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Money 101 needs to be on the curriculum

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The kids aren't all right until they learn a few basics about the financial realities of life

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It looks like the personal finance division of the school of hard knocks may not be in business much longer.

There's a push on by governments and educators to help all of us - but particularly young people - be smarter about managing money. The Ontario government said this week that kids in grades four through 12 will learn about money management starting in 2011, and a federal task force was launched last summer to find ways to improve financial literacy. We know what we have to teach people about personal finance - control debt and save and invest more about covers it - but there's also the question of how to do it.

For some answers, let's look at some research commissioned by the Investor Education Fund (IEF), a not-for-profit offshoot of the Ontario Securities Commission that provides unbiased, independent information on financial matters through its website at investored.ca. (The research was provided to this column in advance of a wider release later.) The point of the study, which involved about 850 people aged 20 to 34, was to figure out how young adults learn in an online world. An emphasis was placed on how they learn what they need to know to handle life events like having a child or buying a home.

In the olden days, young people learned about personal finance on the fly with varying levels of success. I was smart enough when I started working full-time to avoid credit card debt, but dumb enough to not to have saved much when I easily could have (I did drive some hot cars, though).

Today, there's a growing consensus that the school of hard knocks is no longer the place to learn about money. Thanks to the recession and the global financial crisis, we've had the most vivid lessons ever about how the unprepared individual can be wrecked by poor money habits.

The IEF plans to use the research it commissioned to better tailor educational material for young people. But the insights in the study can help make them better financial learners in a direct sense.

The key source of information for people between the ages of 20 and 34 is using an Internet search engine. Five out of six people surveyed for the IEF by a research firm called **the Brondesbury Group** start a search using a search engine - Google is preferred - and then move on to content sites.

It sometimes seems as if a defining characteristic of young people today is skepticism of authority and institutions. And yet, it is bank and government websites on which people between 20 and 34 rely.

Banks do have some perfectly acceptable information on their websites, but let's be clear about what purpose it serves. It's to inform people in a way that makes them receptive to bank products. There's no way that a bank is going to tell you to consult a mortgage broker before accepting the interest rate it's offering, or that its rates on savings accounts and guaranteed investment certificates are among the lowest in the marketplace.

The use of government websites is almost laughable. I do a fair amount of financial research myself and the only government websites I ever consult are the Financial Consumer Agency of Canada (fcac-acfc.gc.ca) and the material on registered education savings provided by Human Resources and Skills Development Canada (see Education Savings at hrsdc.gc.ca/eng/learning). After that, nada.

The second most common online resource is Wikipedia and other general knowledge websites. Wikipedia is okay for the basics, but Canadian personal finance content is not one of its strong points.

Parents, here's a chance for you to help your young adult children make the right financial moves. The IEF's research shows that the No. 2 source of information after the Internet is to ask family and friends. So if you've found something useful online about personal finance, why not send a link to your kids by e-mail?

Or, visit them on their Facebook page. Of the people interviewed for the IEF study, only 6 per cent were not active users of social media (Web-based meeting places to exchange messages, snapshots and videos) such as Facebook, Twitter and YouTube. Obviously, any serious attempt to reach young adults on personal finance, and any other topic, will require the use of social media.

Another interesting finding: New parents were the most motivated to seek out financial information and willing to look ahead, while recently married people were least motivated.

The IEF study also talks of the regrets expressed by participants about their handling of money matters. It's another reminder of the fact that people need to learn about personal finance before they have money and responsibilities. You can learn by doing, too, but it costs more.

How young adults learn about money

The Investor Education Fund commissioned a study on the online learning habits of adults 20 to 34. Here are the sources of information they use for financial matters.

PERCENTAGE OF RESPONDENTS

Internet search/Web - 90%

Ask family/friends - 70

Read online forum/blog - 48

Read books - 37

Talk to adviser - 36

Watch online videos - 36

Ask question in online forum - 32

Read magazine/newspaper - 29

Call contact centre - 26

Watch TV program - 24

Watch DVD - 12

THE GLOBE AND MAIL / SOURCE: **THE BRONDESBURY GROUP**