investment Decisions

**Question 31. If you had a savings account at a bank, which of the following would be correct concerning the interest that you would earn on this account?**

- a) Earnings from savings account interest may not be taxed.
- b) Income tax may be charged on the interest if your income is high enough.
- c) Sales tax may be charged on the interest that you earn.
- d) You cannot earn interest until you pass your 18<sup>th</sup> birthday.

The correct answer is b) *Income tax may be charged on the interest if your income is high enough.*

Interest from investments, including money in the bank, is taxable just like wages, salaries, and other types of income.

### High School Results from Question 31

Table 6-7a shows that only 27.3 percent of the students taking the test chose the correct answer. Slightly more than 40 percent thought that earnings from savings account interest may not be taxed. This was one question in which students who had taken a full semester course in money management or personal finance did a little better than average while students who had taken a full semester economics course had done a little worse than average.

Nearly two-thirds (63.4 percent) of students had a savings account. Responses to this question were run against the type of bank account used and the results are given at the end of Table 6-7a, below. Students who had a savings account did not answer this question more accurately than those who did not. Those who had only a savings account, but no checking account, answered the question slightly better than average but those who had both a savings and checking account were less likely to get the answer correct. .

### College Results from Question 31

It was surprising that only 39 percent of college students answered this question correctly since nearly all college students have to file income taxes (Table 6-7b). This may be due, however, to the fact that only a third of college students prepare their own taxes and some of them probably have no taxable interest income. Older students were more likely to answer this correctly as were students of business or economics or students of engineering. The proportion of African-American students getting this question right was less than half of the proportion of White students.

Amazingly, those who had taken a full semester course in personal finance in high school or college were far less likely to have answered this question correctly than those who had not taken such a course. Given the importance of knowing that interest is taxable at ordinary tax rates is so critical that it makes one wonder what, exactly, is taught in a class in personal finance.



**Table 6-7a**  
**High School Students**  
**Analysis of Question 31**  
**Interest on Savings Accounts**

	(a) Not <u>Taxable</u>	(b)* Income Tax <u>Possible</u>	(c) Sales Tax <u>Possible</u>	(d) None Until <u>18<sup>th</sup> Birthday</u>
All Students 2008	40.6%	27.3%	17.8%	14.3%
All Students 2006	50.9%	22.6%	13.5%	13.0%
All Students 2004	52.0%	23.9%	14.0%	10.1%
All Students 2002	49.9%	26.6%	16.1%	7.4%
All Students 2000	54.1%	21.1%	15.0%	7.7%
All Students 1997	51.1%	32.6%	12.7%	3.6%
<u>Parents' Income</u>				
Less than \$20,000	31.7	24.1	21.7	22.5
\$20,000 to \$39,999	39.7	27.0	18.9	14.4
\$40,000 to \$79,999	45.8	26.1	16.2	12.0
\$80,000 or more	44.6	26.8	16.1	12.5
Don't Know	34.8	31.5	19.2	14.5
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	29.7	26.3	19.9	24.1
Completed H.S.	42.3	25.5	20.0	12.2
Some College	41.3	26.0	19.6	13.1
College Grad or More	45.3	28.9	14.2	11.5
Don't Know	23.7	30.4	20.7	25.2
<u>Sex</u>				
Female	41.3	26.5	16.3	15.9
Male	40.1	28.2	19.4	12.3
<u>Race</u>				
White	46.7	27.8	15.0	10.5
African-American	34.0	27.5	19.4	19.1
Hispanic American	31.5	25.9	24.1	18.5
Asian-American	42.5	28.7	10.3	18.4
Native American	33.3	27.5	17.6	21.6
Other	27.5	25.8	27.5	19.2

**Table 6-7a (continued)**  
**High School Students**  
**Analysis of Question 31**  
**Interest on Savings Accounts**

	(a) Not <u>Taxable</u>	(b)* Income Tax <u>Possible</u>	(c ) Sales Tax <u>Possible</u>	(d) None Until <u>18<sup>th</sup> Birthday</u>
<u>Educational Plans</u>				
No Further Ed.	19.6	25.5	19.6	35.3
2-year or Jr. College	33.3	28.6	19.4	18.7
4-year College	44.5	27.1	16.5	12.0
Other Training or Ed.	34.2	23.9	25.8	16.1
Don't Know	35.0	27.4	19.7	17.9
<u>Planned Occupation</u>				
Manual Work	33.3	23.8	22.2	20.6
Skilled Trade	36.8	26.3	24.3	12.5
Service Worker	37.3	27.6	19.7	15.4
Professional Worker	43.8	27.6	15.3	13.3
Other or Don't Know	38.5	26.9	19.2	15.3
<u>Expected Full-Time Income</u>				
Under \$15,000	28.0	36.0	21.3	14.7
\$15,000 to \$19,999	37.3	24.1	20.9	17.7
\$20,000 to \$29,999	41.2	25.7	17.1	15.9
\$30,000 to \$39,999	43.4	27.6	16.7	12.3
\$40,000 or more	42.5	27.3	17.0	13.2
Don't Know	37.0	27.1	19.5	16.5
<u>Classes in H.S. (multiple responses possible)</u>				
Entire Course, Money				
Mgt./Personal Finance	41.4	28.3	18.1	12.2
Portion of Course, Money				
Mgt./Personal Finance	41.0	28.2	18.7	12.1
Entire Course, Econ.	43.0	26.5	16.4	14.1
Portion Course, Econ.	40.5	26.7	18.9	13.8
Stock Mkt. Game in Class	45.3	27.8	14.5	12.4
<u>Bank Account Used</u>				
None	28.6	28.6	23.8	19.0
Saving	44.1	28.7	16.2	11.0
Checking	41.4	27.5	16.1	15.0
Savings & Checking	46.0	25.2	15.7	13.1

**Table 6-7b**  
**College Students**  
**Analysis of Question 31**  
**Interest on Savings Accounts**

	(a) Not <u>Taxable</u>	(b)* Income Tax <u>Possible</u>	(c) Sales Tax <u>Possible</u>	(d) None Until <u>18<sup>th</sup> Birthday</u>
All Students 2008	47.1%	39.0%	10.4%	3.4%
<u>College Class</u>				
Freshman	50.9	32.1	12.9	4.0
Sophomore	49.8	36.9	8.0	5.3
Junior	42.4	42.8	11.9	2.9
Senior	45.3	43.8	9.7	1.2
<u>Type of College</u>				
Four Year	46.1	39.9	10.4	3.6
Two Year	51.5	35.1	10.8	2.6
<u>Major</u>				
Arts	45.9	35.8	13.8	4.6
Business or Econ.	39.6	45.3	9.9	5.2
Engineering	38.9	50.0	7.4	3.7
Humanities	48.0	36.0	14.7	1.3
Nursing	44.1	37.3	11.9	6.8
Science	51.0	39.2	8.5	1.3
Social Science	55.7	36.7	6.3	1.3
Other	48.0	35.7	12.3	4.0
<u>Expected Education</u>				
Associate Degree	51.0	30.6	10.2	8.2
Bachelor Degree	45.6	38.8	12.1	3.6
Master's Degree	48.0	39.7	10.5	1.8
Doctorate, Law or Professional	47.4	44.5	5.8	2.3
<u>Expected Full-Time Income</u>				
Under \$30,000	56.0	32.1	8.9	3.0
\$30,000 to \$39,999	42.4	42.4	11.3	3.9
\$40,000 to \$49,999	48.4	39.5	9.8	2.3
\$50,000 or more	46.3	39.3	10.7	3.7
<i>High School</i>	<i>40.6</i>	<i>27.3</i>	<i>17.8</i>	<i>14.3</i>

**Table 6-7b (continued)**  
**College Students**  
**Analysis of Question 31**  
**Interest on Savings Accounts**

	(a) Not <u>Taxable</u>	(b)* Income Tax <u>Possible</u>	(c) Sales Tax <u>Possible</u>	(d) None Until <u>18<sup>th</sup> Birthday</u>
All Students 2008	47.1%	39.0%	10.4%	3.4%
<u>Parents' Income</u>				
Less than \$20,000	48.7	36.3	9.7	5.3
\$20,000 to \$39,999	45.6	40.8	10.9	2.7
\$40,000 to \$79,999	51.6	37.8	7.6	3.0
\$80,000 or more	42.6	43.6	10.7	3.1
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	40.0	40.0	10.0	10.0
Completed H.S.	46.7	40.7	9.0	3.6
Some College	46.9	37.8	10.4	4.9
College Grad or More	47.8	39.4	10.6	2.2
<u>Sex</u>				
Female	48.1	38.1	10.6	3.2
Male	44.1	42.8	9.7	3.4
<u>Race</u>				
White	45.6	41.7	10.3	2.3
African-American	62.1	20.7	9.2	8.0
Hispanic American	48.3	38.3	11.7	1.7
Asian-American	45.5	31.8	13.6	9.1
Native American	--	71.4	14.3	14.3
<i>High School</i>	<i>40.6</i>	<i>27.3</i>	<i>17.8</i>	<i>14.3</i>

**Table 6-7b (continued)**  
**College Students**  
**Analysis of Question 31**  
**Interest on Savings Accounts**

	(a) Not <u>Taxable</u>	(b)* Income Tax <u>Possible</u>	(c) Sales Tax <u>Possible</u>	(d) None Until <u>18<sup>th</sup> Birthday</u>
All Students 2008	47.1%	39.0%	10.4%	3.4%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	54.0	33.9	10.5	1.6
Portion of Money Mgt.	47.0	38.7	11.9	2.4
Entire Course, Economics				
Portion Course, Economics	44.7	40.9	12.6	1.9
Stock Mkt. Game in Class	48.4	41.8	7.9	2.0
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	49.5	32.3	10.1	8.1
Portion of Money Mgt.	39.7	41.8	14.2	4.3
Entire Course, Economics				
Entire Course, Finance	35.2	49.5	10.5	4.8
Entire Course, Accounting	40.3	45.4	10.7	3.6

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Question 4. Which of the following types of investment would best protect the purchasing power of a family's savings in the event of a sudden increase in inflation?**

- a) A 10-year bond issued by a corporation.
- b) A certificate of deposit at a bank.
- c) A twenty-five year corporate bond.
- d) A house financed with a fixed-rate mortgage.

The correct answer is d) *A house financed with a fixed rate mortgage.*

When inflation increases suddenly, assets whose values are fixed cannot adjust to inflation; however, assets whose values are not fixed tend to increase in price like most other goods. Therefore, during inflation house prices tend to increase. If a person owns a home whose mortgage does not vary with inflation (a fixed rate mortgage), inflation tends to drive up the value of the house but not the amount of money owed on it, thereby protecting the investment in the house against inflation.

To answer this question correctly, students must have some understanding of both mortgages and inflation and be able to relate the two. Since high rates of inflation have not been an issue during the lives of these students, experience and diner-table conversation would be of little help in answering this question.

#### **High School Results from Question 4**

For these reasons, it is surprising that 35.8 percent of the students answered this question correctly. See Table 6-8a below for the results. Those whose families owned homes did substantially better on this question than those whose parents rented their home. Students who had taken a course in money management (a full semester or a portion of a course) did *worse* than others on this question indicating, perhaps, the absence of necessary economic content in the course. Students who had taken a full semester economics course did 2.4 percentage points better than those who had taken a full semester course in money management or personal finance

#### **College Results from Question 4**

College students did not do substantially better than high school seniors on this question (Table 6-8b). Fewer than 40 percent of college students understood that a house with a fixed-rate mortgage is a useful investment during times of sudden inflation. While one might speculate that poor answers were due, in part, to recent declines in home values, it should be remembered that the test was given early in 2008 before home values in the U.S. began their precipitous slide.

This was another question in which those who had taken a high school or college course in personal finance did much worse than others. Students who had studied some economics in college did better than others, which is understandable.

**Table 6-8a**  
**High School Students**  
**Analysis of Question 4**  
**Best Protection for Sudden Inflation**

	(a) 10-Year <u>Corporate Bond</u>	(b) Bank CD	(c) 25 Year <u>Corp. Bond</u>	(d)* House with <u>Fixed-Rate</u>
All Students 2008	19.2%	26.2%	17.4%	35.8%
All Students 2006	17.3%	16.1%	22.0%	44.6%
All Students 2004	19.3%	19.7%	28.2%	32.8%
All Students 2002	33.9%	19.4%	17.8%	28.9%
All Students 2000	35.1%	13.9%	15.6%	33.5%
All Students 1997	31.9%	12.8%	17.7%	37.6%
<u>Parents' Income</u>				
Less than \$20,000	22.2	27.4	15.5	34.9
\$20,000 to \$39,999	19.4	25.4	16.2	39.0
\$40,000 to \$79,999	18.6	26.7	17.8	37.0
\$80,000 or more	18.3	27.1	17.0	37.6
Don't Know	21.0	26.2	20.7	32.1
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	20.8	26.5	13.6	39.0
Completed H.S.	19.4	24.7	19.4	36.4
Some College	19.4	28.7	18.2	33.7
College Grad or More	18.1	26.9	17.1	37.9
Don't Know	25.5	23.4	19.0	32.1
<u>Sex</u>				
Female	18.6	25.9	18.9	36.6
Male	20.7	27.6	15.8	35.9
<u>Race</u>				
White	18.8	26.4	17.3	37.6
African-American	20.2	27.6	23.7	28.5
Hispanic American	17.1	26.7	13.0	43.2
Asian-American	21.6	26.1	19.3	33.0
Native American	23.1	38.5	19.2	19.2
Other	31.2	20.0	20.8	28.0

**Table 6-8a (continued)**  
**High School Students**  
**Analysis of Question 4**  
**Best Protection for Sudden Inflation**

	(a) 10-Year <u>Corporate Bond</u>	(b) Bank CD	(c) 25 Year <u>Corp. Bond</u>	(d)* House with <u>Fixed-Rate</u>
<u>Educational Plans</u>				
No Further Ed.	23.5	23.5	27.5	25.5
2-year or Jr. College	20.8	29.2	17.6	32.4
4-year College	19.0	25.7	16.4	38.9
Other Training or Ed.	19.5	28.3	21.4	30.8
Don't Know	19.3	25.2	25.2	30.3
<u>Planned Occupation</u>				
Manual Work	19.0	39.7	14.3	27.0
Skilled Trade	22.2	28.1	15.7	34.0
Service Worker	21.6	27.0	17.0	34.4
Professional Worker	18.3	25.9	17.0	38.8
Other or Don't Know	20.1	25.9	19.4	34.6
<u>Expected Full-Time Income</u>				
Under \$15,000	29.1	25.3	16.5	29.1
\$15,000 to \$19,999	21.0	23.6	19.1	36.3
\$20,000 to \$29,999	24.0	26.0	19.5	30.5
\$30,000 to \$39,999	18.6	25.1	17.8	38.5
\$40,000 or more	18.6	28.0	16.6	36.8
Don't Know	17.1	26.1	18.6	38.2
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	20.0	29.3	17.8	32.9
Portion of Course, Money				
Mgt./Personal Finance	22.4	28.3	17.6	31.7
Entire Course, Econ.	18.1	26.8	19.8	35.3
Portion Course, Econ.	17.6	28.9	17.1	36.4
Stock Mkt. Game in Class	18.2	28.0	18.5	35.3
<u>Home Ownership</u>				
Rent	22.4	26.6	18.8	32.2
Own	18.6	26.5	17.3	37.6

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.



**Table 6-8b**  
**College Students**  
**Analysis of Question 4**  
**Best Protection for Sudden Inflation**

	(a) 10-Year <u>Corporate Bond</u>	(b) <u>Bank CD</u>	(c) 25 Year <u>Corp. Bond</u>	(d)* House with <u>Fixed-Rate</u>
All Students 2008	12.0%	37.0%	11.1%	39.9%
<u>College Class</u>				
Freshman	10.2	39.6	12.0	38.2
Sophomore	13.3	37.0	11.0	38.7
Junior	10.7	36.2	12.3	40.7
Senior	13.3	35.5	9.4	41.8
<u>Type of College</u>				
Four Year	11.7	35.8	11.4	41.0
Two Year	13.3	41.0	10.3	35.4
<u>Major</u>				
Arts	7.3	42.7	12.7	37.3
Business or Econ.	11.1	43.7	8.4	36.8
Engineering	13.0	31.5	13.0	42.6
Humanities	14.7	28.0	12.0	45.3
Nursing	15.3	33.9	13.6	37.3
Science	10.5	29.4	14.4	45.8
Social Science	15.3	37.6	10.2	36.9
Other	11.9	38.3	9.7	40.1
<u>Expected Education</u>				
Associate Degree	17.3	40.8	9.2	32.7
Bachelor Degree	10.6	36.1	12.1	41.2
Master's Degree	12.4	38.2	10.5	38.9
Doctorate, Law or Professional	12.7	35.8	9.2	42.2
<u>Expected Full-Time Income</u>				
Under \$30,000	12.0	40.1	12.0	35.9
\$30,000 to \$39,999	12.7	37.7	12.3	37.3
\$40,000 to \$49,999	11.6	35.6	13.0	39.8
\$50,000 or more	12.0	36.1	7.7	44.1
<i>High School</i>	<i>19.2</i>	<i>26.2</i>	<i>17.4</i>	<i>35.8</i>

**Table 6-8b (continued)**  
**College Students**  
**Analysis of Question 4**  
**Best Protection for Sudden Inflation**

	(a) 10-Year <u>Corporate Bond</u>	(b) <u>Bank CD</u>	(c) 25 Year <u>Corp. Bond</u>	(d)* House with <u>Fixed-Rate</u>
All Students 2008	12.0%	37.0%	11.1%	39.9%
<u>Parents' Income</u>				
Less than \$20,000	19.5	35.4	16.8	28.3
\$20,000 to \$39,999	10.3	40.4	11.0	38.4
\$40,000 to \$79,999	11.5	36.5	9.2	42.8
\$80,000 or more	10.8	36.6	10.2	42.5
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	18.2	36.4	18.2	27.3
Completed H.S.	15.0	41.3	8.4	35.3
Some College	13.7	38.6	12.6	35.1
College Grad or More	10.2	35.0	10.8	43.9
<u>Sex</u>				
Female	12.2	35.6	11.1	41.1
Male	12.0	42.3	9.4	36.3
<u>Race</u>				
White	11.3	36.8	11.4	40.4
African-American	17.6	34.1	14.1	34.1
Hispanic American	11.7	45.0	6.7	36.7
Asian-American	12.1	42.4	4.5	40.9
<i>High School</i>	<i>19.2</i>	<i>26.2</i>	<i>17.4</i>	<i>35.8</i>

**Table 6-8b (continued)**  
**College Students**  
**Analysis of Question 4**  
**Best Protection for Sudden Inflation**

	(a) 10-Year <u>Corporate Bond</u>	(b) <u>Bank CD</u>	(c) 25 Year <u>Corp. Bond</u>	(d)* House with <u>Fixed-Rate</u>
All Students 2008	12.0%	37.0%	11.1%	39.9%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	16.1	41.1	10.5	32.3
Portion of Money Mgt.	11.5	39.1	10.3	39.1
Entire Course, Economics				
Portion Course, Economics	12.8	37.9	10.7	38.7
Stock Mkt. Game in Class	15.1	30.2	11.9	42.8
	11.6	36.6	9.9	41.9
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	13.1	39.4	15.2	32.3
Portion of Money Mgt.	12.1	35.7	15.7	36.4
Entire Course, Economics				
Entire Course, Finance	13.2	37.8	8.6	40.3
Entire Course, Accounting	14.6	36.9	9.7	38.8
	12.4	38.7	9.3	39.7
<i>High School</i>	<i>19.2</i>	<i>26.2</i>	<i>17.4</i>	<i>35.8</i>

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

## CHAPTER 7

# UNDERSTANDING SPENDING AND DEBT

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A total of 11 questions were devoted to spending and debt. Since this was a test of personal *financial* knowledge rather than the more inclusive category of consumer knowledge in general, the questions were directed primarily to the use of debt.

### Spending Now Versus Later

**Question 5. Under which of the following circumstances would it be financially beneficial to you to borrow money to buy something now and repay it with future income?**

- a) When you need to buy a car to get a much better paying job.
- b) When you really need a week vacation.
- c) When some clothes you like go on sale.
- d) When the interest on the loan is greater than the interest you get on your savings.

The correct answer is a) *When you need to buy a car to get a much better paying job.*

If you must have a car to get to a high-paying job, the purchase of the car is an investment that will yield a high return. As such, it is definitely financially beneficial; provided that the job is assured and they you don't buy a far more expensive car than you need for basic transportation. Answers b) and c) relate to consumption and would seldom be considered investments on which the payment of interest would be financially beneficial.

### High School Results from Question 5

Overall, 55.8 percent of students answered this question correctly, the second highest level (after 2006) recorded thus far (Table 7-1a). Whites did much better than others on this question as did men. Those with high educational and career aspirations also did well, reflecting, perhaps, the notion of buying a car to get to work as an investment rather than consumption.

### College Results from Question 5

Nearly three-quarters of college students answered this question correctly (Table 7-1b). Females did much better than males on this question and Whites did far better than African-Americans. Once again, those who had taken a high school or college class in personal finance did worse than others.

**Table 7-1a**  
**High School Students**  
**Analysis of Question 5**  
**Beneficial to Borrow Money**

	(a)* <u>Car to Get Better Job</u>	(b) <u>Vacation</u>	(c) <u>Clothes</u>	(d) <u>Higher Interest on Loan Than Savings</u>
All Students 2008	55.8%	5.1%	5.8%	33.4%
All Students 2006	57.7%	4.2%	6.6%	31.5%
All Students 2004	48.0%	9.1%	10.5%	32.3%
All Students 2002	50.0%	3.9%	8.3%	37.7%
All Students 2000	54.4%	4.0%	5.9%	35.0%
All Students 1997	52.8%	7.9%	6.2%	33.1%
<u>Parents' Income</u>				
Less than \$20,000	51.6	7.5	6.3	34.6
\$20,000 to \$39,999	50.0	4.9	6.6	38.5
\$40,000 to \$79,999	61.2	3.7	5.4	29.7
\$80,000 or more	62.3	4.9	5.7	27.1
Don't Know	48.5	5.8	5.4	40.3
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	50.2	5.2	6.7	37.8
Completed H.S.	52.8	4.2	5.6	37.5
Some College	57.2	4.7	6.5	31.6
College Grad or More	61.6	4.7	5.2	28.6
Don't Know	35.0	13.1	6.6	45.3
<u>Sex</u>				
Female	52.4	4.3	4.3	39.0
Male	60.1	5.6	7.5	26.7
<u>Race</u>				
White	62.7	3.9	4.9	28.5
African-American	44.0	10.4	9.2	36.4
Hispanic American	47.2	3.0	6.0	43.8
Asian-American	54.5	3.4	4.5	37.5
Native American	49.1	7.5	11.3	32.1
Other	50.8	9.5	5.6	34.1

**Table 7-1a (continued)**  
**High School Students**  
**Analysis of Question 5**  
**Beneficial to Borrow Money**

	(a)* Car to Get <u>Better Job</u>	(b) <u>Vacation</u>	(c) <u>Clothes</u>	(d) Higher Interest on <u>Loan Than Savings</u>
<u>Educational Plans</u>				
No Further Ed.	41.2	25.5	11.8	21.6
2-year or Jr. College	50.1	4.3	6.2	39.4
4-year College	58.7	4.2	5.2	31.9
Other Training or Ed.	49.1	6.3	6.9	37.7
Don't Know	48.8	9.1	9.1	33.1
<u>Planned Occupation</u>				
Manual Work	45.3	9.4	7.8	37.5
Skilled Trade	51.6	10.5	5.9	32.0
Service Worker	54.0	7.4	9.5	29.1
Professional Worker	59.8	3.4	5.0	31.8
Other or Don't Know	51.4	5.4	5.4	37.8
<u>Expected Full-Time Income</u>				
Under \$15,000	40.5	7.6	6.3	45.6
\$15,000 to \$19,999	45.0	5.6	8.1	41.3
\$20,000 to \$29,999	56.9	5.2	4.8	33.1
\$30,000 to \$39,999	56.6	4.5	6.2	32.6
\$40,000 or more	59.6	4.8	6.0	29.7
Don't Know	51.6	5.5	5.0	38.0
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	57.0	6.3	5.3	31.4
Portion of Course, Money				
Mgt./Personal Finance	54.6	4.3	5.6	35.5
Entire Course, Econ.				
Mgt./Personal Finance	57.0	5.3	6.2	31.5
Portion Course, Econ.				
Mgt./Personal Finance	58.5	3.4	6.6	31.6
Stock Mkt. Game in Class	61.0	4.5	4.7	29.8
<u>Home Ownership</u>				
Rent	47.5	5.8	7.3	39.4
Own	58.3	4.8	5.3	31.7

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 7-1b**  
**College Students**  
**Analysis of Question 5**  
**Beneficial to Borrow Money**

	(a)* Car to Get <u>Better Job</u>	(b) <u>Vacation</u>	(c) <u>Clothes</u>	(d) Higher Interest on <u>Loan Than Savings</u>
All Students	74.6%	3.8%	2.8%	18.8%
<u>Parents' Income</u>				
Less than \$20,000	62.8	6.2	4.4	26.5
\$20,000 to \$39,999	74.0	4.8	4.8	16.4
\$40,000 to \$79,999	76.7	2.6	3.0	17.7
\$80,000 or more	79.2	3.4	1.6	15.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	72.7	9.1	4.5	13.6
Completed H.S	71.1	1.8	1.8	25.3
Some College	68.6	4.9	4.9	21.6
College Grad or More	79.4	3.7	1.9	15.1
<u>Sex</u>				
Female	76.9	2.6	2.3	18.2
Male	67.9	7.7	4.7	19.7
<u>Race</u>				
White	77.6	2.7	2.2	17.4
African-American	57.0	7.0	7.0	29.1
Hispanic American	67.8	3.4	5.1	23.7
Asian-American	68.7	11.9	4.5	14.9
<i>High School</i>	55.8	5.1	5.8	33.4

**Table 7-1b (continued)**  
**College Students**  
**Analysis of Question 5**  
**Beneficial to Borrow Money**

	(a)* Car to Get <u>Better Job</u>	(b) <u>Vacation</u>	(c) <u>Clothes</u>	(d) Higher Interest on <u>Loan Than Savings</u>
All Students	74.6%	3.8%	2.8%	18.8%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	68.3	4.9	4.1	22.8
Portion of Money Mgt.	78.6	2.8	4.0	14.7
Entire Course, Economics	74.5	4.3	2.0	19.2
Portion Course, Economics	76.1	3.8	2.5	17.6
Stock Mkt. Game in Class	77.0	2.0	1.6	19.4
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	70.7	1.0	3.0	25.3
Portion of Money Mgt.	65.2	2.1	9.2	23.4
Entire Course, Economics	73.8	5.1	3.5	17.6
Entire Course, Finance	73.5	3.9	3.9	18.6
Entire Course, Accounting	77.4	3.1	2.6	16.9
<i>High School</i>	55.8	5.1	5.8	33.4

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.



## Transaction Instruments

**Question 27. Which of the following instruments is NOT typically associated with spending?**

- a) Debit card.
- b) Certificate of deposit.
- c) Cash.
- d) Credit card.

The correct answer is b) *Certificate of deposit*.

Certificates of Deposit are a type of savings account in which your money is invested for an agreed-upon period of time. Legally, if you deposit money in a two year certificate of deposit, you do not have the right to get your money back for two years. Some banks, however, may allow you to withdraw funds early but generally only if you pay a sizable penalty. Therefore, a certificate of deposit is highly illiquid and is far less likely to be associated with spending than are a credit card, cash and a debit card.

### **High School Results from Question 27**

This was a very simple question, which was answered correctly by 82.1 percent of students (see Table 7-2a, below).

### **College Results from Question 27**

Among college students, 93 percent answered this question correctly (Table 7-2b). Those who had taken a full semester course in personal finance in high school or in college did worse than others on this question.

**Table 7-2a**  
**High School Students**  
**Analysis of Question 27**  
**Instruments Not Associated with Spending**

	(a) <u>Debit Card</u>	(b)* <u>CD</u>	(c) <u>Cash</u>	(d) <u>Credit Card</u>
All Students 2008	6.7%	82.1%	6.7%	4.5%
All Students 2006	2.6%	93.5%	1.5%	2.4%
All Students 2004	4.4%	85.9%	5.1%	4.7%
All Students 2002	7.9%	84.9%	3.8%	3.4%
All Students 2000	8.5%	87.3%	2.5%	1.5%
All Students 1997	6.0%	89.3%	1.8%	2.9%
<u>Parents' Income</u>				
Less than \$20,000	9.1	74.4	9.1	7.5
\$20,000 to \$39,999	8.0	81.1	6.9	4.0
\$40,000 to \$79,999	4.3	86.9	5.3	3.5
\$80,000 or more	6.4	83.9	5.5	4.2
Don't Know	8.1	79.5	7.7	4.7
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	9.2	77.9	7.0	5.9
Completed H.S.	5.7	82.7	6.4	5.2
Some College	7.6	82.5	5.7	4.1
College Grad or More	5.3	87.5	4.1	3.1
Don't Know	10.9	57.7	24.8	6.6
<u>Sex</u>				
Female	5.7	84.4	5.8	4.1
Male	7.7	80.2	7.2	4.8
<u>Race</u>				
White	4.8	87.9	4.0	3.2
African-American	9.6	73.0	10.9	6.5
Hispanic American	8.4	80.0	7.0	4.6
Asian-American	5.7	79.5	6.8	8.0
Native American	9.4	58.5	18.9	13.2
Other	13.4	66.9	13.4	6.3

**Table 7-2a (continued)**  
**High School Students**  
**Analysis of Question 27**  
**Instruments Not Associated with Spending**

	(a) <u>Debit Card</u>	(b)* <u>CD</u>	(c) <u>Cash</u>	(d) <u>Credit Card</u>
<u>Educational Plans</u>				
No Further Ed.	29.4	51.0	13.7	5.9
2-year or Jr. College	7.0	80.3	7.5	5.2
4-year College	5.2	86.5	5.1	3.2
Other Training or Ed.	11.2	71.4	9.9	7.5
Don't Know	12.5	63.3	14.2	10.0
<u>Planned Occupation</u>				
Manual Work	15.2	69.7	9.1	6.1
Skilled Trade	9.7	65.8	12.9	11.6
Service Worker	7.0	74.5	12.2	6.3
Professional Worker	4.4	88.4	4.2	3.0
Other or Don't Know	9.0	80.3	6.5	4.2
<u>Expected Full-Time Income</u>				
Under \$15,000	17.3	67.9	8.6	6.2
\$15,000 to \$19,999	8.9	72.2	11.4	7.6
\$20,000 to \$29,999	7.6	80.8	6.8	4.8
\$30,000 to \$39,999	3.9	87.8	4.7	3.5
\$40,000 or more	6.0	84.4	6.2	3.5
Don't Know	8.4	79.1	6.7	5.9
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	6.2	81.5	8.4	3.9
Portion of Course, Money				
Mgt./Personal Finance	7.8	81.8	5.9	4.5
Entire Course, Econ.				
Portion Course, Econ.	7.5	81.5	6.8	4.2
Stock Mkt. Game in Class				
	5.5	84.8	5.9	3.9
	4.7	85.3	6.1	3.8

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 7-2b**  
**College Students**  
**Analysis of Question 27**  
**Instruments Not Associated with Spending**

	(a) <u>Debit Card</u>	(b)* <u>CD</u>	(c) <u>Cash</u>	(d) <u>Credit Card</u>
All Students	2.0%	93.0%	3.9%	1.1%
<u>College Class</u>				
Freshman	2.2	89.3	5.8%	2.7
Sophomore	2.0	93.0	4.3%	.7
Junior	3.7	91.7	3.7%	.8
Senior	.4	97.3	1.9%	.4
<u>Type of College</u>				
Four Year	1.9	93.0	3.7%	1.3
Two Year	2.6	92.7	4.7%	
<u>Major</u>				
Arts	1.8	95.5	1.8%	.9
Business or Econ	4.2	91.1	4.7%	--
Engineering	3.7	90.7	3.7%	1.9
Humanities	1.3	92.0	4.0%	2.7
Nursing	3.5	86.0	8.8%	1.8
Science	--	94.1	4.6%	1.3
Social Science	2.5	96.2	.6%	.6
Other	.9	93.0	4.8%	1.3
<u>Expected Education</u>				
Associate Degree	4.1	91.8	3.1%	1.0
Bachelor Degree	2.3	91.1	5.3%	1.3
Master's Degree	2.2	94.6	2.5%	.7
Doctorate, Law or Professional	--	95.9	2.9%	1.2
<u>Expected Full-Time Income</u>				
Under \$30,000	3.0	90.5	5.4%	1.2
\$30,000 to \$39,999	2.3	93.5	2.9%	1.3
\$40,000 to \$49,999	1.4	94.9	2.8%	.9
\$50,000 or more	1.8	92.3	4.9%	.9
<i>High School</i>	6.7	82.1	6.7	4.5

**Table 7-2b (continued)**  
**College Students**  
**Analysis of Question 27**  
**Instruments Not Associated with Spending**

	(a) <u>Debit Card</u>	(b)* <u>CD</u>	(c) <u>Cash</u>	(d) <u>Credit Card</u>
All Students	2.0%	93.0%	3.9%	1.1%
<u>Parents' Income</u>				
Less than \$20,000	5.3	81.6	9.6	3.5
\$20,000 to \$39,999	--	95.9	2.7	1.4
\$40,000 to \$79,999	2.3	95.7	1.3	.7
\$80,000 or more	1.9	94.1	3.7	.3
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	4.8	90.5	4.8	--
Completed H.S.	.6	95.8	2.4	1.2
Some College	2.8	89.2	7.0	1.0
College Grad or More	2.1	94.0	2.8	1.1
<u>Sex</u>				
Female	1.8	94.1	3.5	.6
Male	3.0	89.0	5.5	2.5
<u>Race</u>				
White	2.5	92.3	4.2	1.0
African-American	--	94.3	3.4	2.3
Hispanic American	--	96.7	3.3	--
Asian-American	3.0	93.9	3.0	--
<i>High School</i>	<i>6.7</i>	<i>82.1</i>	<i>6.7</i>	<i>4.5</i>

**Table 7-2b (continued)**  
**College Students**  
**Analysis of Question 27**  
**Instruments Not Associated with Spending**

	(a) <u>Debit Card</u>	(b)* <u>CD</u>	(c) <u>Cash</u>	(d) <u>Credit Card</u>
All Students	2.0%	93.0%	3.9%	1.1%
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	3.2	88.7	4.8	3.2
Portion of Money Mgt.	.8	89.8	7.9	1.6
Entire Course, Economics	1.0	94.7	3.4	.8
Portion Course, Economics	3.1	91.8	4.4	.6
Stock Mkt. Game in Class	1.7	94.7	2.6	1.0
<u>Classes in College.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	2.0	89.9	6.1	2.0
Portion of Money Mgt.	2.0	89.9	6.1	2.0
Entire Course, Economics	3.0	91.4	4.0	1.6
Entire Course, Finance	2.9	91.4	2.9	2.9
Entire Course, Accounting	1.0	95.9	1.5	1.5
<i>High School</i>	6.7	82.1	6.7	4.5

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Question 20. Which of the following statements is NOT correct about most ATM (Automated Teller Machine) cards?**

- a) You can generally get cash 24 hours-a-day.
- b) You can generally obtain information concerning your bank balance at an ATM machine.
- c) You can get cash anywhere in the world with no fee.
- d) You must have a bank account to have an ATM card.

The right answer is c). It is not correct that *You can get cash anywhere in the world with no fee.*

These days many banks charge a fee to take money from an ATM. In fact, it is common to pay a fee both to the bank that owns the ATM machine (if it is not your bank) and to the bank where you have your account.

### **High School Results from Question 20**

The average score of 68.0 percent is the second *worst* response recorded since the surveys began (Table 7-3a). Fees are being charged on most ATM transactions, particularly if the machine used is not part of the user's own bank. This would imply that students who had ATM cards would be more likely to answer the question correctly. This proved to be true in that about 73.8 percent of students who used an ATM card answered this question correctly while only 63.4 percent of those who did not use an ATM card did so. Those who had taken a full-semester course in money management were *less* likely to answer this question correctly than those who had not taken such a course.

### **College Results from Question 20**

It is not surprising that 86.6 percent college students, who deal with ATM machines on a frequent basis, got this question correct (Table 7-3b). Females did much better than males on this question, and those who had taken a high school or college course in personal finance did worse than those who had not taken such a course.

**Table 7-3a**  
**High School Students**  
**Analysis of Question 20**  
**Not Correct About ATM's**

	(a) 24 Hour <u>Service</u>	(b) Balance <u>Information</u>	(c)* Cash with <u>No Fee</u>	(d) Need Bank <u>Account</u>
All Students 2008	8.8%	14.0%	68.0%	9.2%
All Students 2006	9.9%	11.0%	66.8%	12.3%
All Students 2004	2.4%	6.6%	85.6%	5.5%
All Students 2002	6.4%	11.5%	73.0%	9.1%
All Students 2000	4.7%	11.3%	75.8%	7.4%
All Students 1997	6.3%	11.2%	74.4%	8.0%
<u>Parents' Income</u>				
Less than \$20,000	10.3	17.5	61.1	11.1
\$20,000 to \$39,999	7.0	13.7	70.0	9.3
\$40,000 to \$79,999	8.3	12.7	70.9	8.0
\$80,000 or more	7.6	12.3	72.6	7.6
Don't Know	12.1	16.2	60.3	11.4
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	10.0	19.6	62.2	8.1
Completed H.S.	9.0	13.9	67.5	9.5
Some College	8.1	13.0	70.1	8.9
College Grad or More	7.5	11.9	72.7	7.9
<u>Sex</u>				
Female	7.4	14.6	68.4	9.6
Male	10.0	13.6	67.5	8.9
<u>Race</u>				
White	7.0	11.6	72.7	8.7
African-American	13.8	17.9	59.1	9.1
Hispanic American	8.7	16.6	65.8	8.9
Asian-American	3.5	18.6	68.6	9.3
Native American	23.1	15.4	46.2	15.4
Other	13.5	15.9	57.9	12.7
<u>Educational Plans</u>				
No Further Ed.	25.5	27.5	31.4	15.7
2-year or Jr. College	11.2	15.5	64.6	8.7
4-year College	6.9	12.3	72.0	8.8
Other Training or Ed.	13.2	14.5	63.5	8.8



**Table 7-3a (continued)**  
**High School Students**  
**Analysis of Question 20**  
**Not Correct About ATM's**

	(a) 24 Hour <u>Service</u>	(b) Balance <u>Information</u>	(c)* Cash with <u>No Fee</u>	(d) Need Bank <u>Account</u>
<u>Planned Occupation</u>				
Manual Work	18.2	28.8	42.4	10.6
Skilled Trade	12.3	19.5	60.4	7.8
Service Worker	13.2	17.8	61.2	7.8
Professional Worker	5.7	10.7	74.9	8.7
Other or Don't Know	10.5	15.1	63.5	10.9
<u>Expected Full-Time Income</u>				
Under \$15,000	16.0	22.2	51.9	9.9
\$15,000 to \$19,999	11.4	17.7	58.2	12.7
\$20,000 to \$29,999	8.4	18.7	64.1	8.8
\$30,000 to \$39,999	7.4	10.1	72.9	9.5
\$40,000 or more	8.0	12.6	71.0	8.4
Don't Know	9.9	16.3	63.9	9.9
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	12.0	12.6	67.3	8.1
Portion of Course, Money				
Mgt./Personal Finance	8.7	13.2	68.2	10.0
Entire Course, Econ.				
Mgt./Personal Finance	7.5	15.2	68.8	8.5
Portion Course, Econ.				
Mgt./Personal Finance	8.3	14.2	68.3	9.2
Stock Mkt. Game in Class				
Mgt./Personal Finance	6.3	12.1	72.7	8.9
<u>Use ATM Card</u>				
Get Cash and Buy	7.7	10.9	73.8	7.7
Get Cash only	11.4	13.8	66.4	8.4
Don't Have	8.9	16.8	63.4	10.8

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 7-3b**  
**College Students**  
**Analysis of Question 20**  
**Not Correct About ATM's**

	(a) 24 Hour <u>Service</u>	(b) Balance <u>Information</u>	(c)* Cash with <u>No Fee</u>	(d) Need Bank <u>Account</u>
All Students 2008	2.5%	5.7%	86.6%	5.2%
<u>College Class</u>				
Freshman	2.2	4.9	87.4	5.4
Sophomore	3.0	6.4	81.5	9.1
Junior	3.3	5.8	89.6	1.2
Senior	1.6	5.4	88.8	4.3
<u>Type of College</u>				
Four Year	2.9	5.0	87.0	5.1
Two Year	1.0	8.2	85.1	5.7
<u>Major</u>				
Arts	.9	8.2	88.2	2.7
Business or Econ	3.6	5.7	82.8	7.8
Engineering	1.9	3.7	85.2	9.3
Humanities	4.2	4.2	86.1	5.6
Nursing	1.7	5.1	84.7	8.5
Science	2.6	5.9	90.1	1.3
Social Science	.6	4.5	92.3	2.6
Other	3.5	6.2	83.6	6.6
<u>Expected Education</u>				
Associate Degree	4.2	12.5	79.2	4.2
Bachelor Degree	2.5	6.6	84.1	6.8
Master's Degree	2.9	2.9	89.5	4.7
Doctorate, Law or Professional	1.2	3.5	93.0	2.3
<u>Expected Full-Time Income</u>				
Under \$30,000	6.6	9.0	79.5	4.8
\$30,000 to \$39,999	2.3	5.5	88.0	4.2
\$40,000 to \$49,999	.9	5.6	88.3	5.1
\$50,000 or more	1.9	4.0	87.7	6.5
<i>High School</i>	8.8	14.0	68.0	9.2

**Table 7-3b (continued)**  
**College Students**  
**Analysis of Question 20**  
**Not Correct About ATM's**

	(a) 24 Hour <u>Service</u>	(b) Balance <u>Information</u>	(c)* Cash with <u>No Fee</u>	(d) Need Bank <u>Account</u>
All Students 2008	8.8%	14.0%	68.0%	9.2%
<u>Parents' Income</u>				
Less than \$20,000	6.3	12.5	75.0	6.3
\$20,000 to \$39,999	1.4	4.8	89.7	4.1
\$40,000 to \$79,999	3.0	4.3	87.5	5.3
\$80,000 or more	.9	4.0	89.2	5.9
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	--	4.8	66.7	28.6
Completed H.S	3.6	4.8	88.6	3.0
Some College	4.9	8.0	82.3	4.9
College Grad or More	1.1	4.7	88.9	5.3
<u>Sex</u>				
Female	2.3	4.7	87.5	5.4
Male	3.4	8.6	83.3	4.7
<u>Race</u>				
White	2.5	5.1	87.0	5.4
African-American	3.4	10.3	82.8	3.4
Hispanic American	--	5.0	90.0	5.0
Asian-American	6.0	7.5	80.6	6.0
<i>High School</i>	8.8	14.0%	68.0	9.2

**Table 7-3b (continued)**  
**College Students**  
**Analysis of Question 20**  
**Not Correct About ATM's**

	(a) 24 Hour <u>Service</u>	(b) Balance <u>Information</u>	(c)* Cash with <u>No Fee</u>	(d) Need Bank <u>Account</u>
All Students 2008	8.8%	14.0%	68.0%	9.2%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	3.2	4.8	85.5	6.5
Portion of Money Mgt.	3.6	5.2	84.8	6.4
Entire Course, Economics				
Portion Course, Economics	2.5	5.1	86.7	5.7
Stock Mkt. Game in Class	2.7	2.7	91.0	3.7
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	5.1	3.0	82.8	9.1
Portion of Money Mgt.	4.3	7.2	78.4	10.1
Entire Course, Economics				
Entire Course, Finance	1.0	6.7	86.7	5.7
Entire Course, Accounting	2.1	5.7	88.1	4.1
<i>High School</i>	8.8	14.0	68.0	9.2

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

## The Price of Credit

**Question 28. Which of the following credit card users is likely to pay the GREATEST dollar amount in finance charges per year if they all charge the same amount per year on their cards?**

- a) Jessica, who pays at least the minimum amount each month and more, when she has the money.
- b) Vera, who generally pays off her credit card in full but, occasionally, will pay the minimum when she is short of cash.
- c) Megan, who always pays off her credit card bill in full shortly after she receives it.
- d) Erin, who only pays the minimum amount each month.

The correct answer is *d) Erin, who only pays the minimum amount each month.*

Finance charges must be paid on the amount of a credit card bill that is not paid off by the due date. Therefore, people who pay off the smallest possible amount of their bill and subsequently allow the greatest amount to accumulate as debt, end up paying the greatest finance charge.

### High School Results from Question 28

Less than half of the students (48.0 percent) were able to answer this question correctly (Table 7-4a). This was the lowest proportion of students to answer this question correctly in all the years of this survey. Whites did much better on this question than other racial groups. Students with an entire course in money management did worse.

At the bottom of Table 7-4a, answers to the question were related to the use of a credit card. Amazingly, but consistent with previous results, students who did *not* use a credit card did substantially better than credit card users on this question.

### College Results from Question 28

Nearly every college student uses a credit card, so it is not surprising to learn that 77.9 percent answered this critical question correctly (Table 7-4b). Upper classmen, who had more experience with these cards, did better than others, as expected. Women did better than men and Whites did much better than African-Americans on this question.

**Table 7-4a**  
**High School Students**  
**Analysis of Question 28**  
**Which Credit Card Users Pays Greatest Finance Charge?**

	(a) Generally pays minimum <u>amount</u>	(b) Generally <u>pays in full</u>	(c) Always pays <u>in full</u>	(d)* Always pays minimum <u>amount</u>
All Students 2008	16.8%	17.1%	18.2%	48.0%
All Students 2006	14.4%	6.3%	8.8%	70.6%
All Students 2004	11.2%	11.2%	11.8%	65.8%
All Students 2002	12.3%	10.6%	15.2%	61.8%
All Students 2000	11.4%	11.4%	15.8%	60.7%
All Students 1997	9.6%	8.1%	12.7%	69.9%
<u>Parents' Income</u>				
Less than \$20,000	18.3	23.4	20.6	37.7
\$20,000 to \$39,999	17.9	16.6	18.3	47.3
\$40,000 to \$79,999	15.3	14.5	18.4	51.8
\$80,000 or more	15.2	12.1	16.3	56.3
Don't Know	18.8	22.8	18.5	39.9
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	19.6	22.5	18.8	39.1
Completed H.S.	18.7	17.8	18.3	45.2
Some College	16.4	16.0	16.8	50.8
College Grad or More	13.9	13.5	17.7	54.9
Don't Know	21.9	28.5	24.8	24.8
<u>Sex</u>				
Female	17.2	16.4	18.1	48.2
Male	16.2	17.5	18.3	48.1
<u>Race</u>				
White	14.5	12.5	17.2	55.7
African-American	21.3	25.9	18.8	34.1
Hispanic American	18.8	21.1	16.9	43.2
Asian-American	9.3	18.6	25.6	46.5
Native American	26.4	34.0	13.2	26.4
Other	23.4	16.9	27.4	32.3

**Table 7-4a (continued)**  
**High School Students**  
**Analysis of Question 28**  
**Which Credit Card Users Pays Greatest Finance Charge?**

	(a) Generally pays minimum <u>amount</u>	(b) Generally pays in full	(c) Always pays in full	(d)* Always pays minimum <u>amount</u>
<u>Educational Plans</u>				
No Further Ed.	21.6	27.5	21.6	29.4
2-year or Jr. College	19.0	21.1	22.2	37.6
4-year College	14.9	14.0	16.6	54.5
Other Training or Ed.	20.5	22.4	19.9	37.3
Don't Know	27.5	26.7	20.8	25.0
<u>Planned Occupation</u>				
Manual Work	26.2	24.6	24.6	24.6
Skilled Trade	19.4	19.4	25.2	36.1
Service Worker	18.8	21.6	15.0	44.6
Professional Worker	14.3	13.8	17.1	54.9
Other or Don't Know	18.6	18.5	19.4	43.5
<u>Expected Full-Time Income</u>				
Under \$15,000	22.5	30.0	20.0	27.5
\$15,000 to \$19,999	18.1	15.0	31.9	35.0
\$20,000 to \$29,999	15.5	19.1	21.9	43.4
\$30,000 to \$39,999	14.8	13.2	17.5	54.5
\$40,000 or more	16.2	16.3	15.4	52.2
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	17.7	17.3	18.3	46.6
Portion of Course, Money				
Mgt./Personal Finance	15.3	14.8	18.3	51.5
Entire Course, Econ.	16.0	16.4	18.9	48.7
Portion Course, Econ.	14.8	15.2	18.7	51.2
Stock Mkt. Game in Class	13.9	14.3	20.0	51.7
<u>Credit Card Used</u>				
Own	19.2	21.4	20.3	39.2
Parents	16.2	19.5	17.7	46.7
Own & Parent	19.7	23.5	25.0	31.8
None	16.1	14.8	17.2	51.8

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 7-4b**  
**College Students**  
**Analysis of Question 28**  
**Which Credit Card Users Pays Greatest Finance Charge?**

	(a) Generally pays minimum <u>amount</u>	(b) Generally <u>pays in full</u>	(c) Always pays <u>in full</u>	(d)* Always pays minimum <u>amount</u>
All Students 2008	8.4%	5.5%	8.2%	77.9%
<u>College Class</u>				
Freshman	8.5	6.3	10.8	74.4
Sophomore	9.7	7.4	9.4	73.6
Junior	8.2	6.6	7.8	77.4
Senior	7.1	1.6	5.1	86.3
<u>Type of College</u>				
Four Year	7.5	5.3	7.5	79.7
Two Year	12.6	6.3	11.0	70.2
<u>Major</u>				
Arts	6.4	11.0	9.2	73.4
Business or Econ.	9.9	5.2	7.9	77.0
Engineering	13.2	3.8	5.7	77.4
Humanities	5.4	9.5	4.1	81.1
Nursing	11.9	6.8	16.9	64.4
Science	4.6	2.6	7.9	84.8
Social Science	9.0	2.6	4.5	84.0
Other	9.2	5.7	10.5	74.6
<u>Expected Education</u>				
Associate Degree	12.4	7.2	12.4	68.0
Bachelor Degree	7.2	6.8	9.5	76.5
Master's Degree	10.8	4.0	5.4	79.8
Doctorate, Law or Professional	4.8	3.0	7.1	85.1
<u>Expected Full-Time Income</u>				
Under \$30,000	10.2	6.6	7.8	75.3
\$30,000 to \$39,999	7.4	6.1	5.8	80.6
\$40,000 to \$49,999	7.0	2.8	9.3	80.8
\$50,000 or more	9.0	5.9	10.2	74.9
<i>High School</i>	16.8	17.1	18.2	48.0



**Table 7-4b (continued)**  
**College Students**  
**Analysis of Question 28**  
**Which Credit Card Users Pays Greatest Finance Charge?**

	(a) Generally pays minimum <u>amount</u>	(b) Generally pays <u>in full</u>	(c) Always pays <u>in full</u>	(d)* Always pays minimum <u>amount</u>
All Students 2008	8.4%	5.5%	8.2%	77.9%
<u>Parents' Income</u>				
Less than \$20,000	15.0	10.6	9.7	64.6
\$20,000 to \$39,999	8.9	5.5	9.6	76.0
\$40,000 to \$79,999	6.6	4.6	7.9	80.8
\$80,000 or more	6.8	3.7	8.0	81.5
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	23.8	--	19.0	57.1
Completed H.S.	6.6	4.2	9.0	80.2
Some College	9.0	8.3	9.0	73.6
College Grad or More	8.1	4.5	7.2	80.2
<u>Sex</u>				
Female	8.1	5.7	6.8	79.4
Male	9.4	4.7	13.2	72.6
<u>Race</u>				
White	6.7	5.2	7.2	80.9
African-American	16.1	9.2	9.2	65.5
Hispanic American	10.0	3.3	15.0	71.7
Asian-American	13.8	4.6	13.8	67.7
<i>High School</i>	16.8	17.1	18.2	48.0

**Table 7-4b (continued)**  
**College Students**  
**Analysis of Question 28**  
**Which Credit Card Users Pays Greatest Finance Charge?**

	(a) Generally pays minimum <u>amount</u>	(b) Generally <u>pays in full</u>	(c) Always pays <u>in full</u>	(d)* Always pays minimum <u>amount</u>
All Students 2008	8.4%	5.5%	8.2%	77.9%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	8.9	6.5	6.0	78.2
Portion of Money Mgt.	7.1	5.5	10.3	77.1
Entire Course, Economics				
Portion Course, Economics	8.6	5.5	7.1	78.8
Stock Mkt. Game in Class	6.9	6.9	10.7	75.5
	6.6	2.7	9.0	81.7
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	9.2	4.1	7.1	79.6
Portion of Money Mgt.	5.7	9.2	11.3	73.8
Entire Course, Economics				
Entire Course, Finance	8.7	4.9	6.8	79.6
Entire Course, Accounting	6.7	2.9	3.8	86.5
	5.6	3.1	7.2	84.1
<i>High School</i>	16.8	17.1	18.2	48.0

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Question 23.** Scott and Eric are young men. Each has a good credit history. They work at the same company and make approximately the same salary. Scott has borrowed \$6,000 to take a foreign vacation. Eric has borrowed \$6,000 to buy a car. Who is likely to pay the lowest finance charge?

- a) Eric will pay less because the car is collateral for the loan.
- b) They will both pay the same because the rate is set by law.
- c) Scott will pay less because people who travel overseas are better risks.
- d) They will both pay the same because they have almost identical financial backgrounds.

The correct answer is a) *Eric will pay less because the car is collateral for the loan.*

The lender will tend to charge less for a loan if it is used to buy something that can be taken back if the loan is not repaid. By selling this “collateral” the lender can recover at least some of the money that was loaned. Scott’s vacation may have been great, but there is nothing left for the bank to recover if he is unable to make payments on the loan. In Eric’s case there is a car to take back, making the loan safer, and lenders tend to charge less interest for safe loans.

### **High School Results from Question 23**

Less than half of the students (43.1 percent) answered this question correctly. This was the lowest proportion, ever, to get this question right!

This is an important question because it reveals the extent to which students have an intuitive understanding of how credit markets work and which type of loans and lenders are likely to cost less (Table 7-5a, below). Disturbingly, 18.7 percent said that both would pay the same because the rate is set by law. An additional 24.9 percent said that they would pay the same because they have similar financial backgrounds. Finally, 13.3 percent said that Scott would pay less because people who travel overseas are better risks.

Males were more accurate than females, and Whites were substantially more likely than non-Whites to know the answer to this question. Those who owned a car were more likely to answer the question correctly than those who did not, perhaps because the car had been purchased on credit.

### **College Results from Question 23**

College students did better than high school seniors on this question, with 61.5 answering it correctly (Table 7-5b). Students of business or economics did better than others, which was not surprising. Whites (65.1 percent) were much more likely to know this than African-Americans (49.4 percent).

College students who had taken a high school class in personal finance did worse than others, but this dichotomy did not extend to those who had taken a similar course in college.

**Table 7-5a**  
**High School Students**  
**Analysis of Question 23**  
**Who Pays Lower Finance Charge?**

	(a)* Car less; <u>collateral</u>	(b) Same rate <u>by law</u>	(c) Vacation <u>less</u>	(d) Same rate, same <u>background</u>
All Students 2008	43.1%	18.7%	13.3%	24.9%
All Students 2006	52.7%	13.6%	9.8%	23.9%
All Students 2004	48.8%	15.7%	14.1%	21.9%
All Students 2002	45.5%	21.6%	13.9%	19.1%
All Students 2000	43.7%	18.0%	16.7%	20.8%
All Students 1997	51.0%	21.4%	11.3%	16.3%
<u>Parents' Income</u>				
Less than \$20,000	33.9	24.0	13.4	28.7
\$20,000 to \$39,999	43.5	17.4	13.7	25.4
\$40,000 to \$79,999	43.7	18.7	12.3	25.4
\$80,000 or more	49.1	17.6	11.7	21.6
Don't Know	39.5	18.7	16.5	25.3
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	32.4	24.3	14.3	29.0
Completed H.S.	42.5	19.1	13.5	25.0
Some College	44.2	17.7	13.8	24.4
College Grad or More	47.0	16.2	12.0	24.8
Don't Know	35.8	27.7	17.5	19.0
<u>Sex</u>				
Female	41.5	20.3	13.0	25.3
Male	45.3	16.5	13.4	24.7
<u>Race</u>				
White	51.6	15.3	10.6	22.4
African-American	35.2	20.4	17.6	26.7
Hispanic American	30.4	25.5	17.1	27.0
Asian-American	37.9	16.1	8.0	37.9
Native American	20.8	24.5	32.1	22.6
Other	35.4	22.8	12.6	29.1

**Table 7-5a (continued)**  
**High School Students**  
**Analysis of Question 23**  
**Who Pays Lower Finance Charge?**

	(a)* Car less; <u>collateral</u>	(b) Same rate <u>by law</u>	(c) Vacation <u>less</u>	(d) Same rate, same <u>background</u>
<u>Educational Plans</u>				
No Further Ed.	26.9	30.8	21.2	21.2
2-year or Jr. College	37.8	22.6	18.3	21.3
4-year College	46.2	16.8	11.2	25.7
Other Training or Ed.	37.5	18.8	16.3	27.5
Don't Know	37.5	22.5	15.8	24.2
<u>Planned Occupation</u>				
Manual Work	33.3	24.2	19.7	22.7
Skilled Trade	43.9	18.1	16.8	21.3
Service Worker	36.0	23.4	15.7	24.8
Professional Worker	46.3	17.3	10.6	25.7
Other or Don't Know	41.3	18.9	15.4	24.5
<u>Expected Full-Time Income</u>				
Under \$15,000	27.2	25.9	18.5	28.4
\$15,000 to \$19,999	43.8	16.9	20.6	18.8
\$20,000 to \$29,999	41.4	17.9	15.5	25.1
\$30,000 to \$39,999	44.7	17.1	12.1	26.1
\$40,000 or more	42.4	20.3	11.7	25.7
Don't Know	46.2	17.3	13.8	22.7
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	43.4	18.2	14.3	24.1
Portion of Course, Money				
Mgt./Personal Finance	45.7	15.0	13.3	26.0
Entire Course, Econ.	44.6	18.8	13.6	23.0
Portion Course, Econ.	45.5	17.5	12.2	24.8
Stock Mkt. Game in Class	45.6	17.4	13.8	23.2

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 7-5a (continued)**  
**High School Students**  
**Analysis of Question 23**  
**Who Pays Lower Finance Charge?**

	(a)* Car less; <u>collateral</u>	(b) Same rate <u>by law</u>	(c) Vacation <u>less</u>	(d) Same rate, same <u>background</u>
<u>Auto</u>				
No License	36.9	21.4	14.2	27.5
License, No Car	38.6	18.8	20.8	21.8
Shares Car, Pays Insur.	42.2	13.8	18.1	25.9
Shares Car, Does not Pay Insur.	46.6	16.1	12.4	24.8
Owens Car; Pays Insur.	47.7	17.9	11.8	22.5
Owens Car; Does Not Pay Insur.	44.8	18.7	11.9	24.5

**Table 7-5b**  
**College Students**  
**Analysis of Question 23**  
**Who Pays Lower Finance Charge?**

	(a)* Car less; <u>collateral</u>	(b) Same rate <u>by law</u>	(c) Vacation <u>less</u>	(d) Same rate, same <u>background</u>
All Students 2008	61.5%	11.3%	6.5%	20.7%
<u>College Class</u>				
Freshman	62.9	10.3	8.5	18.3
Sophomore	60.7	13.7	7.0	18.7
Junior	57.2	11.9	6.2	24.7
Senior	65.1	8.9	4.7	21.3
<u>Type of College</u>				
Four Year	62.6	11.0	5.8	20.7
Two Year	56.2	12.9	9.8	21.1
<u>Major</u>				
Arts	56.9	12.8	7.3	22.9
Business or Econ	67.2	8.3	7.8	16.7
Engineering	57.4	14.8	7.4	20.4
Humanities	62.7	2.7	6.7	28.0
Nursing	52.5	25.4	3.4	18.6
Science	62.3	8.6	7.3	21.9
Social Science	67.1	8.2	5.7	19.0
Other	57.5	15.4	5.7	21.5
<u>Expected Education</u>				
Associate Degree	47.4	14.4	10.3	27.8
Bachelor Degree	60.5	12.7	6.1	20.7
Master's Degree	62.8	11.6	6.9	18.8
Doctorate, Law or Professional	70.3	5.2	4.7	19.8
<u>Expected Full-Time Income</u>				
Under \$30,000	50.9	15.0	9.0	25.1
\$30,000 to \$39,999	61.0	12.6	4.2	22.3
\$40,000 to \$49,999	69.2	7.0	7.9	15.9
\$50,000 or more	62.3	11.0	6.4	20.2
<i>High School</i>	43.1	18.7	13.3	24.9

**Table 7-5b (continued)**  
**College Students**  
**Analysis of Question 23**  
**Who Pays Lower Finance Charge?**

	(a)* Car less; <u>collateral</u>	(b) Same rate <u>by law</u>	(c) Vacation <u>less</u>	(d) Same rate, same <u>background</u>
All Students 2008	61.5%	11.3%	6.5%	20.7%
<u>Parents' Income</u>				
Less than \$20,000	44.2	21.2	9.7	24.8
\$20,000 to \$39,999	62.3	8.9	6.8	21.9
\$40,000 to \$79,999	63.2	8.6	6.9	21.4
\$80,000 or more	66.6	9.8	4.3	19.3
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	47.6	38.1		14.3
Completed H.S.	56.9	14.4	4.2	24.6
Some College	58.3	9.7	10.1	21.9
College Grad or More	64.7	10.3	5.6	19.4
<u>Sex</u>				
Female	62.7	10.6	5.4	21.4
Male	57.0	14.0	10.2	18.7
<u>Race</u>				
White	65.1	9.9	5.1	19.9
African-American	49.4	18.4	6.9	25.3
Hispanic American	56.7	16.7	8.3	18.3
Asian-American	49.3	10.4	16.4	23.9
<i>High School</i>	43.1	18.7	13.3	24.9



**Table 7-5b (continued)**  
**College Students**  
**Analysis of Question 23**  
**Who Pays Lower Finance Charge?**

	(a)* Car less; <u>collateral</u>	(b) Same rate <u>by law</u>	(c) Vacation <u>less</u>	(d) Same rate, same <u>background</u>
All Students 2008	61.5%	11.3%	6.5%	20.7%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	59.3	14.6	8.1	17.9
Portion of Money Mgt.	61.1	9.5	6.7	22.6
Entire Course, Economics				
Portion Course, Economics	62.5	10.0	7.5	20.0
Stock Mkt. Game in Class	63.8	10.2	6.6	19.4
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	63.6	15.2	5.1	16.2
Portion of Money Mgt.	51.8	15.1	5.8	27.3
Entire Course, Economics				
Entire Course, Finance	59.0	11.4	4.8	24.8
Entire Course, Accounting	65.3	9.2	7.1	18.4
<i>High School</i>	43.1	18.7	13.3	24.9

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Question 30. Dan must borrow \$12,000 to complete his college education. Which of the following would NOT be likely to reduce the finance charge rate?**

- a) If he went to a state college rather than a private college.
- b) If his parents cosigned the loan.
- c) If his parents took out an additional mortgage on their house for the loan.
- d) If the loan was insured by the Federal Government.

The correct answer is a). *If he went to a state college rather than a private college. In this case, Dan's finance charge rate for his educational loan is **not** likely to be affected.*

Lenders tend to charge lower rates of interest if the loan is likely to be repaid. Answers b), c) and d) enhance the quality of the loan and add to the likelihood that the bank will be repaid for the money it has loaned to Dan.

### **High School Results from Question 30**

Only 32.5 percent of the students answered this question correctly, indicating that they did not really understand much about the lending process (Table 7-6a). This score was, however, the *highest* since 1997.

Males did better on this question than did females. Those who took a full semester course in money management or personal finance did slightly worse than others in answering this question.

### **College Results from Question 30**

Since this question related to financing a college education, one would expect that this would be something that most college students might know. In fact, relatively few (42.7 percent) of college students answered this question correctly. Engineering major did better than others as did males and African-Americans (Table 7-6b)

**Table 7-6a**  
**High School Students**  
**Analysis of Question 30**  
**Which Won't Reduce College Loan Finance Charge?**

	(a)* State <u>College</u>	b) Parents <u>Co-Signed</u>	(c) Additional <u>Mortgage</u>	(d) Federal <u>Insurance</u>
All Students 2008	32.5%	19.2%	28.8%	19.5%
All Students 2006	30.4%	19.1%	32.9%	17.6%
All Students 2004	28.9%	21.2%	31.3%	18.6%
All Students 2002	25.7%	22.0%	32.4%	19.8%
All Students 2000	27.4%	19.8%	30.6%	21.6%
All Students 1997	32.9%	20.1%	27.8%	19.2%
<u>Parents' Income</u>				
Less than \$20,000	24.5	25.7	28.5	21.3
\$20,000 to \$39,999	32.4	18.9	30.9	17.7
\$40,000 to \$79,999	34.5	17.6	29.7	18.1
\$80,000 or more	35.5	15.8	28.7	20.0
Don't Know	31.0	21.8	25.7	21.4
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	28.9	23.4	27.1	20.5
Completed H.S.	31.3	18.0	28.5	22.3
Some College	33.5	16.8	30.5	19.2
College Grad or More	34.1	18.9	29.0	18.0
Don't Know	30.7	25.5	27.0	16.8
<u>Sex</u>				
Female	30.8	19.5	29.9	19.8
Male	34.9	18.8	27.6	18.6
<u>Race</u>				
White	34.5	17.7	29.5	18.4
African-American	29.0	23.1	29.3	18.7
Hispanic American	31.7	18.7	27.1	22.5
Asian-American	29.1	16.3	34.9	19.8
Native American	35.3	23.5	13.7	27.5
<u>Educational Plans</u>				
No Further Ed.	29.4	21.6	23.5	25.5
2-year or Jr. College	33.3	23.3	24.4	19.0
4-year College	33.1	17.2	30.9	18.8
Other Training or Ed.	27.3	23.0	28.6	21.1

**Table 7-6a (continued)**  
**High School Students**  
**Analysis of Question 30**  
**Which Won't Reduce College Loan Finance Charge?**

	(a)* State <u>College</u>	(b) Parents <u>Co-Signed</u>	(c) Additional <u>Mortgage</u>	(d) Federal <u>Insurance</u>
<u>Planned Occupation</u>				
Manual Work	39.7	23.8	20.6	15.9
Skilled Trade	33.1	20.8	26.0	20.1
Service Worker	30.2	22.9	28.1	18.8
Professional Worker	33.4	17.4	29.7	19.4
Other or Don't Know	31.5	19.3	29.3	19.9
<u>Expected Full-Time Income</u>				
Under \$15,000	32.9	21.5	25.3	20.3
\$15,000 to \$19,999	28.6	20.5	31.1	19.9
\$20,000 to \$29,999	30.7	22.3	28.3	18.7
\$30,000 to \$39,999	32.0	18.0	29.8	20.2
\$40,000 or more	33.0	19.1	30.1	17.7
Don't Know	35.2	17.7	24.9	22.2
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	33.6	20.3	29.3	16.8
Portion of Course, Money				
Mgt./Personal Finance	34.0	18.4	29.2	18.4
Entire Course, Econ.				
Mgt./Personal Finance	34.2	18.4	28.8	18.6
Portion Course, Econ.				
Mgt./Personal Finance	34.5	16.1	28.5	20.9
Stock Mkt. Game in Class				
Mgt./Personal Finance	35.4	16.8	29.7	18.2

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 7-6b**  
**College Students**  
**Analysis of Question 30**  
**Which Won't Reduce College Loan Finance Charge?**

	(a)* State <u>College</u>	b) Parents <u>Co-Signed</u>	(c) Additional <u>Mortgage</u>	(d) Federal <u>Insurance</u>
All Students 2008	42.7%	10.5%	34.3%	12.5%
<u>College Class</u>				
Freshman	42.6	11.2	32.3	13.9
Sophomore	39.8	12.7	32.1	15.4
Junior	41.3	10.7	37.6	10.3
Senior	47.3	7.0	35.7	10.1
<u>Type of College</u>				
Four Year	42.9	9.7	35.5	12.0
Two Year	41.5	13.5	30.1	15.0
<u>Major</u>				
Arts	33.9	15.6	36.7	13.8
Business or Econ	45.8	14.7	29.5	10.0
Engineering	50.0	5.6	31.5	13.0
Humanities	33.3	10.7	34.7	21.3
Nursing	36.8	14.0	36.8	12.3
Science	45.8	8.5	33.3	12.4
Social Science	42.7	4.5	42.7	10.2
Other	45.2	10.1	32.0	12.7
<u>Expected Education</u>				
Associate Degree	39.8	16.3	32.7	11.2
Bachelor Degree	41.1	11.7	35.7	11.5
Master's Degree	44.6	9.1	34.4	12.0
Doctorate, Law or Professional	46.5	5.8	30.2	17.4
<i>High School</i>	32.5	19.2	28.8	19.5

**Table 7-6b (continued)**  
**College Students**  
**Analysis of Question 30**  
**Which Won't Reduce College Loan Finance Charge?**

	(a)* State <u>College</u>	b) Parents <u>Co-Signed</u>	(c) Additional <u>Mortgage</u>	(d) Federal <u>Insurance</u>
All Students 2008	42.7%	10.5%	34.3%	12.5%
<u>Parents' Income</u>				
Less than \$20,000	35.9	12.6	38.9	12.6
\$20,000 to \$39,999	40.1	10.7	36.8	12.4
\$40,000 to \$79,999	44.7	8.8	34.0	12.6
\$80,000 or more	46.8	10.5	29.8	12.9
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	23.8	19.0	47.6	9.5
Completed H.S.	48.8	10.2	33.7	7.2
Some College	40.6	12.2	33.9	13.3
College Grad or More	42.7	9.5	34.0	13.8
<u>Sex</u>				
Female	41.7	9.8	35.6	13.0
Male	46.4	13.2	29.4	11.1
<u>Race</u>				
White	43.2	10.7	34.6	11.5
African-American	47.7	8.1	31.4	12.8
Hispanic American	23.3	8.3	46.7	21.7
Asian-American	39.4	18.2	28.8	13.6
<i>High School</i>	32.5	19.2	28.8	19.5

**Table 7-6b (continued)**  
**College Students**  
**Analysis of Question 30**  
**Which Won't Reduce College Loan Finance Charge?**

	(a)* State <u>College</u>	b) Parents <u>Co-Signed</u>	(c) Additional <u>Mortgage</u>	(d) Federal <u>Insurance</u>
All Students 2008	42.7%	10.5%	34.3	12.5%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	44.4	15.3	30.6	9.7
Portion of Money Mgt.	47.8	9.5	33.2	9.5
Entire Course, Economics				
Portion Course, Economics	46.8	8.9	31.0	13.3
Stock Mkt. Game in Class	49.0	7.0	30.8	13.2
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	41.8	17.3	31.6	9.2
Portion of Money Mgt.	40.0	15.7	35.0	9.3
Entire Course, Economics				
Entire Course, Finance	52.4	11.4	28.6	7.6
Entire Course, Accounting	48.0	11.7	29.6	10.7
<i>High School</i>	32.5	19.2	28.8	19.5

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Question 12. Barbara has just applied for a credit card. She is an 18 year old high school graduate with few valuable possessions and no credit history. If Barbara is granted a credit card, which of the following is the most likely way that the credit card company will reduce ITS risk?**

- a) It will make Barbara's parents pledge their home to repay Barbara's credit card debt.
- b) It will require Barbara to have both parents co-sign for the card.
- c) It will charge Barbara twice the finance charge rate it charges older cardholders.
- d) It will start Barbara out with a small line of credit to see how she handles the account.

The correct answer is d) *It will start Barbara out with a small line of credit to see how she handles the account.*

Young people with no credit history and without valuable assets that can be pledged as collateral to secure a loan tend to be unknown credit risks for lenders, yet credit card issuers want to obtain the business of these young people. The way this tends to be done is to extend a relatively small amount of credit to see how well the young person does with it. If payments are made on a timely basis, the credit card issuer will tend to increase the total line of credit (amount of money that can be borrowed).

### **High School Results from Question 12**

Only 45.9 percent of the students correctly responded that the credit card company would probably start Barbara out with a small line of credit to see how she does (Table 7-7a below). This was the lowest score from all the surveys..

Females (46.8 percent) were more likely to get this question correct than males (45.6percent). African-Americans did much worse than Whites while Hispanic Americans and Asian-Americans did better than other groups.

To see whether experience in using a credit card contributed to an understanding of issuer practices, answers to this question were run by credit card use at the end of Table 7-7a. Those who owned their own cards and also used their parents' cards (only 5.6% of the sample) did better than others, But the nearly two thirds who did not use a credit card at all did substantially better than those who had only their own or their parent's card.

### **College Results from Question 12**

College students did somewhat better (58.8 percent right) on this question than did high school seniors (Table 7-7b). Females did better than males, and Whites and Hispanic Americans did better than African-Americans. Those who had taken a full-semester course in personal finance in high school or college did worse than others on this question.



**Table 7-7a**  
**High School Students**  
**Analysis of Question 12**  
**How Credit Card Companies Reduce Risk**

	(a) Pledge <u>Home</u>	(b) Both Parents <u>Co-sign</u>	(c) Charge Twice <u>Normal Rate</u>	(d)* Start with <u>Small Line</u>
All Students 2008	7.2%	32.7%	14.1%	45.9%
All Students 2006	16.3%	14.3%	14.3%	55.1%
All Students 2004	14.2%	20.4%	17.7%	47.7%
All Students 2002	13.4%	18.0%	15.5%	53.1%
All Students 2000	9.3%	21.4%	12.0%	57.3%
All Students 1997	10.2%	21.2%	14.7%	53.9%
<u>Parents' Income</u>				
Less than \$20,000	9.5	25.4	15.9	49.2
\$20,000 to \$39,999	7.7	31.2	12.8	48.3
\$40,000 to \$79,999	5.8	33.3	13.2	47.7
\$80,000 or more	7.6	35.4	15.0	42.0
Don't Know	7.4	34.9	14.0	43.7
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	7.5	24.5	15.1	52.8
Completed H.S.	5.8	32.8	13.6	47.8
Some College	7.1	33.3	15.1	44.4
College Grad or More	7.6	35.1	13.1	44.1
<u>Sex</u>				
Female	6.4	32.6	14.2	46.8
Male	7.5	33.0	13.9	45.6
<u>Race</u>				
White	5.4	36.9	12.3	45.4
African-American	9.8	29.3	16.4	44.5
Hispanic American	7.1	26.4	16.7	49.8
Asian-American	9.3	23.3	10.5	57.0
Native American	20.8	28.3	20.8	30.2
Other	13.2	31.4	16.5	38.8
<u>Educational Plans</u>				
No Further Ed.	16.0	34.0	20.0	30.0
2-year or Jr. College	7.5	33.6	13.9	45.0
4-year College	6.2	33.3	13.0	47.5
Other Training or Ed.	11.3	28.3	18.9	41.5

**Table 7-7a (continued)**  
**High School Students**  
**Analysis of Question 12**  
**How Credit Card Companies Reduce Risk**

	(a) Pledge <u>Home</u>	(b) Both Parents <u>Co-Sign</u>	(c) Charge Twice <u>Normal Rate</u>	(d)* Start with <u>Small Line</u>
<u>Planned Occupation</u>				
Manual Work	21.5	35.4	16.9	26.2
Skilled Trade	10.5	32.9	17.8	38.8
Service Worker	8.1	33.6	13.1	45.2
Professional Worker	5.1	32.3	13.8	48.9
Other or Don't Know	8.3	33.3	13.8	44.6
<u>Expected Full-Time Income</u>				
Under \$15,000	13.0	27.3	13.0	46.8
\$15,000 to \$19,999	8.8	25.2	15.7	50.3
\$20,000 to \$29,999	8.5	32.0	12.6	47.0
\$30,000 to \$39,999	6.2	33.0	11.8	49.1
\$40,000 or more	7.0	33.5	15.1	44.4
Don't Know	7.3	35.1	13.8	43.9
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	7.5	32.5	14.3	45.7
Portion of Course, Money				
Mgt./Personal Finance	8.0	31.7	13.3	47.1
Entire Course, Econ.				
Mgt./Personal Finance	7.6	35.9	12.7	43.8
Portion Course, Econ.				
Mgt./Personal Finance	6.8	33.6	14.9	44.7
Stock Mkt. Game in Class	5.3	36.5	14.0	44.2
<u>Credit Card Used</u>				
Own	11.4	28.3	18.3	42.0
Parents	7.0	37.3	14.2	41.5
Own & Parent	10.7	27.5	13.7	48.1
None	6.2	33.2	13.0	47.6

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 7-7b**  
**College Students**  
**Analysis of Question 12**  
**How Credit Card Companies Reduce Risk**

	(a) Pledge <u>Home</u>	(b) Both Parents <u>Co-sign</u>	(c) Charge Twice <u>Normal Rate</u>	(d)* Start with <u>Small Line</u>
All Students 2008	2.5%	23.5%	14.1%	58.8%
<u>College Class</u>				
Freshman	3.6	27.8	9.4	59.2
Sophomore	2.7	23.0	18.0	56.3
Junior	3.3	25.6	12.0	59.1
Senior	.8	18.5	15.8	64.9
<u>Type of College</u>				
Four Year	2.3	24.5	14.1	59.1
Two Year	3.6	18.7	14.5	63.2
<u>Major</u>				
Arts	3.7	22.9	16.5	56.9
Business or Econ.	3.1	22.4	14.6	59.9
Engineering	--	27.8	14.8	57.4
Humanities	--	25.3	17.3	57.3
Nursing	3.4	22.0	20.3	54.2
Science	2.6	20.4	18.4	58.6
Social Science	3.8	29.7	8.9	57.6
Other	1.8	21.2	10.6	66.4
<u>Expected Education</u>				
Associate Degree	8.2	26.5	18.4	46.9
Bachelor Degree	1.5	22.5	14.9	61.1
Master's Degree	2.9	25.6	11.2	60.3
Doctorate, Law or Professional	1.7	22.0	13.9	62.4
<u>Expected Full-Time Income</u>				
Under \$30,000	3.6	26.5	19.9	50.0
\$30,000 to \$39,999	2.6	21.9	9.7	65.8
\$40,000 to \$49,999	1.4	22.3	16.7	59.5
\$50,000 or more	2.8	24.3	13.2	59.7
<i>High School</i>	7.2	32.7	14.1	45.9

**Table 7-7b (continued)**  
**College Students**  
**Analysis of Question 12**  
**How Credit Card Companies Reduce Risk**

	(a) Pledge <u>Home</u>	(b) Both Parents <u>Co-sign</u>	(c) Charge Twice <u>Normal Rate</u>	(d)* Start with <u>Small Line</u>
All Students 2008	2.5%	23.5%	14.1%	58.8%
<u>Parents' Income</u>				
Less than \$20,000	7.0	27.2	21.1	44.7
\$20,000 to \$39,999	1.4	25.2	17.0	56.5
\$40,000 to \$79,999	3.0	22.2	11.3	63.6
\$80,000 or more	1.5	23.1	13.2	62.2
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	--	14.3	4.8	81.0
Completed H.S.	2.4	18.6	15.6	63.5
Some College	4.9	24.6	15.8	54.7
College Grad or More	1.5	24.5	13.0	61.0
<u>Sex</u>				
Female	2.6	23.9	12.8	60.7
Male	2.6	23.0	17.9	56.6
<u>Race</u>				
White	1.8	24.3	13.2	60.7
African-American	7.1	22.4	21.2	49.4
Hispanic American	1.7	20.0	8.3	70.0
Asian-American	6.0	25.4	11.9	56.7
<i>High School</i>	7.2	32.7	14.1	45.9

**Table 7-7b (continued)**  
**College Students**  
**Analysis of Question 12**  
**How Credit Card Companies Reduce Risk**

	(a) Pledge <u>Home</u>	(b) Both Parents <u>Co-sign</u>	(c) Charge Twice <u>Normal Rate</u>	(d)* Start with <u>Small Line</u>
All Students 2008	2.5%	23.5%	14.1%	58.8%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money Mgt./Personal Finance	4.8	23.4	16.9	54.8
Portion of Money Mgt.	.8	24.0	14.6	60.6
Entire Course, Economics	2.2	23.1	13.4	61.3
Portion Course, Economics	1.9	21.9	18.1	58.1
Stock Mkt. Game in Class	1.7	21.5	13.5	63.4
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money Mgt./Personal Finance	2.0	26.3	14.1	57.6
Portion of Money Mgt.	2.0	26.3	14.1	57.6
Entire Course, Economics	2.7	23.2	14.0	60.1
Entire Course, Finance	2.9	23.8	15.2	58.1
Entire Course, Accounting	1.0	24.0	14.8	60.2
<i>High School</i>	7.2	32.7	14.1	45.9

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

## Credit History

**Question 29. Which of the following statements is true?**

- a) Banks and other lenders share the credit history of their borrowers with each other and are likely to know of any loan payments that you have missed.
- b) People have so many loans it is very unlikely that one bank will know your history with another bank.
- c) Your bad loan payment record with one bank will not be considered if you apply to another bank for a loan.
- d) If you missed a payment more than two years ago, it cannot be considered in a loan decision.

The correct answer is a) *banks and other lenders share the credit history of their borrowers with each other through credit reporting services and are likely to know of any loan payments that you have missed.*

### **High School Results from Question 29**

Overall, 53.7 percent of the students were aware of the fact that banks share credit information (Table 7-8a, below). This was, by far, the worst showing on this question since the surveys began in 1997. The lowest previous percentage of right answers was 67.4 percent in 2000. Responses were run against credit card use, which serves as the only indicator we have of the use of credit. The results continue to be perverse in that students who do *not* use a credit card do better than those who do. These perverse results were absolutely consistent with those from the 2000, 2002, 2004 and 2006 studies. Students who had taken a full-semester course in money management did worse on this question than those who had not, indicating, perhaps, the narrowness of the approach taken by teachers who may not focus on industry practices and tactics taken by lenders and other consumer counterparties.

### **College Results from Question 29**

More than three quarters of college students answered this question correctly. Those majoring in the social sciences did best (Table 7-8b). Males and females did almost equally well on this question as did White and Black students.

College students who had taken a high school course in personal finance did worse than others, but students taking a similar course in college did better.

**Table 7-8a**  
**High School Students**  
**Analysis of Question 29**  
**Can Your Credit History Be Used in Loan Decisions?**

	(a)* Banks share information; <u>history known</u>	(b) Past record <u>not known</u>	(c) Past bad record not <u>considered</u>	(d) Missed payment 2 years old <u>not considered</u>
All Students 2008	53.7%	14.8%	18.8%	12.7%
All Students 2006	70.9%	7.5%	10.0%	11.6%
All Students 2004	70.2%	8.5%	9.7%	11.6%
All Students 2002	68.7%	8.0%	12.0%	11.3%
All Students 2000	67.4%	13.2%	9.2%	9.4%
All Students 1997 <sup>2</sup>	75.0%			
<u>Parents' Income</u>				
Less than \$20,000	48.8	19.0	20.2	11.9
\$20,000 to \$39,999	50.5	14.5	23.8	11.2
\$40,000 to \$79,999	56.5	13.2	16.3	14.0
\$80,000 or more	59.7	13.4	15.6	11.2
Don't Know	49.6	16.3	19.7	14.4
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	45.1	16.5	25.6	12.8
Completed H.S.	53.0	16.0	20.0	11.0
Some College	54.3	14.5	18.0	13.1
College Grad or More	59.2	11.8	15.7	13.3
Don't Know	38.7	25.5	21.9	13.9
<u>Sex</u>				
Female	53.1	15.0	17.7	14.3
Male	54.5	14.5	20.2	10.8
<u>Race</u>				
White	60.0	10.8	15.8	13.4
African-American	44.2	22.1	21.8	11.8
Hispanic American	49.1	16.2	24.4	10.3
Asian-American	54.7	20.9	12.8	11.6
Native American	34.6	19.2	30.8	15.4
Other	37.6	25.6	20.8	16.0

<sup>2</sup> 1997 version of question was slightly different

**Table 7-8a (continued)**  
**High School Students**  
**Analysis of Question 29**  
**Can Your Credit History Be Used in Loan Decisions?**

	(a)* Banks share information; history known	(b) Past record not known	(c) Past bad record not considered	(d) Missed payment 2 years old not considered
<u>Educational Plans</u>				
No Further Ed.	32.7	36.5	19.2	11.5
2-year or Jr. College	50.2	18.6	17.7	13.4
4-year College	57.3	12.5	17.8	12.3
Other Training or Ed.	45.3	17.4	22.4	14.9
Don't Know	40.8	18.3	29.2	11.7
<u>Planned Occupation</u>				
Manual Work	36.9	18.5	26.2	18.5
Skilled Trade	44.8	18.8	26.0	10.4
Service Worker	50.0	17.1	19.2	13.6
Professional Worker	59.7	11.7	16.8	11.7
Other or Don't Know	49.5	17.3	19.5	13.7
<u>Expected Full-Time Income</u>				
Under \$15,000	37.0	23.5	23.5	16.0
\$15,000 to \$19,999	41.6	19.9	23.0	15.5
\$20,000 to \$29,999	51.4	14.9	21.7	12.0
\$30,000 to \$39,999	57.9	12.8	19.4	9.9
\$40,000 or more	57.1	13.8	16.6	12.4
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	54.0	15.1	17.4	13.5
Portion of Course, Money				
Mgt./Personal Finance	54.1	14.7	17.9	13.4
Entire Course, Econ.	56.2	14.3	17.5	12.0
Portion Course, Econ.	54.9	13.1	18.6	13.5
Stock Mkt. Game in Class	57.7	14.0	15.6	12.6
<u>Credit Card Used</u>				
Own	47.0	16.7	23.8	12.5
Parents'	50.3	15.5	19.0	15.2
Own and Parents'	50.8	18.2	17.4	13.6
None	56.4	13.9	17.6	12.2

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.



**Table 7-8b**  
**College Students**  
**Analysis of Question 29**  
**Can Your Credit History Be Used in Loan Decisions?**

	(a)* Banks share information; <u>history known</u>	(b) Past record <u>not known</u>	(c) Past bad record not <u>considered</u>	(d) Missed payment 2 years old <u>not considered</u>
All Students 2008	75.5%	6.9%	8.7%	8.9%
<u>College Class</u>				
Freshman	76.3	5.4	9.4	8.9
Sophomore	71.2	7.7	11.0	10.0
Junior	75.6	7.9	6.6	9.9
Senior	79.5	6.6	7.3	6.6
<u>Type of College</u>				
Four Year	76.7	6.4	8.6	8.3
Two Year	70.6	9.3	8.8	11.3
<u>Major</u>				
Arts	66.4	8.2	12.7	12.7
Business or Econ.	76.3	8.4	7.9	7.4
Engineering	79.6	3.7	9.3	7.4
Humanities	69.3	5.3	9.3	16.0
Nursing	67.8	13.6	10.2	8.5
Science	79.6	2.6	9.2	8.6
Social Science	81.6	4.4	6.3	7.6
Other	75.3	9.3	7.9	7.5
<u>Expected Education</u>				
Associate Degree	59.2	13.3	13.3	14.3
Bachelor Degree	74.6	8.5	7.6	9.3
Master's Degree	79.3	4.4	9.5	6.9
Doctorate, Law or Professional	82.7	2.9	6.9	7.5
<u>Expected Full-Time Income</u>				
Under \$30,000	66.9	12.7	13.3	7.2
\$30,000 to \$39,999	75.2	8.7	6.5	9.7
\$40,000 to \$49,999	77.6	6.1	7.9	8.4
\$50,000 or more	79.4	2.8	8.6	9.2
<i>High School</i>	53.7	14.8	18.8	12.7

**Table 7-8b (continued)**  
**College Students**  
**Analysis of Question 29**  
**Can Your Credit History Be Used in Loan Decisions?**

	(a)* Banks share information; <u>history known</u>	(b) Past record <u>not known</u>	(c) Past bad record not <u>considered</u>	(d) Missed payment 2 years old <u>not considered</u>
All Students 2008	75.5%	6.9%	8.7%	8.9%
<u>Parents' Income</u>				
Less than \$20,000	56.3	15.2	16.1	12.5
\$20,000 to \$39,999	77.6	8.8	6.1	7.5
\$40,000 to \$79,999	81.6	4.6	5.9	7.9
\$80,000 or more	77.5	4.3	8.9	9.2
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	61.9	14.3	14.3	9.5
Completed H.S.	77.2	7.8	6.0	9.0
Some College	68.9	8.4	10.8	11.9
College Grad or More	79.5	5.6	7.8	7.1
<u>Sex</u>				
Female	76.1	6.5	8.7	8.7
Male	73.9	8.5	8.1	9.4
<u>Race</u>				
White	75.4	6.2	9.2	9.1
African-American	75.9	9.2	4.6	10.3
Hispanic American	75.0	10.0	6.7	8.3
Asian-American	75.0	9.4	9.4	6.3
Native American	71.4	14.3	14.3	
<i>High School</i>	53.7	14.8	18.8	12.7

**Table 7-8b (continued)**  
**College Students**  
**Analysis of Question 29**  
**Can Your Credit History Be Used in Loan Decisions?**

	(a)* Banks share information; <u>history known</u>	(b) Past record <u>not known</u>	(c) Past bad record not <u>considered</u>	(d) Missed payment 2 years old <u>not considered</u>
All Students 2008	75.5%	6.9%	8.7%	8.9%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money Mgt./Personal Finance	71.0	4.8	12.9	11.3
Portion of Money Mgt.	72.4	8.7	11.4	7.5
Entire Course, Economics	76.3	7.3	8.5	7.9
Portion Course, Economics	74.4	8.1	10.6	6.9
Stock Mkt. Game in Class	80.6	5.6	6.6	7.2
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money Mgt./Personal Finance	78.8	9.1	6.1	6.1
Portion of Money Mgt.	71.6	9.9	7.8	10.6
Entire Course, Economics	74.1	8.6	7.5	9.7
Entire Course, Finance	80.8	8.7	3.8	6.7
Entire Course, Accounting	79.5	7.7	4.6	8.2
<i>High School</i>	53.7	14.8	18.8	12.7

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Question 6. Which of the following statements best describes your right to check your credit history for accuracy:**

- a) Your credit record can be checked once a year for free.
- b) You cannot see your credit record.
- c) All credit records are the property of the U.S. Government and access is only available to the FBI and Lenders.
- d) You can only check your record for free if you are turned down for credit based on a credit report.

The correct answer is a) *Your credit record can be checked once a year for free.*

This response was added for the 2006 survey as a result of a change in the law that allows consumers to check their credit records for free one time each year. Previously, only those turned down for credit could check their credit record without charge.

**High School Results from Question 6**

Given the recent change in the law, it was surprising to learn how well students did on this question, with close to half answering it correctly.

Whites did much better than other groups on this question. Those who had completed a full-semester course in money management did better than others.

Responses to this question were run against credit card use and the results are displayed at the bottom of Table 7-9a. Students who did not use a card at all did *better* than students who had a credit card and a lot better than those fortunate enough to have a card of their own.

**College Results from Question 6**

College students did much better on this question than high school seniors with nearly three quarters answering it correctly (Table 7-9b). The proportion answering correctly varied directly with years of college and females did a lot better than males.

Those college students who had taken personal finance in high school did worse than others on this question, but those who took a college course did a little better than average.

**Table 7-9a**  
**High School Students**  
**Analysis of Question 6**  
**When Can You Check Your Credit Record for Accuracy?**

	(a)* Free once <u>per year</u>	(b) <u>Never</u>	(c) Property of <u>U.S. Gov't</u>	(d) Free if <u>turned down</u>
All Students 2008	47.7%	5.3%	13.8%	33.2%
All Students 2006	50.1%	6.3%	14.7%	28.9%
All Students 2004	46.5%	5.1%	12.5%	35.9%
All Students 2002	40.9%	7.0%	12.3%	39.8%
All Students 2000	53.0%	5.9%	7.7%	31.7%
All Students 1997	46.9%	7.5%	10.0%	35.5%
<u>Parents' Income</u>				
Less than \$20,000	43.8	6.8	17.5	31.9
\$20,000 to \$39,999	48.0	4.9	13.2	34.0
\$40,000 to \$79,999	50.3	4.5	12.6	32.6
\$80,000 or more	48.6	5.5	14.2	31.7
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	42.2	6.7	14.1	37.0
Completed H.S.	44.9	6.8	13.9	34.4
Some College	52.2	3.5	14.4	29.9
College Grad or More	51.1	4.4	11.9	32.7
<u>Sex</u>				
Female	49.1	4.6	13.5	32.7
Male	46.4	5.7	14.1	33.8
<u>Race</u>				
White	52.7	4.2	12.0	31.2
African-American	40.7	7.9	19.6	31.9
Hispanic American	42.2	5.1	14.6	38.1
Asian-American	39.5	7.0	7.0	46.5
Native American	34.0	11.3	20.8	34.0
Other	43.7	7.1	19.0	30.2
<u>Educational Plans</u>				
No Further Ed.	38.5	9.6	23.1	28.8
2-year or Jr. College	45.9	6.2	16.2	31.7
4-year College	48.8	4.6	11.8	34.8
Other Training or Ed.	52.2	6.8	13.0	28.0

**Table 7-9a (continued)**  
**High School Students**  
**Analysis of Question 6**  
**When Can You Check Your Credit Record for Accuracy?**

	(a)* Free once per year	(b) Never	(c) Property of U.S. Gov't	(d) Free if turned down
<u>Planned Occupation</u>				
Manual Work	41.5	12.3	21.5	24.6
Skilled Trade	43.8	9.8	13.7	32.7
Service Worker	46.5	5.6	15.0	32.9
Professional Worker	49.2	4.4	12.8	33.6
Other or Don't Know	47.3	4.7	14.0	34.0
<u>Expected Full-Time Income</u>				
Under \$15,000	37.5	10.0	17.5	35.0
\$15,000 to \$19,999	48.1	5.7	20.3	25.9
\$20,000 to \$29,999	47.2	4.8	12.5	35.5
\$30,000 to \$39,999	49.8	4.1	12.8	33.3
\$40,000 or more	49.1	5.3	12.8	32.8
Don't Know	44.1	5.4	15.0	35.5
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	49.4	6.9	11.2	32.5
Portion of Course, Money				
Mgt./Personal Finance	48.7	5.5	12.7	33.1
Entire Course, Econ.				
Mgt./Personal Finance	47.0	5.3	14.1	33.7
Portion Course, Econ.				
Mgt./Personal Finance	48.9	4.4	12.2	34.4
Stock Mkt. Game in Class	49.3	3.3	13.5	33.9
<u>Credit Card Used</u>				
Own	45.3	7.4	15.6	31.7
Parents	42.5	6.0	16.5	35.0
Own and Parents	45.4	10.0	19.2	25.4
None	49.4	4.2	12.5	33.9

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 7-9b**  
**College Students**  
**Analysis of Question 6**  
**When Can You Check Your Credit Record for Accuracy?**

	(a)* Free once <u>per year</u>	(b) <u>Never</u>	(c) Property of <u>U.S. Gov't</u>	(d) Free if <u>turned down</u>
All Students 2008	74.2%	3.7%	5.0%	17.1%
<u>College Class</u>				
Freshman	64.9	3.1	7.1	24.9
Sophomore	72.3	5.1	5.4	17.2
Junior	78.4	2.9	5.0	13.7
Senior	80.3	3.5	2.7	13.5
<u>Type of College</u>				
Four Year	76.1	3.0	4.7	16.1
Two Year	65.8	6.7	6.2	21.2
<u>Major</u>				
Arts	70.9	3.6	5.5	20.0
Business or Econ.	72.0	5.8	5.3	16.9
Engineering	72.2	7.4	5.6	14.8
Humanities	75.7	4.1	2.7	17.6
Nursing	72.9	3.4	6.8	16.9
Science	75.7	5.3	3.9	15.1
Social Science	75.2	1.9	4.5	18.5
Other	76.2	1.3	5.7	16.7
<u>Expected Education</u>				
Associate Degree	61.9	8.2	3.1	26.8
Bachelor Degree	73.8	3.4	4.9	17.9
Master's Degree	78.0	2.9	6.9	12.3
Doctorate, Law or Professional	76.7	3.5	3.5	16.3
<u>Expected Full-Time Income</u>				
Under \$30,000	72.9	6.0	4.8	16.3
\$30,000 to \$39,999	71.0	4.5	4.8	19.7
\$40,000 to \$49,999	77.2	1.9	5.1	15.8
\$50,000 or more	75.9	3.1	5.3	15.8
<i>High School</i>	47.7	5.3	13.8	33.2

**Table 7-9b (continued)**  
**College Students**  
**Analysis of Question 6**  
**When Can You Check Your Credit Record for Accuracy?**

	(a)* Free once <u>per year</u>	(b) <u>Never</u>	(c) Property of <u>U.S. Gov't</u>	(d) Free if <u>turned down</u>
All Students 2008	74.2%	3.7%	5.0%	17.1%
<u>Parents' Income</u>				
Less than \$20,000	64.9	9.6	9.6	15.8
\$20,000 to \$39,999	75.9	4.1	6.2	13.8
\$40,000 to \$79,999	76.4	2.6	3.3	17.7
\$80,000 or more	74.3	3.4	5.3	17.0
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	66.7	9.5	9.5	14.3
Completed H.S.	76.6	1.8	6.6	15.0
Some College	68.5	6.3	5.2	19.9
College Grad or More	77.0	2.6	4.3	16.1
<u>Sex</u>				
Female	76.7	3.3	4.4	15.6
Male	65.7	5.2	7.3	21.9
<u>Race</u>				
White	75.4	3.1	4.7	16.8
African-American	70.6	2.4	4.7	22.4
Hispanic American	75.0	3.3	3.3	18.3
Asian-American	66.2	12.3	9.2	12.3
<i>High School</i>	47.7	5.3	13.8	33.2



**Table 7-9b (continued)**  
**College Students**  
**Analysis of Question 6**  
**When Can You Check Your Credit Record for Accuracy?**

	(a)* Free once <u>per year</u>	(b) <u>Never</u>	(c) Property of <u>U.S. Gov't</u>	(d) Free if <u>turned down</u>
All Students 2008	74.2%	3.7%	5.0%	17.1%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	65.9	5.7	4.1	24.4
Portion of Money Mgt.	77.4	3.6	3.6	15.5
Entire Course, Economics	76.8	3.3	4.5	15.5
Portion Course, Economics	72.3	5.0	5.0	17.6
Stock Mkt. Game in Class	77.6	2.3	3.3	16.8
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	77.3	2.1	3.1	17.5
Portion of Money Mgt.	68.1	7.8	7.1	17.0
Entire Course, Economics	75.4	5.1	4.6	14.9
Entire Course, Finance	76.9	5.8	4.8	12.5
Entire Course, Accounting	77.4	3.6	3.6	15.4
<i>High School</i>	47.7	5.3	13.8	33.2

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

## Rights and Responsibilities

**Question 19. If your credit card is stolen and the thief runs up a total of \$1,000, but you notify the issuer of the card as soon as you discover it is missing, what is the maximum amount that you can be forced to pay according to Federal law?**

- a) \$500
- b) \$1000
- c) Nothing
- d) \$50

Legally, the correct answer is d) \$50.

Federal law limits the maximum loss to \$50 if the person whose credit card is stolen notifies the issuer promptly. If the issuer is notified immediately, before the stolen credit card can be used, the card holder may not have to pay anything at all. Students could have been somewhat confused about this question since a number of credit card companies now voluntarily waive the maximum \$50 fee to encourage cardholders to use their cards for on-line transactions. For this reason, in 2004 the wording of the question was changed slightly to add the clarification "...according to Federal Law."

### High School Results from Question 19

Few students (13.0 percent) got this question correct (Table 7-10a, below). The majority of students, 52.8 percent, felt that they had no liability for a lost or stolen card.

Native Americans did substantially better on this question than others, as did those who had taken a full semester course in money management. Students who had their own card and also used their parents' cards did better than others.

### College Results from Question 19

College students did even worse on this question than did high school students (Table 7-10b). Since the federal law is so seldom invoked by the card issuers, however, it is not surprising that just 11 percent knew the correct answer.

**Table 7-10a**  
**High School Students**  
**Analysis of Question 19**  
**Maximum Liability on Credit Card Loss**

	(a) <u>\$500</u>	(b) <u>\$1,000</u>	(c) <u>None</u>	(d)* <u>\$50</u>
All Students 2008	17.3%	16.9%	52.8%	13.0%
All Students 2006	17.2%	11.8%	55.8%	15.2%
All Students 2004	13.6%	15.5%	52.8%	18.1%
All Students 2002	6.1%	16.9%	69.3%	7.7%
All Students 2000	5.0%	16.5%	63.2%	14.5%
All Students 1997	6.3%	22.3%	62.7%	8.7%
<u>Parents' Income</u>				
Less than \$20,000	19.7	22.4	46.9	11.0
\$20,000 to \$39,999	20.2	15.8	52.8	11.2
\$40,000 to \$79,999	13.6	15.2	56.6	14.6
\$80,000 or more	17.8	17.3	51.5	13.4
Don't Know	17.0	16.6	53.0	13.4
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	21.1	18.1	48.9	11.9
Completed H.S.	16.7	15.5	54.9	13.0
Some College	16.1	17.7	53.0	13.2
College Grad or More	17.0	16.3	54.2	12.6
<u>Sex</u>				
Female	16.8	16.1	54.9	12.3
Male	17.9	18.2	50.6	13.3
<u>Race</u>				
White	16.7	16.0	53.9	13.3
African-American	16.6	18.4	51.3	13.8
Hispanic American	18.3	18.3	53.1	10.4
Asian-American	23.9	15.9	50.0	10.2
<u>Educational Plans</u>				
No Further Ed.	17.6	19.6	37.3	25.5
2-year or Jr. College	14.6	17.6	54.9	12.8
4-year College	17.8	16.4	54.0	11.8
Other Training or Ed.	18.1	15.0	50.0	16.9
Don't Know	17.6	21.0	44.5	16.8

**Table 7-10a (continued)**  
**High School Students**  
**Analysis of Question 19**  
**Maximum Liability on Credit Card Loss**

	(a) <u>\$500</u>	(b) <u>\$1,000</u>	(c) <u>None</u>	(d)* <u>\$50</u>
<u>Planned Occupation</u>				
Manual Work	21.5	21.5	46.2	10.8
Skilled Trade	17.6	20.9	44.4	17.0
Service Worker	20.9	16.0	46.8	16.3
Professional Worker	17.0	15.9	55.5	11.6
Other or Don't Know	15.7	17.2	53.8	13.3
<u>Expected Full-Time Income</u>				
Under \$15,000	18.3	17.1	48.8	15.9
\$15,000 to \$19,999	25.2	21.4	40.3	13.2
\$20,000 to \$29,999	15.3	19.8	51.6	13.3
\$30,000 to \$39,999	18.0	13.4	54.3	14.3
\$40,000 or more	16.3	17.2	54.2	12.3
Don't Know	16.9	16.4	54.6	12.2
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	18.1	16.5	46.7	18.7
Portion of Course, Money				
Mgt./Personal Finance	15.7	17.3	53.1	13.8
Entire Course, Econ.				
Portion Course, Econ.	16.5	16.3	53.5	13.7
Stock Mkt. Game in Class				
	16.6	19.1	52.7	11.5
	16.3	16.3	53.2	14.2
<u>Credit Card Used</u>				
Own	17.6	19.3	49.7	13.4
Parents'	18.2	17.9	50.9	13.1
Own and Parents'	21.2	16.7	43.2	18.9
None	16.6	16.1	54.9	12.4

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 7-10b**  
**College Students**  
**Analysis of Question 19**  
**Maximum Liability on Credit Card Loss**

	(a)	(b)	(c)	(d)*
	<u>\$500</u>	<u>\$1,000</u>	<u>None</u>	<u>\$50</u>
All Students 2008	13.8%	16.2%	58.9%	11.0%
<u>College Class</u>				
Freshman	13.8	14.7	59.4	12.1
Sophomore	13.3	18.6	55.1	13.0
Junior	12.8	19.8	60.1	7.4
Senior	15.4	11.2	62.2	11.2
<u>Type of College</u>				
Four Year	14.2	16.4	58.4	11.1
Two Year	11.9	15.5	61.7	10.9
<u>Major</u>				
Arts	19.1	14.5	53.6	12.7
Business or Econ.	15.6	17.7	56.8	9.9
Engineering	11.1	13.0	55.6	20.4
Humanities	12.0	16.0	64.0	8.0
Nursing	8.6	15.5	67.2	8.6
Science	11.1	19.0	56.2	13.7
Social Science	16.5	14.6	57.6	11.4
Other	12.3	16.2	63.2	8.3
<u>Expected Education</u>				
Associate Degree	20.6	18.6	51.5	9.3
Bachelor Degree	13.1	16.0	58.6	12.2
Master's Degree	11.9	13.7	63.9	10.5
Doctorate, Law or Professional	15.6	19.1	55.5	9.8
<u>Expected Full-Time Income</u>				
Under \$30,000	13.3	23.0	52.2	11.5
\$30,000 to \$39,999	12.2	12.9	67.3	7.5
\$40,000 to \$49,999	15.7	14.8	54.4	15.1
\$50,000 or more	11.7	18.1	59.2	11.0
<i>High School</i>	17.3	16.9	52.8	13.0

**Table 7-10b (continued)**  
**College Students**  
**Analysis of Question 19**  
**Maximum Liability on Credit Card Loss**

	(a)	(b)	(c)	(d)*
	<u>\$500</u>	<u>\$1,000</u>	<u>None</u>	<u>\$50</u>
All Students 2008	13.8%	16.2%	58.9%	11.0
<u>Parents' Income</u>				
Less than \$20,000	13.3	23.0	52.2	11.5
\$20,000 to \$39,999	12.2	12.9	67.3	7.5
\$40,000 to \$79,999	15.7	14.8	54.4	15.1
\$80,000 or more	11.7	18.1	59.2	11.0
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S	9.5	9.5	71.4	9.5
Completed H.S.	13.3	10.2	67.5	9.0
Some College	13.5	19.1	53.1	14.2
College Grad or More	14.5	16.5	59.0	10.0
<u>Sex</u>				
Female	13.2	14.8	61.2	10.9
Male	15.7	20.8	52.1	11.4
<u>Race</u>				
White	15.0	16.3	58.0	10.8
African-American	10.3	14.9	63.2	11.5
Hispanic American	8.3	16.7	68.3	6.7
Asian-American	14.9	16.4	53.7	14.9
<i>High School</i>	17.3	16.9	52.8	13.0

**Table 7-10b (continued)**  
**College Students**  
**Analysis of Question 19**  
**Maximum Liability on Credit Card Loss**

	(a) <u>\$500</u>	(b) <u>\$1,000</u>	(c) <u>None</u>	(d)* <u>\$50</u>
All Students 2008	13.8%	16.2%	58.9%	11.0%
<u>Classes in H.S.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	13.8	17.9	53.7	14.6
Portion of Money Mgt.	15.4	14.6	58.5	11.5
Entire Course, Economics	13.5	15.2	59.6	11.7
Portion Course, Economics	20.1	13.2	56.0	10.7
Stock Mkt. Game in Class	13.2	15.1	61.5	10.2
<u>Classes in College.<sup>1</sup></u>				
Entire Course, Money				
Mgt./Personal Finance	10.1	12.1	68.7	9.1
Portion of Money Mgt.	19.9	11.3	60.3	8.5
Entire Course, Economics	15.9	15.6	59.1	9.4
Entire Course, Finance	12.4	14.3	60.0	13.3
Entire Course, Accounting	14.3	15.8	60.7	9.2
<i>High School</i>	17.3	16.9	52.8	13.0

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

## Credit Overextension

**Question 15. If you are behind on your debt payments and go to a responsible credit counseling service such as the Consumer Credit Counseling Services, what help can they give you?**

- a) They can cancel and cut up all of your credit cards without your permission.
- b) They can get the federal government to apply your income taxes to pay off your debts.
- c) They can work with those who loaned you money to set up a payment schedule that you can meet.
- d) They can force those who loaned you money to forgive all your debts.

The correct answer is c) *They can work with those who loaned you money to set up a new payment schedule that you can meet*

Responsible credit counseling services can work with you and your creditors (those to whom you owe money) on a strictly voluntary basis. They have no legal power to make your creditors forgive your debts. Nor do they have the ability to cancel your credit cards without your permission. Lenders are often willing to work with credit counseling services to set up a payment plan which will pay off your debt over a longer period of time, provided that you appear willing to cooperate.

### High School Results from Question 15

Seventy point five percent of the students correctly replied that a responsible counseling service could work with those who loaned money to set up a new payment schedule (Table 7-11a). The relative accuracy of students on this question was probably due in part to the far-fetched nature of the alternative answers.

Females did better on this question than males and White students did better than students of other racial backgrounds. Consistent with other credit-related questions, those who *didn't* use a credit card did better than the credit card users.

### College Results from Question 15

College students did even better on this question than did high school students with 86.3 percent answering it correctly (Table 7-11b).



**Table 7-11a**  
**High School Students**  
**Analysis of Question 15**  
**What Help Can You Get From a Responsible Credit Counseling Service?**

	(a)	(b)	(c)*	(d)
	<u>Cancel</u> <u>cards</u>	<u>Use income</u> <u>tax for debts</u>	<u>New payment</u> <u>schedule</u>	<u>Forgiveness</u> <u>of all debts</u>
All Students 2008	7.0%	17.8%	70.5%	4.7%
All Students 2006	11.9%	9.2%	67.1%	11.8%
All Students 2004	11.3%	13.4%	70.4%	4.9%
All Students 2002	11.6%	17.0%	65.4%	5.9%
All Students 2000	10.6%	11.6%	73.4%	4.0%
All Students 1997	11.6%	10.5%	74.1%	3.8%
<u>Parents' Income</u>				
Less than \$20,000	9.9	22.5	63.2	4.3
\$20,000 to \$39,999	7.2	18.0	69.6	5.3
\$40,000 to \$79,999	5.9	16.5	73.8	3.8
\$80,000 or more	5.5	13.8	75.0	5.7
Don't Know	8.2	20.6	66.5	4.8
<u>Highest Level of</u> <u>Parents' Education</u>				
Neither Finished H.S.	10.4	19.3	64.4	5.9
Completed H.S.	6.3	18.6	70.5	4.7
Some College	6.3	16.7	72.8	4.1
College Grad or More	6.0	15.9	73.4	4.7
<u>Sex</u>				
Female	6.7	17.7	70.9	4.6
Male	7.1	17.4	70.7	4.8
<u>Race</u>				
White	5.3	14.9	76.0	3.8
African-American	10.0	19.7	62.7	7.5
Hispanic American	8.7	22.2	65.5	3.6
Asian-American	7.1	17.9	72.6	2.4
Native American	13.2	20.8	50.9	15.1
Other	6.3	23.6	60.6	9.4
<u>Educational Plans</u>				
No Further Ed.	29.4	29.4	35.3	5.9
2-year or Jr. College	8.9	21.4	63.9	5.9
4-year College	5.2	15.5	75.5	3.7
Other Training or Ed.	6.9	20.8	62.9	9.4

**Table 7-11a (continued)**  
**Analysis of Question 15**  
**What Help Can You Get From a Responsible Credit Counseling Service?**

	(a) Cancel <u>cards</u>	(b) Use income <u>tax for debts</u>	(c)* New payment <u>schedule</u>	(d) Forgiveness <u>of all debts</u>
<u>Planned Occupation</u>				
Manual Work	18.2	22.7	51.5	7.6
Skilled Trade	9.7	27.3	57.1	5.8
Service Worker	9.2	19.7	63.7	7.4
Professional Worker	4.3	15.6	76.7	3.4
Other or Don't Know	8.6	17.3	68.9	5.2
<u>Expected Full-Time Income</u>				
Under \$15,000	14.6	22.0	53.7	9.8
\$15,000 to \$19,999	10.7	22.6	61.0	5.7
\$20,000 to \$29,999	6.8	22.0	66.8	4.4
\$30,000 to \$39,999	6.0	16.3	73.8	3.9
\$40,000 or more	5.1	15.8	74.4	4.7
Don't Know	9.5	18.7	66.9	5.0
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	9.4	17.9	67.1	5.5
Portion of Course, Money				
Mgt./Personal Finance	5.9	19.6	71.1	3.4
Entire Course, Econ.				
Portion Course, Econ.	6.2	16.7	71.8	5.3
Stock Mkt. Game in Class				
	6.7	15.2	73.8	4.3
	5.4	15.4	74.7	4.4
<u>Credit Card Used</u>				
Own	9.9	19.2	64.4	6.5
Parents	9.6	19.8	64.4	6.3
Own and Parents	7.0	20.9	65.9	6.2
None	5.7	16.6	73.8	4.0

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Table 7-11b**  
**College Students**  
**Analysis of Question 15**  
**What Help Can You Get From a Responsible Credit Counseling Service?**

	(a) Cancel <u>cards</u>	(b) Use income <u>tax for debts</u>	(c)* New payment <u>schedule</u>	(d) Forgiveness <u>of all debts</u>
All Students 2008	2.5%	9.0%	86.3%	2.1%
<u>College Class</u>				
Freshman	4.5	10.7	83.5	1.3
Sophomore	2.0	10.6	85.7	1.7
Junior	4.1	9.5	84.7	1.7
Senior		5.1	91.1	3.9
<u>Type of College</u>				
Four Year	2.3	9.4	85.9	2.4
Two Year	3.6	6.7	88.7	1.0
<u>Major</u>				
Arts	--	10.9	87.3	1.8
Business or Econ	3.1	11.0	83.8	2.1
Engineering	--	5.6	92.6	1.9
Humanities	4.0	6.7	84.0	5.3
Nursing	3.4	11.9	83.1	1.7
Science	.7	6.6	91.4	1.3
Social Science	3.2	7.1	85.9	3.8
Other	3.9	10.1	85.1	.9
<u>Expected Education</u>				
Associate Degree	6.1	10.2	82.7	1.0
Bachelor Degree	3.2	10.9	84.3	1.7
Master's Degree	1.1	7.6	88.8	2.5
Doctorate, Law or Professional	1.2	5.2	90.8	2.9
<u>Expected Full-Time Income</u>				
Under \$30,000	4.8	12.1	80.0	3.0
\$30,000 to \$39,999	1.9	7.1	89.4	1.6
\$40,000 to \$49,999	1.9	8.3	87.5	2.3
\$50,000 or more	2.5	9.8	86.2	1.5
<i>High School</i>	7.0	17.8	70.5	4.7

**Table 7-11b (continued)**  
**College Students**  
**Analysis of Question 15**

**What Help Can You Get From a Responsible Credit Counseling Service?**

	(a) Cancel <u>cards</u>	(b) Use income <u>tax for debts</u>	(c)* New payment <u>schedule</u>	(d) Forgiveness <u>of all debts</u>
All Students 2008	2.5%	9.0%	86.3%	2.1%
<u>Parents' Income</u>				
Less than \$20,000	8.9	14.3	76.8	--
\$20,000 to \$39,999	--	8.2	90.5	1.4
\$40,000 to \$79,999	2.0	5.6	89.8	2.6
\$80,000 or more	2.2	10.2	84.9	2.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	9.5	--	90.5	--
Completed H.S.	1.2	4.8	91.6	2.4
Some College	5.3	13.7	80.0	1.1
College Grad or More	1.3	8.4	87.7	2.6
<u>Sex</u>				
Female	2.4	7.2	88.2	2.2
Male	3.0	15.3	80.1	1.7
<u>Race</u>				
White	2.5	9.9	85.6	2.1
African-American	2.4	10.7	84.5	2.4
Hispanic American	1.7	5.0	91.7	1.7
Asian-American	6.0	4.5	86.6	3.0
<i>High School</i>	7.0	17.8	70.5	4.7

**Table 7-11b (continued)****College Students****Analysis of Question 15****What Help Can You Get From a Responsible Credit Counseling Service?**

	(a) Cancel <u>cards</u>	(b) Use income <u>tax for debts</u>	(c)* New payment <u>schedule</u>	(d) Forgiveness <u>of all debts</u>
All Students 2008	2.5%	9.0%	86.3%	2.1%
<u>Classes in H.S.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	5.6	11.3	80.6	2.4
Portion of Money Mgt.	1.6	13.1	83.3	2.0
Entire Course, Economics				
Portion Course, Economics	3.8	13.8	80.6	1.9
Stock Mkt. Game in Class	.7	7.2	91.8	.3
<u>Classes in College.</u> <sup>1</sup>				
Entire Course, Money				
Mgt./Personal Finance	2.6	8.8	86.5	2.0
Portion of Money Mgt.	5.0	13.5	79.4	2.1
Entire Course, Economics				
Entire Course, Finance	1.9	6.7	89.5	1.9
Entire Course, Accounting	.5	8.2	89.3	2.0
<i>High School</i>	7.0	17.8	70.5	4.7

<sup>1</sup> Percents may total more than 100 percent with multiple responses possible.

**Appendix A**  
**2008 JUMP\$TART HIGH SCHOOL SENIOR QUESTIONNAIRE**  
6,856 High School Seniors, Mean Score = 48.3%

**Part 1 - 31 Jump\$Start Questions**

Numbers to the Left of Answers are Proportion Giving Response

\* indicates correct answer

1. Inflation can cause difficulty in many ways. Which group would have the greatest problem during periods of high inflation that last several years?
  - 10.6 a) Older, working couples saving for retirement.
  - 40.0 b) Older people living on fixed retirement income.\*
  - 7.2 c) Young couples with no children who both work.
  - 41.7 d) Young working couples with children.
  
2. Which of the following is true about sales taxes?
  - 27.2 a) The national sales tax percentage rate is 6%.
  - 25.5 b) The federal government will deduct it from your paycheck.
  - 4.9 c) You don't have to pay the tax if your income is very low.
  - 41.9 d) It makes things more expensive for you to buy. \*
  
3. Rebecca has saved \$12,000 for her college expenses by working part-time. Her plan is to start college next year and she needs all of the money she saved. Which of the following is the safest place for her college money?
  - 3.7 a) Locked in her closet at home.
  - 3.7 b) Stocks.
  - 4.8 c) Corporate bonds.
  - 87.7 d) A bank savings account.\*
  
4. Which of the following types of investment would best protect the purchasing power of a family's savings in the event of a sudden increase in inflation?
  - 19.2 a) A 10-year bond issued by a corporation.
  - 26.2 b) A certificate of deposit at a bank.
  - 17.4 c) A twenty-five year corporate bond.
  - 35.8 d) A house financed with a fixed-rate mortgage.\*
  
5. Under which of the following circumstances would it be financially beneficial to you to borrow money to buy something now and repay it with future income?
  - 55.8 a) When you need to buy a car to get a much better paying job.\*
  - 5.1 b) When you really need a week vacation.
  - 5.8 c) When some clothes you like go on sale.
  - 33.4 d) When the interest on the loan is greater than the interest you get on your savings.

6. Which of the following statements best describes your right to check your credit history for accuracy?

- 47.7** a) Your credit record can be checked once a year for free.\*
- 5.3** b) You cannot see your credit record.
- 13.8** c) All credit records are the property of the U.S. Government and access is only available to the FBI and Lenders.
- 33.2** d) You can only check your record for free if you are turned down for credit based on a credit report.

7. Your take home pay from your job is less than the total amount you earn. Which of the following best describes what is taken out of your total pay?

- 9.5** a) Social security and Medicare contributions.
- 21.2** b) Federal income tax, property tax, and Medicare and social security contributions.
- 56.4** c) Federal income tax, social security and Medicare contributions\*.
- 12.9** d) Federal income tax, sales tax, and social security contribution.

8. Retirement income paid by a company is called:

- 37.4** a) 401 (k).
- 36.2** b) Pension.\*
- 3.6** c) Rents and profits.
- 22.8** d) Social Security.

9. Many people put aside money to take care of unexpected expenses. If Juan and Elva have money put aside for emergencies, in which of the following forms would it be of LEAST benefit to them if they needed it right away?

- 40.1** a) Invested in a down payment on the house.\*
- 13.2** b) Checking account.
- 32.1** c) Stocks.
- 14.6** d) Savings account.

10. David just found a job with a take-home pay of \$2,000 per month. He must pay \$900 for rent and \$150 for groceries each month. He also spends \$250 per month on transportation. If he budgets \$100 each month for clothing, \$200 for restaurants and \$250 for everything else, how long will it take him to accumulate savings of \$600.

- 20.9** a) 3 months.
- 60.2** b) 4 months.\*
- 6.7** c) 1 month.
- 12.2** d) 2 months.

11. Sara and Joshua just had a baby. They received money as baby gifts and want to put it away for the baby's education. Which of the following tends to have the highest growth over periods of time as long as 18 years?

- 4.7** a) A checking account.
- 16.8** b) Stocks.\*
- 37.3** c) A U.S. Govt. savings bond.
- 41.3** d) A savings account.

12. Barbara has just applied for a credit card. She is an 18-year-old high school graduate with few valuable possessions and no credit history. If Barbara is granted a credit card, which of the following is the most likely way that the credit card company will reduce ITS risk?

- 7.2** a) It will make Barbara's parents pledge their home to repay Karen's credit card debt.
- 32.7** b) It will require Barbara to have both parents co-sign for the card.
- 14.1** c) It will charge Barbara twice the finance charge rate it charges older cardholders.
- 45.9** d) It will start Barbara out with a small line of credit to see how she handles the account.\*

13. Chelsea worked her way through college earning \$15,000 per year. After graduation, her first job pays \$30,000. The total dollar amount Chelsea will have to pay in Federal Income taxes in her new job will:

- 47.1** a) Double, at least, from when she was in college.\*
- 36.4** b) Go up a little from when she was in college.
- 10.0** c) Stay the same as when she was in college.
- 6.5** d) Be lower than when she was in college.

14. Which of the following best describes the primary sources of income for most people age 20-35?

- 9.1** a) Dividends and interest.
- 75.3** b) Salaries, wages, tips.\*
- 9.1** c) Profits from business.
- 6.5** d) Rents.

15. If you are behind on your debt payments and go to a responsible credit counseling service such as the Consumer Credit Counseling Services, what help can they give you?

- 7.0** a) They can cancel and cut up all of your credit cards without your permission.
- 17.8** b) They can get the federal government to apply your income taxes to pay off your debts.
- 70.5** c) They can work with those who loaned you money to set up a payment schedule that you can meet.\*
- 4.7** d) They can force those who loaned you money to forgive all your debts.



16. Rob and Mary are the same age. At age 25 Mary began saving \$2,000 a year while Rob saved nothing. At age 50, Rob realized that he needed money for retirement and started saving \$4,000 per year while Mary kept saving her \$2,000. Now they are both 75 years old. Who has the most money in his or her retirement account?

- 24.8 a) They would each have the same amount because they put away exactly the same
- 11.7 b) Rob, because he saved more each year
- 12.5 c) Mary, because she has put away more money
- 51.1 d) Mary, because her money has grown for a longer time at compound interest\*

17. Many young people receive health insurance benefits through their parents. Which of the following statements is true about health insurance coverage?

- 18.4 a) You are covered by your parents' insurance until you marry, regardless of your age.
- 40.4 b) If your parents become unemployed, your insurance coverage may stop, regardless of your age. \*
- 8.2 c) Young people don't need health insurance because they are so healthy.
- 33.0 d) You continue to be covered by your parents' insurance as long as you live at home, regardless of your age.

18. Don and Bill work together in the finance department of the same company and earn the same pay. Bill spends his free time taking work-related classes to improve his computer skills; while Don spends his free time socializing with friends and working out at a fitness center. After five years, what is likely to be true?

- 11.5 a) Don will make more because he is more social.
- 9.8 b) Don will make more because Bill is likely to be laid off.
- 67.9 c) Bill will make more money because he is more valuable to his company.\*
- 10.8 d) Don and Bill will continue to make the same money.

19. If your credit card is stolen and the thief runs up a total debt of \$1,000, but you notify the issuer of the card as soon as you discover it is missing, what is the maximum amount that you can be forced to pay according to Federal law?

- 17.3 a) \$500
- 16.9 b) \$1000
- 52.8 c) Nothing.
- 13.0 d) \$50\*

20. Which of the following statements is NOT correct about most ATM (Automated Teller Machine) cards?

- 8.8 a) You can generally get cash 24 hours-a-day.
- 14.0 b) You can generally obtain information concerning your bank balance at an ATM machine.
- 68.0 c) You can get cash anywhere in the world with no fee.\*
- 9.2 d) You must have a bank account to have an ATM Card.

21. Matt has a good job on the production line of a factory in his home town. During the past year or two, the state in which Matt lives has been raising taxes on its businesses to the point where they are much higher than in neighboring states. What effect is this likely to have on Matt's job?

- 14.4** a) Higher business taxes will cause more businesses to move into Matt's state, raising wages.
- 18.7** b) Higher business taxes can't have any effect on Matt's job.
- 57.3** c) Matt's company may consider moving to a lower-tax state, threatening Matt's job.\*
- 9.7** d) He is likely to get a large raise to offset the effect of higher taxes.

22. If you have caused an accident, which type of automobile insurance would cover damage to your own car?

- 16.1** a) Comprehensive.
- 40.0** b) Liability.
- 7.1** c) Term.
- 36.8** d) Collision.\*

23. Scott and Eric are young men. Each has a good credit history. They work at the same company and make approximately the same salary. Scott has borrowed \$6,000 to take a foreign vacation. Eric has borrowed \$6,000 to buy a car. Who is likely to pay the lowest finance charge?

- 43.1** a) Eric will pay less because the car is collateral for the loan. \*
- 18.7** b) They will both pay the same because the rate is set by law.
- 13.3** c) Scott will pay less because people who travel overseas are better risks.
- 24.9** d) They will both pay the same because they have almost identical financial backgrounds.

24. If you went to college and earned a four-year degree, how much more money could you expect to earn than if you only had a high school diploma?

- 21.9** a) About 10 times as much.
- 8.6** b) No more; I would make about the same either way.
- 22.0** c) A little more; about 20% more.
- 47.6** d) A lot more; about 70% more. \*

25. Many savings programs are protected by the Federal government against loss. Which of the following is not?

- 13.4** a) A U. S. Savings Bond.
- 43.8** b) A certificate of deposit at the bank.
- 28.4** c) A bond issued by one of the 50 States.\*
- 14.4** d) A U. S. Treasury Bond.

**238 *The Financial Literacy of Young American Adults***

26. If each of the following persons had the same amount of take home pay, who would need the greatest amount of life insurance?

**31.6** a) An elderly retired man, with a wife who is also retired.

**10.0** b) A young married man without children.

**51.1** c) A young single woman with two young children\*.

**7.2** d) A young single woman without children.

27. Which of the following instruments is NOT typically associated with spending?

**6.7** a) Debit card.

**82.1** b) Certificate of deposit.\*

**6.7** c) Cash.

**4.5** d) Credit card.

28. Which of the following credit card users is likely to pay the GREATEST dollar amount in finance charges per year, if they all charge the same amount per year on their cards?

**16.8** a) Jessica, who pays at least the minimum amount each month and more, when she has the money.

**17.1** b) Vera, who generally pays off her credit card in full but, occasionally, will pay the minimum when she is short of cash

**18.2** c) Megan, who always pays off her credit card bill in full shortly after she receives it

**48.0** d) Erin, who only pays the minimum amount each month.\*

29. Which of the following statements is true?

**53.7** a) Banks and other lenders share the credit history of their borrowers with each other and are likely to know of any loan payments that you have missed.\*

**14.8** b) People have so many loans it is very unlikely that one bank will know your history with another bank

**18.8** c) Your bad loan payment record with one bank will not be considered if you apply to another bank for a loan.

**12.7** d) If you missed a payment more than 2 years ago, it cannot be considered in a loan decision.

30. Dan must borrow \$12,000 to complete his college education. Which of the following would NOT be likely to reduce the finance charge rate?

**32.5** a) If he went to a state college rather than a private college. \*

**19.2** b) If his parents cosigned the loan.

**28.8** c) If his parents took out an additional mortgage on their house for the loan.

**19.5** d) If the loan was insured by the Federal Government.

31. If you had a savings account at a bank, which of the following would be correct concerning the interest that you would earn on this account?

- 40.6** a) Earnings from savings account interest may not be taxed.
- 27.3** b) Income tax may be charged on the interest if your income is high enough.\*
- 17.8** c) Sales tax may be charged on the interest that you earn.
- 14.3** d) You cannot earn interest until you pass your 18<sup>th</sup> birthday.

**Part 2 - Classification Questions**

**Numbers in Bold at Left are Mean Scores**

**Numbers not in Bold, to Right of Bold Numbers, are Percent in Sample**

32. Does your family rent or own your home?

Score %

- 44.0** 22.7 a) Rent
- 49.7** 77.3 b) Own

33. What is your gender?

- 49.0** 44.7 a) Male
- 48.0** 55.3 b) Female

34. What are your educational plans after high school?

- 34.9** 2.2 a) No further education is planned.
- 44.6** 18.7 b) Attend a 2-year college or junior college.
- 50.9** 67.2 c) Attend a 4-year college or university.
- 44.2** 6.8 d) Other plans for training or education.
- 39.2** 5.1 e) Don't know.

35. What is your best estimate of your parents' total income last year? Consider annual income from all sources before taxes.

- 43.4** 10.7 a) Less than \$20,000.
- 47.3** 20.1 b) \$20,000 to \$39,999.
- 50.3** 26.5 c) \$40,000 to \$79,999.
- 52.3** 23.0 d) \$80,000 or more.
- 44.8** 19.7 e) Don't know.

36. How do you describe yourself?

- 52.5** 55.0 a) White or Caucasian.
- 41.3** 13.6 b) Black or African-American.
- 45.1** 20.1 c) Hispanic American.
- 47.2** 3.7 d) Asian-American.
- 37.7** 2.2 e) American Indian, Alaska Native, or Native Hawaiian
- 41.1** 5.4 f) Other.

**240 *The Financial Literacy of Young American Adults***

37. What is the highest level of schooling your father or mother completed?

**Score**    %

- 44.2** 11.5 a) Neither completed high school  
**47.2** 24.4 b) Completed high school.  
**49.0** 21.6 c) Some college.  
**51.4** 36.8 d) College graduate or more than college.  
**36.9** 5.9 e) don't know.

38. What type of work do you intend to do when you finish school?

- 36.9** 2.8 a) Manual work such as truck driver, laborer, farm worker.  
**43.8** 6.5 b) Skilled trade such as plumber, electrician.  
**44.6** 12.1 c) Service worker such as secretary, food service worker, office worker, police officer, firefighter.  
**51.7** 48.6 d) Professional worker such as nurse, computer programmer.  
**46.6** 30.0 e) Other or don't know.

39. When you start to work full-time, after you finish your education, how much do you expect to make per year before deductions for taxes and other items?

- 38.5** 3.4 a) Under \$15,000.  
**42.2** 6.7 b) \$15,000 to \$19,999.  
**46.8** 10.6 c) \$20,000 to \$29,999.  
**50.7** 20.5 d) \$30,000 to \$39,999.  
**50.2** 41.6 e) 40,000 or more.  
**46.4** 17.2 f) Don't know.

40. Whose credit card do you use?

- 44.2** 14.9 a) My own.  
**45.9** 14.2 b) My parents'.  
**45.2** 5.6 c) Both my own and my parents'.  
**50.1** 65.3 d) None, I don't use a credit card.

41. How do you use your debit (or ATM) card?

- 49.9** 40.6 a) For getting cash from an ATM and for buying things directly.  
**45.4** 12.6 b) For getting cash from an ATM only.  
**47.8** 46.7 c) I don't have a debit card.

42. Which of the following best describes your automobile driving?

- 46.0** 26.8 a) I don't have a driver's license.  
**42.6** 4.3 b) I have a driver's license, but no car in the family that I can drive.  
**44.2** 4.9 c) I drive the family car, which is used by others, and help pay for the insurance.  
**50.9** 12.7 d) I drive the family car, which is used by others, and don't help pay for the insurance.  
**49.7** 21.5 e) I drive my own car and help pay for the insurance.  
**50.0** 29.9 f) I drive my own car and don't help pay for the insurance.

43. How would you describe your employment history?

**Score** %

- 48.8** 24.5 a) I work full time in the summers and part time during the school year.  
**48.6** 6.3 b) I work full time in the summers and don't work during the school year.  
**48.9** 33.8 c) I work part time in the summers and part time during the school year.  
**48.9** 11.8 d) I work part time in the summers and don't work during the school year.  
**46.6** 23.6 e) I have never been formally employed outside the home.

44. What kind of bank account do you have?

- 43.7** 24.9 a) I don't have a bank account.  
**49.7** 29.1 b) I have a savings account but no checking account.  
**49.1** 11.8 c) I have a checking account but no savings account.  
**50.3** 34.3 d) I have both a savings and a checking account.

45. Which of the following is true about your ownership of stocks and mutual funds (circle **all** that apply)?

- 49.1** 73.0 a) I own no stocks or mutual funds.  
**47.1** 7.8 b) I own stocks in my own name.  
**48.8** 8.8 c) I own stocks in my parents' name.  
**47.7** 6.0 d) I own mutual funds in my own name.  
**47.7** 6.3 e) I own mutual funds in my parents' name.

46. What is your high school class level?

- 48.3** 100.0 a) Senior.  
b) Junior.  
c) Sophomore.  
d) Freshman.

47. Which of the following classes have you had in high school (circle **all** that apply)?

- 47.5** 21.4 a) An entire course in money management or personal finance.  
**48.9** 26.2 b) A portion of a course where at least a week was focused on money management or personal finance.  
**48.8** 44.7 c) An entire course in economics.  
**49.4** 23.7 d) A portion of a course where at least a week was focused on economics.  
**51.0** 24.0 e) A course in which we played a stock market game.

48. If you have taken a full semester course in money management or personal finance, did you take it as a:

- 47.1** 52.4 a) Senior  
**48.5** 26.1 b) Junior  
**49.2** 12.7 c) Sophomore  
**44.7** 8.8 d) Freshman

**242 *The Financial Literacy of Young American Adults***

49. Approximately what was your **total** score on the college entrance exam?

**Score**   %

**45.5** 10.4 a) SAT under 1,500

**54.1** 17.3 b) SAT 1,500 to 2,000

**52.2** 4.3 c) SAT over 2,000

**43.3** 10.7 d) ACT under 20

**51.3** 17.4 e) ACT 21-26

**58.8** 5.9 f) ACT 27 or higher

**44.0** 34.5 g) I didn't take a college entrance exam or don't remember my score

**Appendix B**  
**2008 JUMP\$TART COLLEGE QUESTIONNAIRE**  
1,030 Full-time College Students, Mean Score 62.2%

**Part 1 - 31 Jump\$Start Questions**

Numbers to the Left of Answers are Proportion Giving Response

\* indicates correct answer

1. Inflation can cause difficulty in many ways. Which group would have the greatest problem during periods of high inflation that last several years?

- 8.2 a) Older, working couples saving for retirement.
- 50.1 c) Young couples with no children who both work.\*
- 5.7 b) Older people living on fixed retirement income.
- 36.0 d) Young working couples with children.

2. Which of the following is true about sales taxes?

- 28.2 a) The national sales tax percentage rate is 6%.
- 12.7 b) The federal government will deduct it from your paycheck.
- 3.2 c) You don't have to pay the tax if your income is very low.
- 55.9 d) It makes things more expensive for you to buy. \*

3. Rebecca has saved \$12,000 for her college expenses by working part-time. Her plan is to start college next year and she needs all of the money she saved. Which of the following is the safest place for her college money?

- 2.7 a) Locked in her closet at home.
- 2.3 b) Stocks.
- 5.3 c) Corporate bonds.
- 89.6 d) A bank savings account.\*

4. Which of the following types of investment would best protect the purchasing power of a family's savings in the event of a sudden increase in inflation?

- 12.0 a) A 10-year bond issued by a corporation.
- 37.0 b) A certificate of deposit at a bank.
- 11.1 c) A twenty-five year corporate bond.
- 39.9 d) A house financed with a fixed-rate mortgage.\*

5. Under which of the following circumstances would it be financially beneficial to you to borrow money to buy something now and repay it with future income?

- 74.6 a) When you need to buy a car to get a much better paying job.\*
- 3.8 b) When you really need a week vacation.
- 2.8 c) When some clothes you like go on sale.
- 18.8 d) When the interest on the loan is greater than the interest you get on your savings.



**244 *The Financial Literacy of Young American Adults***

6. Which of the following statements best describes your right to check your credit history for accuracy?

**74.2** a) Your credit record can be checked once a year for free.\*

**3.7** b) You cannot see your credit record.

**5.0** c) All credit records are the property of the U.S. Government and access is only available to the FBI and Lenders.

**17.1** d) You can only check your record for free if you are turned down for credit based on a credit report.

7. Your take home pay from your job is less than the total amount you earn. Which of the following best describes what is taken out of your total pay?

**4.8** a) Social security and Medicare contributions.

**12.5** b) Federal income tax, property tax, and Medicare and social security Contributions.

**74.2** c) Federal income tax, social security and Medicare contributions.\*

**8.6** d) Federal income tax, sales tax, and social security contribution.

8. Retirement income paid by a company is called:

**46.4** a) 401 (k).

**44.2** b) Pension.\*

**1.3** c) Rents and profits.

**8.1** d) Social Security.

9. Many people put aside money to take care of unexpected expenses. If Juan and Elva have money put aside for emergencies, in which of the following forms would it be of LEAST benefit to them if they needed it right away?

**64.0** a) Invested in a down payment on the house.\*

**6.5** b) Checking account.

**22.9** c) Stocks.

**6.5** d) Savings account.

10. David just found a job with a take-home pay of \$2,000 per month. He must pay \$900 for rent and \$150 for groceries each month. He also spends \$250 per month on transportation. If he budgets \$100 each month for clothing, \$200 for restaurants and \$250 for everything else, how long will it take him to accumulate savings of \$600.

**11.2** a) 3 months.

**77.8** b) 4 months.\*

**3.6** c) 1 month.

**7.3** d) 2 months.

11. Sara and Joshua just had a baby. They received money as baby gifts and want to put it away for the baby's education. Which of the following tends to have the highest growth over periods of time as long as 18 years?

- 2.0** a) A checking account.
- 19.2** b) Stocks.\*
- 61.9** c) A U.S. Govt. savings bond.
- 17.0** d) A savings account.

12. Barbara has just applied for a credit card. She is an 18-year-old high school graduate with few valuable possessions and no credit history. If Barbara is granted a credit card, which of the following is the most likely way that the credit card company will reduce ITS risk?

- 2.5** a) It will make Barbara's parents pledge their home to repay Karen's credit card debt.
- 23.5** b) It will require Barbara to have both parents co-sign for the card.
- 14.1** c) It will charge Barbara twice the finance charge rate it charges older cardholders.
- 58.8** d) It will start Barbara out with a small line of credit to see how she handles the account.\*

13. Chelsea worked her way through college earning \$15,000 per year. After graduation, her first job pays \$30,000. The total dollar amount Chelsea will have to pay in Federal Income taxes in her new job will:

- 47.1** a) Double, at least, from when she was in college.\*
- 43.2** b) Go up a little from when she was in college.
- 7.0** c) Stay the same as when she was in college.
- 2.7** d) Be lower than when she was in college.

14. Which of the following best describes the primary sources of income for most people age 20-35?

- 2.0** a) Dividends and interest.
- 92.6** b) Salaries, wages, tips.\*
- 3.9** c) Profits from business.
- 1.6** d) Rents.

15. If you are behind on your debt payments and go to a responsible credit counseling service such as the Consumer Credit Counseling Services, what help can they give you?

- 2.5** a) They can cancel and cut up all of your credit cards without your permission.
- 9.0** b) They can get the federal government to apply your income taxes to pay off your debts.
- 86.3** c) They can work with those who loaned you money to set up a payment schedule that you can meet.\*
- 2.1** d) They can force those who loaned you money to forgive all your debts.

**246 *The Financial Literacy of Young American Adults***

16. Rob and Mary are the same age. At age 25 Mary began saving \$2,000 a year while Rob saved nothing. At age 50, Rob realized that he needed money for retirement and started saving \$4,000 per year while Mary kept saving her \$2,000. Now they are both 75 years old. Who has the most money in his or her retirement account?

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**10.4** a) You are covered by your parents' insurance until you marry, regardless of your age.

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18. Don and Bill work together in the finance department of the same company and earn the same pay. Bill spends his free time taking work-related classes to improve his computer skills; while Don spends his free time socializing with friends and working out at a fitness center. After five years, what is likely to be true?

**4.7** a) Don will make more because he is more social.

**4.0** b) Don will make more because Bill is likely to be laid off.

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- 5.4** c) Term.
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- 37.4** c) A bond issued by one of the 50 States.\*
- 8.2** d) A U. S. Treasury Bond.

**248 *The Financial Literacy of Young American Adults***

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**28.8** a) An elderly retired man, with a wife who is also retired.

**6.6** b) A young married man without children.

**61.4** c) A young single woman with two young children.\*

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**3.9** c) Cash.

**1.1** d) Credit card.

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31. If you had a savings account at a bank, which of the following would be correct concerning the interest that you would earn on this account?

**47.1** a) Earnings from savings account interest may not be taxed.

**39.0** b) Income tax may be charged on the interest if your income is high enough.\*

**10.4** c) Sales tax may be charged on the interest that you earn.

**3.4** d) You cannot earn interest until you pass your 18<sup>th</sup> birthday.

**Part 2 - Classification Questions**  
**Numbers in Bold at Left are Mean Scores**  
**Numbers not in Bold, to Right of Bold Numbers, are Percent in Sample**  
**\*\*\*Scores for Groups Under 3% of Sample are not Reported**

32. What is your gender?

<u>Score</u>	<u>%</u>	
<b>59.6</b>	23.1	Male
<b>62.6</b>	76.9	Female

33. What is the highest level of education you expect to achieve?

<b>54.6</b>	9.6	Associate degree (two-year).
<b>61.2</b>	46.4	Bachelor degree (four-year).
<b>63.6</b>	27.1	Master's degree.
<b>65.9</b>	16.9	Doctorate, law or professional (six year or more)

34. What is your best estimate of your parents' total income last year? Consider annual income from all sources before taxes.

<b>51.9</b>	11.2	Less than \$20,000.
<b>62.2</b>	14.4	\$20,000 to \$39,999.
<b>63.8</b>	29.8	\$40,000 to \$79,999.
<b>64.6</b>	31.9	\$80,000 or more.
<b>59.7</b>	12.7	Don't know.

35. What is the highest level of schooling your father or mother completed?

<b>***</b>	2.1	Neither completed high school.
<b>62.5</b>	16.3	Completed high school.
<b>58.2</b>	28.1	Some college.
<b>64.1</b>	52.6	College graduate or more than college.
<b>***</b>	0.9	Don't know.

36. How do you describe yourself?

<b>63.3</b>	75.4	White or Caucasian.
<b>55.3</b>	8.5	Black or African-American.
<b>59.8</b>	5.9	Hispanic American.
<b>57.1</b>	6.6	Asian-American.
<b>***</b>	.7	American Indian, Alaska Native, or Native Hawaiian
<b>60.8</b>	2.9	Other

37. When you start to work full-time, after you finish your education, how much do you expect to make per year before deductions for taxes and other items?

<b>56.3</b>	16.5	Under \$30,000.
<b>62.8</b>	30.4	\$30,000 to \$39,999.
<b>63.7</b>	21.2	\$40,000 to \$49,999
<b>62.9</b>	32.0	\$50,000 or more

## 250 *The Financial Literacy of Young American Adults*

38. How many credit cards do you use, including store credit cards?

<u>Score</u>	<u>%</u>	
<b>61.1</b>	33.4	None.
<b>61.8</b>	31.2	1.
<b>61.9</b>	19.3	2.
<b>63.2</b>	8.8	3
<b>68.3</b>	3.2	4
<b>63.4</b>	4.1	5 or more

39. Which of the following statements best describes the way in which you make payments on your credit cards?

<b>62.7</b>	46.7	I always pay off the total balance each month.
<b>62.9</b>	16.9	I occasionally do not pay off the balance for a month or so when I am short on funds.
<b>58.9</b>	12.9	I generally have an outstanding balance but occasionally am able to pay it off.
<b>63.9</b>	15.8	I seldom, if ever, pay off all my balances, but try to pay them down when I can.
<b>63.8</b>	7.7	I generally pay only the minimum required payment each month.

40. What is the outstanding balance on all of your credit cards?

<b>63.4</b>	69.1	Under \$1,000
<b>61.7</b>	15.4	\$1,000 to \$2,499
<b>60.7</b>	8.9	\$2,500 to \$4,999
<b>55.4</b>	5.0	\$5,000 to \$9,999
<b>***</b>	1.6	More than \$10,000

41. When did you get your first credit card?

<b>64.0</b>	20.1	Before graduating high school
<b>62.7</b>	21.5	When I graduated from high school
<b>59.8</b>	26.8	When I started college
<b>64.9</b>	14.2	During my first year in college
<b>62.2</b>	17.4	After completing my first year of college

42. How Often are you late paying your credit card bills?

<b>63.5</b>	64.8	Never
<b>63.0</b>	24.4	Once or twice since I've had credit cards
<b>51.0</b>	5.2	Once or twice per year
<b>59.7</b>	5.6	More than two times per year

43. When you finish your undergraduate education, how much do you expect to owe in student loans?

<u>Score</u>	<u>%</u>	
<b>61.3</b>	34.7	Nothing
<b>59.5</b>	7.2	Less than \$5,000
<b>59.4</b>	11.1	\$5,000 to \$9,999
<b>62.9</b>	14.7	\$10,000 to \$19,999
<b>64.2</b>	12.7	\$20,000 to \$29,999
<b>63.4</b>	8.7	\$30,000 to \$49,999
<b>65.0</b>	8.3	\$50,000 or more

44. Aside from any credit card debt or student loans you might have, what other types of debt do you have? (check ALL that apply)

<b>60.8</b>	12.5	Auto loans
<b>50.5</b>	2.7	Home Mortgage
<b>56.6</b>	20.9	Personal debt or other debt

45. Do you have a checking account?

<b>62.6</b>	91.1	Yes
<b>54.3</b>	8.9	No

46. How often have you bounced a check (had it returned for insufficient funds)?

<b>63.0</b>	70.9	Never
<b>62.1</b>	20.8	Once or twice in my lifetime
<b>64.8</b>	5.7	Once or twice per year
<b>50.0</b>	2.6	More than twice per year

47. How often do you balance your checkbook?

<b>63.0</b>	23.3	After every check, deposit and ATM withdrawal
<b>62.2</b>	17.1	About once a week
<b>62.8</b>	17.4	About once a month
<b>62.0</b>	5.0	Several times per year
<b>64.2</b>	4.3	Once or twice per year
<b>62.3</b>	32.8	Never

48. In what form do you hold for your savings and investments? (Check ALL that apply)

<b>62.6</b>	80.9	Savings account.
<b>63.5</b>	13.7	Certificates of deposit.
<b>61.3</b>	18.3	U. S. Savings Bonds.
<b>60.5</b>	10.9	Stocks.
<b>68.5</b>	8.9	Mutual funds.
<b>***</b>	2.3	Bonds other than U. S. Savings Bonds.
<b>65.8</b>	6.9	Retirement accounts such as 401k's and IRA's.



**252 *The Financial Literacy of Young American Adults***

49. How would you rate the savings and investments that you have?

**Score**    **%**

- 61.3** 40.6 Adequate for my needs right now
- 62.1** 32.4 Slightly less than I should have right now
- 63.6** 27.0 Much less than I should have right now

50. How much do you worry about your debts?

- 60.1** 26.8 Never
- 61.7** 25.5 A little
- 64.4** 22.1 Sometimes
- 64.2** 15.7 Often
- 60.4** 9.8 Nearly all the time

51. Who prepares your income taxes?

- 63.8** 12.4 I do it myself by hand
- 65.0** 19.7 I do it myself using a computer program
- 62.0** 21.3 A tax preparer
- 60.6** 46.5 My parents

52. Which of the following classes did you have in high school? (Check ALL that apply)

- 59.3** 12.0 An entire course in personal money management or personal finance.
- 62.1** 24.7 A portion of a course where at least a week was focused on personal money management or personal finance.
- 62.7** 48.1 An entire course in economics.
- 62.2** 15.5 A portion of a course where at least a week was focused on economics.
- 65.6** 29.5 A course in which we played a stock market game.

53. Which of the following classes have you had in college? (Check ALL that apply)

- 60.1** 9.6 A semester-length course in personal money management or personal finance
- 58.2** 13.7 Coverage of money management or personal finance (including part of freshman orientation)
- 63.2** 36.1 Economics
- 64.6** 10.2 Finance
- 65.4** 19.0 Accounting

54. Which of the following best describes your status as a student?

- 62.6** 81.0 I am a full time undergraduate student at a Four-year college or university
- 58.7** 19.0 I am a full time undergraduate student at a Two-Year college or university

55. What is your class standing?

- 59.3** 21.9 Freshman
- 61.0** 29.3 Sophomore
- 62.1** 23.7 Junior
- 64.8** 25.2 Senior

56. Which of the following best describes your major or area of interest in college?

Score    %

**59.4** 10.7 Arts

**62.4** 18.7 Business or economics

**63.2** 5.2 Engineering

**62.1** 7.3 Humanities

**57.1** 5.7 Nursing

**63.4** 14.9 Science

**64.0** 15.3 Social Science

**60.9** 22.1 Other