

CHAPTER 5

UNDERSTANDING SAVINGS AND INVESTMENT

Introduction

The JumpStart Coalition's *Personal Finance Guidelines for Savings and Investment* tell us that students who have learned from a curriculum that follows these guidelines will be able to:

1. compare the advantages and disadvantages of saving early and saving later
2. explain the importance of short and long-term saving and investment strategies
3. identify and evaluate the risk, return, and liquidity of various savings and investment instruments taking into consideration household circumstances
4. explain how taxes, government policy/regulation, and inflation impact saving and investment decisions

The eight questions relating to savings and investment give some coverage to each of the four items listed above.

Budgeting to Save

Question 13. Jim just found a job with a take-home pay of \$950 per month. He must pay \$400 for rent and \$100 for groceries each month. He also spends \$100 per month on transportation. If he budgets \$50 each month for clothing, \$100 for restaurants and \$50 for everything else, how long will it take him to accumulate savings of \$750?

- a) 5 months
- b) 10 months
- c) 12 months
- d) 15 months

The correct answer is a) "5 months." Jim takes home \$950 per month. He spends \$400 (rent) plus \$100 (groceries) plus \$100 (transportation) plus \$50 (clothing) plus \$100 (restaurants) plus \$50 (everything else) for a total of \$800. An income of \$950 minus \$800 in expenses leaves \$150 a month for savings. Therefore it will take him five months to save \$750.

This is really a pretty easy question, demanding only simple arithmetic to arrive at the right answer. Nevertheless, more than 30 percent of students managed to get it wrong, as shown in Table 5-1. Students who received a constant, regular allowance actually did a little worse on this question than did students who received no allowance or an allowance for doing chores, thereby casting additional doubt on the theory that students who receive an allowance are taught to "budget."

Table 5-1
Analysis of Question 13
Months to Accumulate Savings of \$750

	(a)*	(b)	(c)	(d)
	<u>5</u>	<u>10</u>	<u>12</u>	<u>15</u>
All Students 2000	69.3%	11.8%	9.6%	8.7%
<i>All Students 1997¹</i>	75.2%			
<u>Parents' Income</u>				
Less than \$20,000	64.8	14.9	6.4	14.9
\$20,000 to \$39,999	66.0	11.3	11.3	11.3
\$40,000 to \$79,999	76.7	10.4	5.9	6.9
\$80,000 or More	71.7	11.3	11.3	5.7
Don't Know	66.9	12.3	13.6	7.1
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	70.3	11.0	4.4	14.3
Completed H.S.	67.0	14.2	9.1	9.7
Some College	73.7	8.9	7.8	9.5
College Grad or More	69.3	11.7	13.0	6.1
Don't Know	68.3	19.5	9.8	2.4
<u>Sex</u>				
Female	68.9	11.7	9.9	9.4
Male	70.8	11.9	9.2	8.0
<u>Race</u>				
White	70.9	11.6	8.4	9.1
African American	60.3	15.5	15.5	8.6
Hispanic American	72.5	12.5	7.5	7.5
Asian American	70.8	6.3	8.3	14.6
Native American	53.8	23.1	23.1	---
Other	68.0	16.0	16.0	---
<u>Educational Plans</u>				
No Further Ed.	58.3	25.0	8.3	8.3
2-year or Jr. College	59.0	15.4	16.2	9.4
4-year College	73.0	10.1	8.1	8.9
Other Training or Ed.	71.4	17.9	5.4	5.4
Don't Know	63.2	10.5	15.8	10.5

¹ Question is not exactly comparable to 1997 question.

Table 5-1 (continued)
Analysis of Question 13
Months to Accumulate Savings of \$750

	(a)* <u>5</u>	(b) <u>10</u>	(c) <u>12</u>	(d) <u>15</u>
<u>Planned Occupation</u>				
Manual Work	64.3	10.7	17.9	7.1
Skilled Trade	57.5	22.5	5.0	15.0
Service Worker	59.2	16.9	18.3	5.6
Professional Worker	75.7	9.5	7.2	7.7
Other or Don't Know	62.7	14.9	10.4	11.9
<u>Expected Full-Time Income</u>				
Under \$15,000	46.2	26.9	23.1	3.8
\$15,000 to \$19,999	61.1	14.8	16.7	7.4
\$20,000 to \$29,999	70.9	9.5	8.2	11.4
\$30,000 or More	74.1	11.1	5.9	8.9
Don't Know	64.5	13.6	16.4	5.5
<u>Classes in H.S.¹</u>				
<u>Entire Course, Money</u>				
Mgt./Personal Finance	68.3	12.9	11.9	6.9
<u>Portion of Course, Money</u>				
Mgt./Personal Finance	72.5	10.0	8.1	9.4
<u>Entire Course, Economics</u>				
Portion Course, Economics	68.0	13.1	11.9	7.0
<u>Stock Mkt. Game in Class</u>				
	74.5	10.9	6.7	7.9
	69.7	10.7	9.6	10.1
<u>Discuss Money Matters</u>				
<u>with Parents</u>				
Never	60.4	12.5	10.4	16.7
Rarely	70.5	12.1	11.4	6.1
Sometimes	71.4	11.7	8.8	8.1
Often	69.2	12.0	9.6	9.2
<u>Allowance</u>				
Money as Needed	70.1	11.1	9.0	9.8
Allowance for Chores	70.3	12.5	9.8	7.4
Allowance, No Chores	68.0	13.3	12.0	6.7

¹ Percents may total more than 100 percent with multiple responses possible.

Short- and Long-Term Saving and Investment Strategies

Question 19. Bob and Cindy are the same age. At age 25 Cindy began saving \$2,000 a year while Bob saved nothing. At age 50, Bob realized that he needed money for retirement and started saving \$4,000 per year while Cindy kept saving her \$2,000. Now they are both 75 years old. Who has the most money in his or her retirement account?

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

The correct answer is d). Cindy will have more money than Bob because she started saving earlier and her money has been growing by earning interest for 50 years. Bob's money, on the other hand, has been earning interest for only 25 years even though he may have put in the same dollar amount as Cindy.

Half the students answered this question correctly, a slightly lower proportion than in 1997 (Table 5-2). Nearly a third (32.9 percent) felt that they would have the same amount because they had put the same amount aside.

Answering the question correctly implies some understanding of interest and the way in which it compounds over time. At the very least, students must have an intuitive feeling that money that has earned interest longer will be worth more than the identical investment that has earned interest for a shorter period of time.

Strangely, those who chose the correct answer did not come from significantly higher income or better educated families. Females did better than males on this question as they tended to do on questions that related to savings rather than investments that involved risk. Again, one cannot rule out gender bias on the part of males who assume that they are higher earners. Native Americans had much greater difficulty with this question than did other groups, with only 14.3 percent answering it correctly.

Table 5-2
Analysis of Question 19
Who Has the Most Retirement Money?

	(a)	(b)	(c)	(d)
	<u>Bob</u>	<u>Same</u>	<u>Cindy—Put More Away</u>	<u>Cindy—Money Compounded Longer</u>
All Students 2000	7.2%	32.9%	9.1%	50.3%
<i>All Students 1997</i>	7.2%	31.3%	9.1%	52.4%
<u>Parents' Income</u>				
Less than \$20,000	12.8	26.6	9.6	51.1
\$20,000 to \$39,999	5.1	36.7	8.2	50.0
\$40,000 to \$79,999	3.5	33.5	8.0	55.0
\$80,000 or More	5.6	35.5	8.4	50.5
Don't Know	11.5	30.8	10.9	46.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	14.3	38.5	6.6	40.7
Completed H.S.	6.3	32.4	9.1	52.3
Some College	7.3	33.1	10.1	49.4
College Grad or More	5.6	31.5	8.6	54.3
Don't Know	2.4	36.6	14.6	46.3
<u>Sex</u>				
Female	7.8	29.4	9.9	53.0
Male	6.3	37.4	8.1	48.2
<u>Race</u>				
White	4.9	33.1	6.4	55.6
African American	15.5	22.4	20.7	41.4
Hispanic American	10.9	34.5	12.6	42.0
Asian American	4.2	45.8	8.3	41.7
Native American	14.3	42.9	28.6	14.3
Other	8.0	20.0	8.0	64.0
<u>Educational Plans</u>				
No Further Ed.	9.1	45.5	9.1	36.4
2-year or Jr. College	9.4	35.9	6.0	48.7
4-year College	5.7	31.5	8.9	53.9
Other Training or Ed.	8.6	41.4	13.8	36.2
Don't Know	15.8	28.9	13.2	42.1

Table 5-2 (continued)
Analysis of Question 19
Who Has the Most Retirement Money?

	(a)	(b)	(c)	(d)
	<u>Bob</u>	<u>Same</u>	<u>Cindy—Put More Away</u>	<u>Cindy—Money Compounded Longer</u>
<u>Planned Occupation</u>				
Manual Work	10.7	42.9	14.3	32.1
Skilled Trade	12.8	35.9	10.3	41.0
Service Worker	11.4	34.3	12.9	41.4
Professional Worker	5.4	34.3	8.1	52.2
Other or Don't Know	7.5	26.9	9.0	56.7
<u>Expected Full-Time Income</u>				
Under \$15,000	11.5	38.5	7.7	42.3
\$15,000 to \$19,999	13.0	37.0	5.6	44.4
\$20,000 to \$29,999	7.1	35.5	7.1	50.3
\$30,000 or More	5.9	32.1	9.2	52.8
Don't Know	7.1	31.3	14.3	47.3
<u>Classes in H.S.¹</u>				
<u>Entire Course, Money</u>				
Mgt./Personal Finance	6.9	32.7	8.9	51.5
<u>Portion of Course, Money</u>				
Mgt./Personal Finance	7.4	33.3	10.5	48.8
<u>Entire Course, Economics</u>				
Portion Course, Economics	8.6	32.8	11.5	47.1
<u>Stock Mkt. Game in Class</u>				
	4.9	32.3	10.4	52.4
	9.7	28.6	5.7	56.0
<u>Discuss Money Matters with Parents</u>				
Never	16.3	20.4	20.4	42.9
Rarely	4.6	26.9	6.9	61.5
Sometimes	6.7	37.9	8.5	46.8
Often	6.7	33.3	9.1	50.8
<u>Allowance</u>				
Money as Needed	6.9	34.1	9.0	50.0
Allowance for Chores	7.5	31.0	9.4	52.2
Allowance, No Chores	6.6	35.5	10.5	47.4

¹ Percents may total more than 100 percent with multiple responses possible.

Risk, Return and Liquidity

Question 14. Mike has saved \$6,000 for his college expenses by working part-time. He plans to start college next year and needs all of the money he saved. Which of the following is the safest place for his college money?

- a) locked in his 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 \$6,000 at the time he needs it.

Table 5-3, below, shows that the vast majority of students answered this question correctly (83.2 percent). Females were more likely than males to answer this question correctly, and nearly every Asian American (95.8 percent) got it right.

Table 5-3
Analysis of Question 14
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 2000	2.2%	5.6%	8.3%	83.2%
<i>All Students 1997</i>	<i>3.6%</i>	<i>3.1%</i>	<i>7.0%</i>	<i>86.3%</i>
<u>Parents' Income</u>				
Less than \$20,000	3.2	5.3	6.4	85.1
\$20,000 to \$39,999	1.9	5.8	9.0	83.2
\$40,000 to \$79,999	1.0	4.0	6.5	88.6
\$80,000 or More	2.8	3.7	5.6	87.9
Don't Know	3.2	8.9	12.7	75.2
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	6.6	4.4	12.1	76.9
Completed H.S.	2.3	6.9	8.0	82.9
Some College	1.1	4.5	6.1	88.3
College Grad or More	.9	6.0	8.2	84.9
Don't Know	5.0	7.5	10.0	77.5
<u>Sex</u>				
Female	2.3	4.2	8.3	85.2
Male	2.1	7.5	8.4	82.0
<u>Race</u>				
White	2.0	5.8	8.0	84.2
African American	1.7	10.3	3.4	84.5
Hispanic American	2.5	5.0	9.2	83.2
Asian American	2.1	---	2.1	95.8
Native American	14.3	21.4	21.4	42.9
Other	---	---	24.0	76.0
<u>Educational Plans</u>				
No Further Ed.	16.7	8.3	8.3	66.7
2-year or Jr. College	---	8.6	11.2	80.2
4-year College	1.6	3.8	6.9	87.7
Other Training or Ed.	1.7	10.3	12.1	75.9
Don't Know	13.5	13.5	13.5	59.5

Table 5-3 (continued)
Analysis of Question 14
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>Planned Occupation</u>				
Manual Work	---	17.9	10.7	71.4
Skilled Trade	5.1	---	17.9	76.9
Service Worker	5.6	18.3	8.5	67.6
Professional Worker	1.3	3.8	5.4	89.4
Other or Don't Know	3.0	3.8	14.3	78.9
<u>Expected Full-Time Income</u>				
Under \$15,000	---	28.0	16.0	56.0
\$15,000 to \$19,999	3.7	11.1	5.6	79.6
\$20,000 to \$29,999	1.3	3.8	7.7	87.2
\$30,000 or More	2.4	3.8	6.2	87.6
Don't Know	2.7	7.1	15.2	75.0
<u>Classes in H.S.¹</u>				
<u>Entire Course, Money</u>				
Mgt./Personal Finance	4.0	5.0	8.0	83.0
<u>Portion of Course, Money</u>				
Mgt./Personal Finance	2.5	3.7	8.1	85.7
<u>Entire Course, Economics</u>				
Portion Course, Economics	2.1	8.3	9.9	79.8
<u>Stock Mkt. Game in Class</u>				
Stock Mkt. Game in Class	1.8	4.3	8.6	85.3
Stock Mkt. Game in Class	.6	6.8	7.4	85.2
<u>Discuss Money Matters</u>				
<u>with Parents</u>				
Never	6.3	10.4	22.9	60.4
Rarely	3.1	4.7	5.5	86.7
Sometimes	1.4	5.3	6.7	86.6
Often	1.6	6.0	8.7	83.7
<u>Allowance</u>				
Money as Needed	2.9	5.0	6.3	85.8
Allowance for Chores	1.6	5.9	9.9	82.6
Allowance, No Chores	---	9.2	13.2	77.6

¹ Percents may total more than 100 percent with multiple responses possible.

Question 9. Tim and Rebecca 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 is likely to have the highest growth over the next 18 years?

- a) a U.S. government savings bond
- b) a checking account
- c) a savings account
- d) stocks

The correct answer is d) "stocks." Studies show that over a long period of time, such as the 18-year period of this problem, stocks almost always grow more rapidly than other types of financial assets. However, stocks also tend to be riskier in that 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 spite of an unprecedented and widely publicized bull market in stocks that was in its eighth year at the time of the study, only 23.4 percent of the students identified stocks as having the highest likely growth over 18 years. According to Table 5-4 (below), 35.8 percent identified savings accounts and 36.9 percent savings bonds as having the highest likely growth. The good news is that students did better on this question than they had three years earlier when just 14.7 percent identified stocks as the best vehicle for growth over an 18-year holding period.

The ability to answer this question correctly was strongly and directly related to parents' income and education. For example, 35.2 percent of those from families with incomes above \$80,000 answered correctly, as did 27.9 percent of children of college graduates. However, given the likelihood that these families invested regularly in stocks, these results are hardly reassuring.

Men did better than women on this question and Hispanic Americans did substantially worse than other racial groups.

In this question, those who owned securities did better than others. Forty percent of students who owned stock in their parents' name and 37.9 percent who owned stock in their own name answered the question correctly in contrast to 22 percent for students who owned no securities at all. Those who played the Stock Market Game did somewhat better than others (30.7 percent correct), and students who received a regular allowance did significantly worse (16 percent correct).

Table 5-4
Analysis of Question 9
Highest Likely Growth Over 18 Years

	(a) U.S. Gov't. <u>Savings Bond</u>	(b) Checking <u>Account</u>	(c) Savings <u>Account</u>	(d)* <u>Stocks</u>
All Students 2000	36.9%	3.0%	35.8%	23.4%
<i>All Students 1997</i>	<i>54.7%</i>	<i>2.7%</i>	<i>27.9%</i>	<i>14.7%</i>
<u>Parents' Income</u>				
Less than \$20,000	30.1	4.3	50.5	15.1
\$20,000 to \$39,999	37.1	4.4	36.5	22.0
\$40,000 to \$79,999	40.3	1.0	28.4	30.3
\$80,000 or More	39.0	3.8	21.9	35.2
Don't Know	36.1	3.2	46.5	14.2
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	40.7	3.3	40.7	15.4
Completed H.S.	34.1	3.4	40.9	21.6
Some College	37.4	3.4	33.0	26.3
College Grad or More	39.3	2.2	30.6	27.9
Don't Know	31.7	4.9	48.8	14.6
<u>Sex</u>				
Female	34.0	2.9	40.6	22.5
Male	40.9	3.3	30.7	25.1
<u>Race</u>				
White	38.8	3.3	30.5	27.4
African American	36.8	3.5	38.6	21.1
Hispanic American	35.3	2.5	49.6	12.6
Asian American	27.1	2.1	50.0	20.8
Native American	14.3	---	50.0	35.7
Other	48.0	4.0	36.0	12.0
<u>Educational Plans</u>				
No Further Ed.	33.3	8.3	41.7	16.7
2-year or Jr. College	37.6	1.7	38.5	22.2
4-year College	37.9	2.2	33.8	26.1
Other Training or Ed.	38.6	8.8	35.1	17.5
Don't Know	27.0	8.1	56.8	8.1

Table 5-4 (continued)
Analysis of Question 9
Highest Likely Growth Over 18 Years

	(a) U.S. Gov't. Savings Bond	(b) Checking Account	(c) Savings Account	(d)* Stocks
<u>Planned Occupation</u>				
Manual Work	39.3	3.6	46.4	10.7
Skilled Trade	25.0	15.0	30.0	30.0
Service Worker	38.0	7.0	38.0	16.9
Professional Worker	38.6	1.8	34.1	25.5
Other or Don't Know	35.3	1.5	41.4	21.8
<u>Expected Full-Time Income</u>				
Under \$15,000	38.5	11.5	38.5	11.5
\$15,000 to \$19,999	31.5	5.6	50.0	13.0
\$20,000 to \$29,999	38.6	2.5	37.3	21.5
\$30,000 or More	39.5	3.3	28.6	28.6
Don't Know	30.6	---	51.4	18.0
<u>Classes in H.S.¹</u>				
Entire Course, Money				
Mgt./Personal Finance	40.2	1.0	31.4	27.5
Portion of Course, Money				
Mgt./Personal Finance	39.1	3.7	35.4	21.7
Entire Course, Economics				
Portion Course, Economics	36.9	3.3	36.5	23.4
Stock Mkt. Game in Class				
Stock Mkt. Game in Class	40.9	2.8	25.6	30.7
<u>Discuss Money Matters</u>				
<u>with Parents</u>				
Never	24.5	4.1	49.0	22.4
Rarely	42.4	1.5	34.1	22.0
Sometimes	36.3	3.6	36.7	23.5
Often	38.2	2.8	33.7	25.3
<u>Allowance</u>				
Money as Needed	35.0	2.7	36.9	25.5
Allowance for Chores	37.3	2.7	36.1	23.9
Allowance, No Chores	48.0	4.0	32.0	16.0

¹ Percents may total more than 100 percent with multiple responses possible.

Table 5-4 (continued)
Analysis of Question 9
Highest Likely Growth Over 18 Years

	(a) U.S. Gov't. <u>Savings Bond</u>	(b) Checking <u>Account</u>	(c) Savings <u>Account</u>	(d)* <u>Stocks</u>
<u>Security Ownership</u>				
None	38.4	3.1	36.5	22.0
Stocks	34.8	3.0	24.2	37.9
Stocks in Parents' Name	28.0	2.0	30.0	40.0
Mut. Funds in Own Name	27.3	---	39.4	33.3
Mut. Funds in Parents' Name	35.7	7.1	42.9	14.3

Question 10. Many people put aside money to take care of unexpected expenses. If Pedro and Susanna 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) checking account
- b) savings account
- c) stocks
- d) invested in a down payment on the house

The correct answer is d) "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 all, just under half the students (48.3 percent) answered the question correctly. Nearly 30 percent 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 Whites, Asian Americans and Native Americans. Females did better on this (and most savings-related questions) than did males. Students who had taken an entire course in money management did worse than those who had not.

Table 5-5
Analysis of Question 10
Least Benefit in Emergencies

	(a) <u>Checking Account</u>	(b) <u>Savings Account</u>	(c) <u>Stocks</u>	(d)* <u>Down Payment on House</u>
All Students 2000	10.6%	11.8%	28.9%	48.3%
<i>All Students 1997</i>	<i>8.4%</i>	<i>8.7%</i>	<i>29.9%</i>	<i>52.9%</i>
<u>Parents' Income</u>				
Less than \$20,000	14.9	11.7	42.6	30.9
\$20,000 to \$39,999	12.6	12.6	24.5	50.3
\$40,000 to \$79,999	7.4	7.4	29.2	55.9
\$80,000 or More	10.3	10.3	24.3	55.1
Don't Know	10.3	17.4	28.4	43.9
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	22.0	16.5	26.4	35.2
Completed H.S.	10.2	17.6	32.4	39.8
Some College	8.3	10.6	27.8	53.3
College Grad or More	7.8	6.0	28.9	57.3
Don't Know	12.2	14.6	29.3	43.9
<u>Sex</u>				
Female	10.7	8.9	30.5	50.0
Male	10.7	15.1	27.0	47.2
<u>Race</u>				
White	8.9	9.8	29.7	51.7
African American	12.1	17.2	27.6	43.1
Hispanic American	17.5	20.8	29.2	32.5
Asian American	8.3	4.2	27.1	60.4
Native American	14.3	14.3	14.3	57.1
Other	8.0	8.0	36.0	48.0
<u>Educational Plans</u>				
No Further Ed.	16.7	16.7	25.0	41.7
2-year or Jr. College	12.8	16.2	31.6	39.3
4-year College	9.7	10.1	28.0	52.3
Other Training or Ed.	12.3	14.0	28.1	45.6
Don't Know	10.5	15.8	36.8	36.8

Table 5-5
Analysis of Question 10
Least Benefit in Emergencies

	(a) <u>Checking Account</u>	(b) <u>Savings Account</u>	(c) <u>Stocks</u>	(d)* <u>Down Payment on House</u>
<u>Planned Occupation</u>				
Manual Work	17.9	21.4	35.7	25.0
Skilled Trade	10.0	22.5	20.0	47.5
Service Worker	15.5	18.3	31.0	35.2
Professional Worker	9.6	9.6	28.9	51.8
Other or Don't Know	9.0	10.4	29.9	50.7
<u>Expected Full-Time Income</u>				
Under \$15,000	26.9	3.8	30.8	38.5
\$15,000 to \$19,999	22.2	24.1	16.7	37.0
\$20,000 to \$29,999	6.3	10.8	36.7	46.2
\$30,000 or More	11.1	10.8	27.5	50.7
Don't Know	5.4	12.6	29.7	52.3
<u>Classes in H.S.¹</u>				
Entire Course, Money				
Mgt./Personal Finance	15.7	17.6	26.5	40.2
Portion of Course, Money				
Mgt./Personal Finance	9.3	14.9	28.6	47.2
Entire Course, Economics				
Portion Course, Economics	11.0	13.1	33.1	42.9
Stock Mkt. Game in Class				
Stock Mkt. Game in Class	8.5	11.5	29.1	50.9
Stock Mkt. Game in Class	10.7	7.9	28.7	52.8
<u>Discuss Money Matters with Parents</u>				
Never	14.3	12.2	24.5	49.0
Rarely	9.1	14.4	34.8	41.7
Sometimes	10.2	11.0	26.1	52.7
Often	11.2	10.8	30.3	47.8
<u>Allowance</u>				
Money as Needed	10.8	10.5	30.8	47.9
Allowance for Chores	10.2	12.9	25.0	52.0
Allowance, No Chores	10.7	12.0	36.0	41.3

¹ Percents may total more than 100 percent with multiple responses possible.

Question 15. Many savings programs are protected by the federal government against loss. Which of the following is not?

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

The correct answer is a) "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.

Only 32.4 percent of the students answered this question correctly, a slight increase from the 1997 survey. 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 as being 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.

As with many of the more sophisticated questions, correct responses were directly related to the income of the students' parents. Asian Americans also did better on this question than other groups, as did students who had taken an entire course in money management.

Table 5-6
Analysis of Question 15
Assets Not Protected by the Federal Government

	(a)* State <u>Bond</u>	(b) Bank <u>CD</u>	(c) U.S. Treasury <u>Bond</u>	(d) U.S. Savings <u>Bond</u>
All Students 2000	32.4%	45.5%	14.5%	6.7%
All Students 1997	29.8%	51.6%	10.6%	8.0%
<u>Parents' Income</u>				
Less than \$20,000	29.0	51.6	9.7	9.7
\$20,000 to \$39,999	26.1	51.0	14.6	8.3
\$40,000 to \$79,999	35.3	48.3	11.9	4.5
\$80,000 or More	37.7	37.7	18.9	5.7
Don't Know	34.2	41.3	17.4	7.1
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	28.6	51.6	13.2	6.6
Completed H.S.	34.5	45.2	11.9	8.5
Some College	29.0	50.0	15.9	5.1
College Grad or More	33.3	42.9	16.0	7.8
Don't Know	42.5	40.0	15.0	2.5
<u>Sex</u>				
Female	32.1	45.4	14.6	7.8
Male	33.0	46.8	14.4	5.7
<u>Race</u>				
White	33.0	46.5	14.3	6.2
African American	36.2	31.0	20.7	12.1
Hispanic American	24.6	50.0	16.1	9.3
Asian American	47.9	45.8	6.3	---
Native American	23.1	38.5	23.1	15.4
Other	28.0	56.0	12.0	4.0
<u>Educational Plans</u>				
No Further Ed.	27.3	36.4	27.3	9.1
2-year or Jr. College	32.8	44.8	16.4	6.0
4-year College	32.8	47.8	13.4	6.1
Other Training or Ed.	27.6	48.3	12.1	12.1
Don't Know	40.5	24.3	24.3	10.8

Table 5-6 (continued)
Analysis of Question 15
Assets Not Protected by the Federal Government

	(a)* State <u>Bond</u>	(b) Bank <u>CD</u>	(c) U.S. Treasury <u>Bond</u>	(d) U.S. Savings <u>Bond</u>
<u>Planned Occupation</u>				
Manual Work	32.1	35.7	17.9	14.3
Skilled Trade	28.2	59.0	10.3	2.6
Service Worker	32.9	40.0	18.6	8.6
Professional Worker	33.1	48.4	12.2	6.3
Other or Don't Know	32.3	40.6	19.5	7.5
<u>Expected Full-Time Income</u>				
Under \$15,000	44.0	44.0	4.0	8.0
\$15,000 to \$19,999	24.1	46.3	18.5	11.1
\$20,000 to \$29,999	29.5	50.0	14.1	6.4
\$30,000 or More	37.0	43.5	13.9	5.7
Don't Know	23.2	50.0	17.9	8.9
<u>Classes in H.S.¹</u>				
<u>Entire Course, Money</u>				
Mgt./Personal Finance	39.0	40.0	18.0	3.0
<u>Portion of Course, Money</u>				
Mgt./Personal Finance	31.5	48.1	13.0	7.4
<u>Entire Course, Economics</u>				
Entire Course, Economics	30.5	42.0	19.8	7.8
<u>Portion Course, Economics</u>				
Portion Course, Economics	31.1	46.3	13.4	9.1
Stock Mkt. Game in Class	36.6	43.4	12.6	7.4
<u>Discuss Money Matters</u>				
<u>with Parents</u>				
Never	32.7	34.7	24.5	8.2
Rarely	37.2	41.1	14.0	7.8
Sometimes	30.2	48.4	15.3	6.0
Often	33.1	47.4	12.4	7.2
<u>Allowance</u>				
Money as Needed	33.0	46.0	14.4	6.6
Allowance for Chores	30.7	46.5	15.0	7.9
Allowance, No Chores	35.5	43.4	15.8	5.3

¹ Percents may total more than 100 percent with multiple responses possible.

Impact of Taxes and Inflation on Savings and Investment Decisions

Question 3. 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) Sales tax may be charged on the interest that you earn.
- c) Income tax may be charged on the interest if your income is high enough.
- d) You cannot earn interest until you pass your 18th birthday.

The correct answer is c) "income tax may be charged on the interest if your income is high enough." Interest from investments, including money in the bank, is a form of income that is taxable just like wages, salaries and other types of income.

Table 5-7 shows that less than a quarter of the students taking the test chose the correct answer. More than half (54.1 percent) thought that earnings from savings account interest may not be taxed. The ability to answer this question correctly did not seem to be strongly related to any of the background variables that were helpful in explaining other responses. Whites and Hispanic Americans did somewhat better than others.

Table 2-4 tells us that nearly 60 percent of the students taking this exam reported that they had a savings account. Therefore, responses to this question were run against the type of bank account used and the results are given at the end of Table 5-7, below. Once again, experience proves to be of little value in answering this important question. For example, only 19 percent of those who had a savings account (but no checking account) correctly answered that income tax may be charged if income is high enough. This was *below* the 21.1 percent of all students who answered the question correctly. Those who had both a savings and a checking account did slightly better on this question, with 21.3 percent answering it correctly.

Table 5-7
Analysis of Question 3
Interest on Savings Accounts

	(a)	(b)	(c)	(d)
	Not <u>Taxable</u>	Sales Tax <u>Possible</u>	Income Tax <u>Possible</u>	No Interest Until 21 st <u>Birthday</u>
All Students 2000	54.1%	15.0%	21.1%	7.7%
<i>All Students 1997</i>	<i>51.1%</i>	<i>12.7%</i>	<i>32.6%</i>	<i>3.6%</i>
<u>Parents' Income</u>				
Less than \$20,000	47.3	20.4	23.7	8.6
\$20,000 to \$39,999	53.8	16.7	22.4	7.1
\$40,000 to \$79,999	64.0	10.5	18.5	7.0
\$80,000 or More	54.8	13.5	27.9	3.8
Don't Know	51.3	17.1	19.1	12.5
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	50.5	18.7	19.8	11.0
Completed H.S.	55.7	19.0	19.0	6.3
Some College	59.7	11.4	21.6	7.4
College Grad or More	55.8	13.3	24.3	6.6
Don't Know	46.3	19.5	17.1	17.1
<u>Sex</u>				
Female	51.6	17.2	20.9	10.3
Male	59.7	13.0	22.1	5.2
<u>Race</u>				
White	59.8	12.6	22.9	4.7
African American	59.6	17.5	17.5	5.3
Hispanic American	37.4	20.9	20.9	20.9
Asian American	54.2	20.8	12.5	12.5
Native American	38.5	38.5	23.1	---
Other	60.0	12.0	20.0	8.0
<u>Educational Plans</u>				
No Further Ed.	58.3	16.7	16.7	8.3
2-year or Jr. College	54.3	18.1	18.1	9.5
4-year College	56.0	14.2	22.0	7.8
Other Training or Ed.	59.6	14.0	21.1	5.3
Don't Know	45.9	18.9	27.0	8.1

Table 5-7 (continued)
Analysis of Question 3
Interest on Savings Accounts

	(a)	(b)	(c)	(d)
	<u>Not Taxable</u>	<u>Sales Tax Possible</u>	<u>Income Tax Possible</u>	<u>No Interest Until 21st Birthday</u>
<u>Planned Occupation</u>				
Manual Work	67.9	3.6	28.6	---
Skilled Trade	48.7	23.1	20.5	7.7
Service Worker	56.3	23.9	12.7	7.0
Professional Worker	56.0	13.3	24.1	6.7
Other or Don't Know	53.8	16.7	15.2	14.4
<u>Expected Full-Time Income</u>				
Under \$15,000	65.4	7.7	19.2	7.7
\$15,000 to \$19,999	55.6	22.2	18.5	3.7
\$20,000 to \$29,999	53.8	17.9	21.8	6.4
\$30,000 or More	55.7	12.5	23.3	8.6
Don't Know	55.0	18.9	16.2	9.9
<u>Classes in H.S.¹</u>				
<u>Entire Course, Money</u>				
Mgt./Personal Finance	47.1	17.6	26.5	8.8
<u>Portion of Course, Money</u>				
Mgt./Personal Finance	58.6	11.5	25.5	4.5
<u>Entire Course, Economics</u>				
Portion Course, Economics	53.1	18.5	19.8	8.6
Stock Mkt. Game in Class	51.4	17.7	23.4	7.4
<u>Discuss Money Matters with Parents</u>				
Never	34.0	27.7	27.7	10.6
Rarely	50.0	21.1	21.9	7.0
Sometimes	51.1	9.3	20.4	9.3
Often	56.3	16.6	20.6	6.5
<u>Allowance</u>				
Money as Needed	56.9	14.3	21.8	7.0
Allowance for Chores	53.0	16.3	21.1	9.6
Allowance, No Chores	57.9	15.8	18.4	7.9

¹ Percents may total more than 100 percent with multiple responses possible.

Table 5-7 (continued)
Analysis of Question 3
Interest on Savings Account

	(a) Not <u>Taxable</u>	(b) Income Tax <u>Possible</u>	(c)* Sales Tax <u>Possible</u>	(d) No Interest Until <u>21st Birthday</u>
<u>Bank Account Used</u>				
None	48.5	16.7	23.6	11.2
Savings	58.0	15.3	19.0	7.8
Checking	54.9	15.7	25.5	3.9
Savings & Checking	62.2	12.6	21.3	3.9

Question 17. 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 U.S. government savings bond
- b) a certificate of deposit at a bank
- c) a 25-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 increasing inflation has not been an issue during the lives of these students, experience and dinner table conversation would be of little help in answering this question.

For these reasons, it is not surprising that only 33.5 percent of the students answered this question correctly (Table 5-8 below). A higher proportion (35.1 percent) felt that savings bonds were the best protection for sudden inflation, in spite of the fact that the most popular savings bonds for children have a fixed rate for the life of the bond, offering no protection against increases in inflation. An additional 15.6 percent chose a 25-year bond, and 13.9 percent selected a bank CD, both of which have fixed rates.

Table 5-8
Analysis of Question 17
Best Protection for Sudden Inflation

	(a) <u>Savings</u> <u>Bond</u>	(b) <u>Bank</u> <u>CD</u>	(c) <u>25-Year</u> <u>Bond</u>	(d)* <u>House Financed with</u> <u>Fixed-Rate Mortgage</u>
All Students 2000	35.1%	13.9%	15.6%	33.5%
<i>All Students 1997</i>	<i>31.9%</i>	<i>12.8%</i>	<i>17.7%</i>	<i>37.6%</i>
<u>Parents' Income</u>				
Less than \$20,000	36.3	12.1	19.8	31.9
\$20,000 to \$39,999	36.3	12.1	16.6	35.0
\$40,000 to \$79,999	35.7	12.1	12.1	41.2
\$80,000 or More	26.7	20.0	17.1	36.2
Don't Know	41.2	17.0	16.3	25.5
<u>Highest Level of</u> <u>Parents' Education</u>				
Neither Finished H.S.	38.5	15.4	23.1	23.1
Completed H.S.	38.3	12.6	13.7	35.4
Some College	31.4	16.0	16.6	36.0
College Grad or More	34.2	13.6	14.0	38.2
Don't Know	46.2	15.4	15.4	23.1
<u>Sex</u>				
Female	34.7	14.6	17.5	33.3
Male	37.2	13.9	13.6	35.3
<u>Race</u>				
White	34.3	12.8	15.9	37.0
African American	27.3	23.6	14.5	34.5
Hispanic American	43.6	17.1	12.8	26.5
Asian American	44.7	10.6	17.0	27.7
Native American	42.9	7.1	21.4	28.6
Other	24.0	20.0	20.0	36.0
<u>Educational Plans</u>				
No Further Ed.	45.5	9.1	27.3	18.2
2-year or Jr. College	33.9	13.9	14.8	37.4
4-year College	35.9	14.8	15.0	34.4
Other Training or Ed.	33.3	12.3	21.1	33.3
Don't Know	42.1	13.2	15.8	28.9

Table 5-8 (continued)
Analysis of Question 17
Best Protection for Sudden Inflation

	(a) Savings <u>Bond</u>	(b) Bank <u>CD</u>	(c) 25-Year <u>Bond</u>	(d)* House Financed with <u>Fixed-Rate Mortgage</u>
<u>Planned Occupation</u>				
Manual Work	42.9	14.3	17.9	25.0
Skilled Trade	35.9	23.1	10.3	30.8
Service Worker	34.8	21.7	21.7	21.7
Professional Worker	34.5	12.6	15.3	37.7
Other or Don't Know	39.1	13.5	15.0	32.3
<u>Expected Full-Time Income</u>				
Under \$15,000	20.0	24.0	28.0	28.0
\$15,000 to \$19,999	40.7	22.2	9.3	27.8
\$20,000 to \$29,999	35.7	14.9	14.9	34.4
\$30,000 or More	35.3	13.2	15.6	35.9
Don't Know	38.2	10.9	18.2	32.7
<u>Classes in H.S.¹</u>				
<u>Entire Course, Money</u>				
Mgt./Personal Finance	36.6	16.8	17.8	28.7
<u>Portion of Course, Money</u>				
Mgt./Personal Finance	36.9	12.7	17.8	32.5
<u>Entire Course, Economics</u>				
Portion Course, Economics	40.4	13.3	15.0	31.3
Stock Mkt. Game in Class	36.0	18.9	15.2	29.9
	36.6	14.3	13.1	36.0
<u>Discuss Money Matters</u>				
<u>with Parents</u>				
Never	45.8	20.8	12.5	20.8
Rarely	43.3	11.8	13.4	31.5
Sometimes	31.2	13.6	17.2	38.0
Often	36.1	14.1	15.7	34.1
<u>Allowance</u>				
Money as Needed	34.1	12.4	17.7	35.8
Allowance for Chores	38.2	13.9	14.3	33.5
Allowance, No Chores	39.5	21.1	10.5	28.9

¹ Percents may total more than 100 percent with multiple responses possible.

CHAPTER 6

UNDERSTANDING SPENDING AND DEBT

The Jump\$tart Coalition's *Personal Finance Guidelines for Spending (and Debt)* tell us that students who have learned from a curriculum that follows these guidelines will be able to:

1. compare the advantages and disadvantages of spending now and later
2. evaluate the benefits and costs of using different transaction instruments, such as cash, checking accounts, debit cards, credit cards, money orders, electronic funds transfers and other financial services
3. explain how the price of credit is affected by the risk level of the borrower
4. explain how payment performance determines credit history and why these records are maintained and accessed
5. describe rights and responsibilities of buyers, sellers and creditors under various consumer protection laws
6. use cost benefit analysis to choose among spending alternatives, such as housing, transportation and consumer durables
7. identify and analyze pros and cons of alternative actions to deal with credit overextension or other financial difficulties

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. Of the seven items enumerated above, only item 6 did not have any questions specifically designed for it. However, the choice of spending alternatives—particularly between the investment in household capital, such as cars and houses versus pure consumption, such as clothing—is covered in question 6, immediately below.

Spending Now Versus Later

Question 6. 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 really need a 2-week vacation
- b) when some clothes you like go on sale
- c) when the interest on the loan is greater than the interest you get on your savings
- d) when you need to buy a car to get a much better paying job

The correct answer is d). 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 that you don't buy a far more expensive car than you need for basic transportation. Answers a) and b) relate to consumption and would seldom be considered investments on which the payment of interest would be financially beneficial. Overall, 54.4 percent of students answered this question correctly, an increase from 52.8 percent

in 1997. Males did better than females and Whites and Asian Americans did much better than others.

Table 6-1
Analysis of Question 6
Beneficial to Borrow Money

	(a)	(b)	(c)	(d)*
	<u>Vacation</u>	<u>Clothes</u>	<u>Higher Interest on Loan Than Savings</u>	<u>Car to Get Better Job</u>
All Students 2000	4.0	5.9	35.0	54.4
<i>All Students 1997</i>	<i>7.9</i>	<i>6.2</i>	<i>33.1</i>	<i>52.8</i>
<u>Parents' Income</u>				
Less than \$20,000	7.5	2.2	41.9	48.4
\$20,000 to \$39,999	1.9	8.8	28.3	61.0
\$40,000 to \$79,999	3.0	5.5	30.3	61.2
\$80,000 or More	3.7	6.5	32.7	57.0
Don't Know	5.2	5.8	46.1	42.9
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	7.7	4.4	35.2	52.7
Completed H.S.	2.9	8.0	38.3	50.9
Some College	2.8	2.8	33.5	60.9
College Grad or More	3.0	7.8	31.2	58.0
Don't Know	12.2	4.9	48.8	34.1
<u>Sex</u>				
Female	2.9	6.5	39.0	51.6
Male	5.4	5.4	30.4	58.9
<u>Race</u>				
White	4.2	6.2	29.6	60.0
African American	---	13.8	43.1	43.1
Hispanic American	4.2	3.4	47.1	45.4
Asian American	2.1	4.2	37.5	56.3
Native American	15.4	---	61.5	23.1
Other	8.0	4.0	36.0	52.0

Table 6-1 (continued)
Analysis of Question 6
Beneficial to Borrow Money

	(a)	(b)	(c)	(d)*
	<u>Vacation</u>	<u>Clothes</u>	<u>Higher Interest on Loan Than Savings</u>	<u>Car to Get Better Job</u>
<u>Educational Plans</u>				
No Further Ed.	25.0	8.3	25.0	41.7
2-year or Jr. College	5.1	7.7	41.9	45.3
4-year College	2.6	5.9	33.1	58.4
Other Training or Ed.	8.8	5.3	35.1	50.9
Don't Know	5.4	2.7	43.2	48.6
<u>Planned Occupation</u>				
Manual Work	14.3	7.1	28.6	50.0
Skilled Trade	10.0	10.0	30.0	50.0
Service Worker	8.6	7.1	44.3	40.0
Professional Worker	2.5	6.1	32.6	58.9
Other or Don't Know	3.0	3.0	40.6	53.4
<u>Expected Full-Time Income</u>				
Under \$15,000	7.7	7.7	50.0	34.6
\$15,000 to \$19,999	11.1	11.1	37.0	40.7
\$20,000 to \$29,999	1.9	3.8	41.8	52.5
\$30,000 or More	3.5	5.4	31.5	59.5
Don't Know	4.5	8.1	32.4	55.0
<u>Classes in H.S.¹</u>				
<u>Entire Course, Money</u>				
Mgt./Personal Finance	6.9	3.9	34.3	54.9
<u>Portion of Course, Money</u>				
Mgt./Personal Finance	3.1	7.5	29.2	60.2
<u>Entire Course, Economics</u>				
Portion Course, Economics	4.1	6.9	30.2	58.8
<u>Portion Course, Economics</u>				
Stock Mkt. Game in Class	3.6	6.7	35.2	54.5
	4.0	4.0	27.8	64.2

¹ Percents may total more than 100 percent with multiple responses possible.

Table 6-1 (continued)
Analysis of Question 6
Beneficial to Borrow Money

	(a)	(b)	(c)	(d)*
	<u>Vacation</u>	<u>Clothes</u>	<u>Higher Interest on Loan Than Savings</u>	<u>Car to Get Better Job</u>
<u>Discuss Money Matters with Parents</u>				
Never	16.3	8.2	36.7	38.8
Rarely	3.8	8.3	31.1	56.8
Sometimes	4.3	3.6	35.6	56.6
Often	1.2	6.8	36.4	55.6
<u>Allowance</u>				
Money as Needed	3.2	5.6	36.0	55.3
Allowance for Chores	4.3	5.5	34.1	56.1
Allowance, No Chores	6.7	9.3	30.7	53.3

Transaction Instruments

Question 4. Which of the following instruments is NOT typically associated with spending?

- a) ATM (automated teller machine) card
- b) cash
- c) certificate of deposit
- d) credit card

The correct answer is c). Certificates of deposit are a type of savings account in which your money is invested for a period of time where it is difficult or impossible to get access to it until it matures. Therefore, it is less likely to be associated with spending than are cash, an ATM card used to withdraw cash, or a credit card.

This was a very simple question that was answered correctly by 87.3 percent of students (see Table 6-2, below). Females did better than males on this question, and Asian Americans did better than all other racial groups.

Table 6-2
Analysis of Question 4
Instruments Not Associated with Spending

	(a) <u>ATM</u>	(b) <u>Cash</u>	(c)* <u>CD</u>	(d) <u>Credit Card</u>
All Students 2000	8.5%	2.5%	87.3%	1.5%
<i>All Students</i>	<i>6.0%</i>	<i>1.8%</i>	<i>89.3%</i>	<i>2.9%</i>
<u>Parents' Income</u>				
Less than \$20,000	14.9	4.3	79.8	1.1
\$20,000 to \$39,999	6.3	2.5	89.9	1.3
\$40,000 to \$79,999	7.5	2.0	89.6	1.0
\$80,000 or More	7.5	.9	90.7	.9
Don't Know	9.6	2.5	84.7	3.2
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	12.0	5.4	80.4	2.2
Completed H.S.	11.9	1.7	85.2	1.1
Some College	7.8	1.1	89.4	1.7
College Grad or More	5.2	2.2	92.2	.4
Don't Know	9.8	7.3	75.6	7.3
<u>Sex</u>				
Female	7.8	2.1	89.3	.8
Male	9.5	3.0	85.2	2.4
<u>Race</u>				
White	8.8	1.8	67.8	1.5
African American	6.9	3.4	87.9	1.7
Hispanic American	10.0	4.2	83.3	2.5
Asian American	6.3	2.1	91.7	---
Native American	7.1	7.1	85.7	---
Other	8.0	4.0	88.0	---
<u>Educational Plans</u>				
No Further Ed.	16.7	---	75.0	8.3
2-year or Jr. College	8.5	3.4	85.6	2.5
4-year College	8.2	1.8	89.3	.6
Other Training or Ed.	12.3	3.5	80.7	3.5
Don't Know	5.3	7.9	81.6	5.3

Table 6-2 (continued)
Analysis of Question 4
Instruments Not Associated with Spending

	(a) <u>ATM</u>	(b) <u>Cash</u>	(c)* <u>CD</u>	(d) <u>Credit Card</u>
<u>Planned Occupation</u>				
Manual Work	14.3	3.6	78.6	3.6
Skilled Trade	10.3	---	84.6	5.1
Service Worker	12.7	5.6	81.7	---
Professional Worker	7.8	1.6	89.7	.9
Other or Don't Know	7.4	3.7	85.9	3.0
<u>Expected Full-Time Income</u>				
Under \$15,000	19.2	3.8	76.9	---
\$15,000 to \$19,999	11.1	3.7	81.5	3.7
\$20,000 to \$29,999	7.6	1.3	88.6	2.5
\$30,000 or More	7.3	2.7	89.2	.8
Don't Know	10.7	2.7	84.8	1.8
<u>Classes in H.S.¹</u>				
Entire Course, Money				
Mgt./Personal Finance	7.8	4.9	87.3	---
Portion of Course, Money				
Mgt./Personal Finance	7.5	2.5	89.4	.6
Entire Course, Economics				
Portion Course, Economics	10.1	2.8	84.6	2.4
Stock Mkt. Game in Class				
	6.7	2.8	89.9	.6
<u>Discuss Money Matters</u>				
<u>with Parents</u>				
Never	8.2	6.1	81.6	4.1
Rarely	9.1	2.3	86.4	2.3
Sometimes	8.1	2.1	88.7	1.1
Often	9.2	2.4	87.6	.8
<u>Allowance</u>				
Money as Needed	9.7	2.4	86.3	1.6
Allowance for Chores	7.4	2.0	89.1	1.6
Allowance, No Chores	7.9	5.3	86.8	---

¹ Percents may total more than 100 percent with multiple responses possible.

Question 23. Which of the following statements is NOT correct about most ATM (automated teller machine) cards?

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

The correct answer is d). 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 and to the bank where you have your account.

At the time of this study, fees were being charged on most ATM transactions, particularly if the machine used was not part of the user's own bank. This would imply that students who had ATM cards would answer the question correctly. However, fewer than a third of the students (31.0 percent) had an ATM card, which makes surprising the fact that more than three-quarters (75.8 percent) answered this question correctly (see Table 6-3, below). This was up slightly from the 1997 survey.

The ability to answer this question correctly related somewhat to parents' education, but not income. Females did better than males on this, and on most other spending questions. Neither race nor region appears to affect answers to this question.

As we have done with many other questions that relate to experience, we ran the responses to this question against actual ATM use. The answer is contained at the bottom of Table 6-3. Of those who had an ATM card, 79.4 percent answered the question correctly, as opposed to 74.9 percent of those who did not have a card. The benefit of experience is positive in this case, but hardly overwhelming.

Table 6-3
Analysis of Question 23
Not Correct About ATMs

	(a) Need Bank <u>Account</u>	(b) 24-Hour <u>Services</u>	(c) Balance <u>Information</u>	(d)* Cash with <u>No Fee</u>
All Students 2000	7.4%	4.7%	11.3%	75.8%
<i>All Students 1997</i>	<i>8.0%</i>	<i>6.3%</i>	<i>11.2%</i>	<i>74.4%</i>
<u>Parents' Income</u>				
Less than \$20,000	6.5	7.5	18.3	67.7
\$20,000 to \$39,999	10.1	3.8	9.5	76.6
\$40,000 to \$79,999	6.4	3.5	5.9	84.2
\$80,000 or More	5.7	3.8	13.2	77.4
Don't Know	7.7	6.4	14.7	71.2
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	9.8	7.6	12.0	70.7
Completed H.S.	6.3	5.1	10.9	77.7
Some College	6.7	3.9	11.1	78.3
College Grad or More	7.0	3.9	10.5	78.6
Don't Know	14.6	4.9	19.5	61.0
<u>Sex</u>				
Female	7.3	3.9	12.3	76.5
Male	7.7	5.7	10.4	76.2
<u>Race</u>				
White	7.1	3.8	11.5	77.6
African American	5.4	7.1	17.9	69.6
Hispanic American	10.0	7.5	10.0	72.5
Asian American	6.3	2.1	4.2	87.5
Native American	23.1	7.7	30.8	38.5
Other	---	8.0	8.0	84.0
<u>Educational Plans</u>				
No Further Ed.	8.3	8.3	---	83.3
2-year or Jr. College	10.2	3.4	12.7	73.7
4-year College	6.5	3.6	10.5	79.4
Other Training or Ed.	5.2	5.2	20.7	69.0
Don't Know	16.2	18.9	8.1	56.8

Table 6-3 (continued)
Analysis of Question 23
Not Correct About ATMs

	(a) <u>Need Bank Account</u>	(b) <u>24-Hour Services</u>	(c) <u>Balance Information</u>	(d)* <u>Cash with No Fee</u>
<u>Planned Occupation</u>				
Manual Work	17.9	7.1	10.7	64.3
Skilled Trade	15.4	5.1	10.3	69.2
Service Worker	9.9	12.7	9.9	67.6
Professional Worker	7.0	3.6	11.9	77.5
Other or Don't Know	3.0	3.8	10.5	82.7
<u>Expected Full-Time Income</u>				
Under \$15,000	15.4	3.8	11.5	69.2
\$15,000 to \$19,999	13.0	13.0	16.7	57.4
\$20,000 to \$29,999	5.1	3.2	10.8	81.0
\$30,000 or More	7.3	4.3	10.1	78.3
Don't Know	7.2	4.5	14.4	73.9
<u>Classes in H.S.¹</u>				
<u>Entire Course, Money</u>				
Mgt./Personal Finance	8.8	2.9	15.7	72.5
<u>Portion of Course, Money</u>				
Mgt./Personal Finance	8.7	3.7	8.1	79.5
<u>Entire Course, Economics</u>				
Portion Course, Economics	7.8	4.9	11.4	75.9
<u>Stock Mkt. Game in Class</u>				
Stock Mkt. Game in Class	6.1	4.8	10.3	78.8
<u>Discuss Money Matters</u>				
<u>with Parents</u>				
Never	8.2	8.2	20.4	63.3
Rarely	10.6	3.8	9.8	75.8
Sometimes	6.7	4.3	11.0	78.0
Often	6.8	4.8	11.2	77.1
<u>Allowance</u>				
Money as Needed	6.1	4.8	9.5	79.6
Allowance for Chores	9.4	4.3	13.3	72.9
Allowance, No Chores	9.2	5.3	15.8	69.7

¹ Percents may total more than 100 percent with multiple responses possible.

Table 6-3 (continued)
Analysis of Question 23
Not Correct About ATMs

	(a) Need Bank <u>Account</u>	(b) 24-Hour <u>Services</u>	(c) Balance <u>Information</u>	(d)* Cash with <u>No Fee</u>
<u>Have ATM Card</u>				
Yes	7.2	4.9	8.5	79.4
No	7.7	4.7	11.4	74.9
<u>Card Used</u>				
Own	9.0	10.4	14.9	65.7
Parents'	13.0	6.1	14.5	66.4
Own & Parents'	0	10.0	15.0	75.0
None	6.2	3.4	10.0	80.4

The Price of Credit

Question 20. 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) Barbara, who always pays off her credit card bill in full shortly after she receives it
- b) Ellen, who generally pays off her credit card in full but occasionally will pay the minimum when she is short of cash
- c) Nancy, who pays at least the minimum amount each month and more when she has the money
- d) Paul, who only pays the minimum amount each month

The correct answer is d). 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—allowing the greatest amount to subsequently accumulate as debt—end up paying the greatest amount of interest.

Most students (60.7 percent) were able to answer this question correctly. Parents' education was directly correlated with the ability to answer this question correctly. Asian Americans and Whites did far better than all other races.

At the bottom of Table 6-4, answers to the question were related to the use of a credit card. Amazingly, students who used their own credit card did substantially *worse* on this question than did all other students, including those who did not have a credit card. Only 54.5 percent of students with their own card answered the question correctly, as opposed to 63.5 percent of students who had no card. In fact, students without a credit card did better than all groups who used cards. Once again, experience proved to be an inadequate teacher.

Table 6-4
Analysis of Question 21
Which Credit Card Users Pays Greatest Finance Charge?

	(a)	(b)	(c)	(d)*
	Always <u>Pays in Full</u>	Generally <u>Pays in Full</u>	Generally Pays Minimum <u>Amount</u>	Always Pays Minimum <u>Amount</u>
All Students 2000	15.8%	11.4%	11.4%	60.7%
<i>All Students 1997</i>	<i>12.7%</i>	<i>8.1%</i>	<i>9.6%</i>	<i>69.6%</i>
<u>Parents' Income</u>				
Less than \$20,000	16.0	13.8	14.9	55.3
\$20,000 to \$39,999	19.0	13.9	12.0	55.1
\$40,000 to \$79,999	13.9	8.5	7.0	70.6
\$80,000 or More	13.2	7.5	10.4	68.9
Don't Know	17.3	13.5	15.4	53.8
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	18.7	14.3	14.3	52.7
Completed H.S.	18.6	15.8	9.6	55.9
Some College	14.6	11.8	9.0	64.6
College Grad or More	12.6	8.2	13.0	66.2
Don't Know	24.4	2.4	14.6	58.5
<u>Sex</u>				
Female	16.4	11.7	10.9	61.0
Male	15.3	11.1	12.3	61.4
<u>Race</u>				
White	16.7	9.8	8.4	65.1
African American	19.0	15.5	20.7	44.8
Hispanic American	14.3	19.3	15.1	51.3
Asian American	12.5	6.3	8.3	72.9
Native American	7.1	21.4	35.7	35.7
Other	20.0	---	16.0	64.0
<u>Educational Plans</u>				
No Further Ed.	27.3	9.1	9.1	54.5
2-year or Jr. College	23.9	13.7	10.3	52.1
4-year College	12.1	10.7	10.9	66.3
Other Training or Ed.	22.4	6.9	17.2	53.4
Don't Know	26.3	18.4	15.8	39.5

Table 6-4 (continued)
Analysis of Question 21
Which Credit Card Users Pays Greatest Finance Charge?

	(a)	(b)	(c)	(d)*
	<u>Always</u> <u>Pays in Full</u>	<u>Generally</u> <u>Pays in Full</u>	<u>Generally</u> <u>Pays Minimum</u> <u>Amount</u>	<u>Always</u> <u>Pays Minimum</u> <u>Amount</u>
<u>Planned Occupation</u>				
Manual Work	28.6	17.9	25.0	28.6
Skilled Trade	15.4	10.3	15.4	59.0
Service Worker	25.7	15.7	17.1	41.4
Professional Worker	13.5	10.5	9.0	67.0
Other or Don't Know	17.2	10.4	12.7	59.7
<u>Expected Full-Time Income</u>				
Under \$15,000	26.9	15.4	26.9	30.8
\$15,000 to \$19,999	16.7	27.8	18.5	37.0
\$20,000 to \$29,999	14.7	11.5	7.1	66.7
\$30,000 or More	13.5	10.0	10.0	66.5
Don't Know	23.2	7.1	15.2	4.5
<u>Classes in H.S.¹</u>				
<u>Entire Course, Money</u>				
Mgt./Personal Finance	14.9	9.9	14.9	60.4
<u>Portion of Course, Money</u>				
Mgt./Personal Finance	19.3	11.2	9.9	59.6
<u>Entire Course, Economics</u>				
Portion Course, Economics	17.3	15.2	11.5	56.0
Stock Mkt. Game in Class	13.4	14.0	8.5	64.0
	13.6	9.7	10.2	66.5
<u>Discuss Money Matters</u> <u>with Parents</u>				
Never	18.4	16.3	26.5	38.8
Rarely	14.6	12.3	11.5	61.5
Sometimes	17.0	11.0	9.2	62.9
Often	15.1	10.8	11.2	62.9
<u>Allowance</u>				
Money as Needed	15.3	11.6	11.1	61.9
Allowance for Chores	17.6	10.2	11.4	60.8
Allowance, No Chore	14.5	15.8	13.2	56.6

¹ Percents may total more than 100 percent with multiple responses possible.

Table 6-4 (continued)
Analysis of Question 21
Which Credit Card Users Pays Greatest Finance Charge?

	(a)	(b)	(c)	(d)*
	Always	Generally	Generally	Always
	<u>Pays in Full</u>	<u>Pays in Full</u>	<u>Pays Minimum</u>	<u>Pays Minimum</u>
			<u>Amount</u>	<u>Amount</u>
<u>Card Used</u>				
Own	22.7	9.1	13.6	54.5
Parents'	18.8	9.0	15.8	56.4
Own & Parents'	30.0	10.0	5.0	55.0
None	13.8	12.4	10.2	63.5

Question 21. Jack and Ron are young men. Each has a good credit history. They work at the same company and make approximately the same salary. Jack has borrowed \$2,500 to buy a car. Ron has borrowed \$2,500 to take a foreign vacation. Who is likely to pay the lowest finance charge?

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

The correct answer is c) "Jack 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. Ron'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 Jack's case there is a car to take back, making the loan safer, and lenders tend to charge less interest for safe loans.

Only 43.7 percent of the students answered this question correctly. 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 6-5, below). Disturbingly, 18 percent said that both would pay the same because the rate is set by law. An additional 20.8 percent said that they would pay the same because they have similar financial backgrounds. Finally, 16.7 percent said that Ron would pay less because people who travel overseas are better risks.

Family income appears to be somewhat related to the ability to answer this question correctly, as does parents' education. Males were more accurate than females and Whites were substantially more likely than non-Whites to know the answer to this question.

At the bottom of Table 6-5, answers to this question were run against car use by the student. The most accurate answers were given by drivers who did not have a car, 62.5 percent of whom answered the question correctly. This compared with car owning students, who were far less likely to answer this question correctly.

Table 6-5
Analysis of Question 21
Who Pays Lower Finance Charge?

	(a) Same Rate, Same <u>Background</u>	(b) Vacation <u>Less</u>	(c)* Car Less; <u>Collateral</u>	(d) Same Rate <u>by Law</u>
All Students 2000	20.8%	16.7%	43.7%	18.0%
<i>All Students 1997</i>	<i>16.3%</i>	<i>11.3%</i>	<i>51.0%</i>	<i>21.4%</i>
<u>Parents' Income</u>				
Less than \$20,000	21.3	26.6	33.0	19.1
\$20,000 to \$39,999	19.7	12.1	50.3	17.8
\$40,000 to \$79,999	22.1	15.1	47.2	15.6
\$80,000 or More	17.8	15.0	50.5	16.8
Don't Know	23.1	17.3	37.2	22.4
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	12.1	25.3	34.1	28.6
Completed H.S.	23.7	16.9	41.8	17.5
Some College	22.5	16.3	47.2	14.0
College Grad or More	22.3	13.1	47.6	17.0
Don't Know	14.6	17.1	46.3	22.0
<u>Sex</u>				
Female	18.8	15.7	42.0	23.5
Male	23.7	17.7	46.4	12.3
<u>Race</u>				
White	19.3	15.3	50.3	15.1
African American	26.3	17.5	42.1	14.0
Hispanic American	21.8	19.3	27.7	31.1
Asian American	18.8	22.9	37.5	20.8
Native American	30.8	---	38.5	30.8
Other	33.3	25.0	29.2	12.5
<u>Educational Plans</u>				
No Further Ed.	18.2	36.4	45.5	---
2-year or Jr. College	23.9	14.5	41.9	19.7
4-year College	20.3	16.0	45.0	18.7
Other Training or Ed.	27.6	20.7	39.7	12.1
Don't Know	13.2	15.8	47.4	23.7

Table 6-5 (continued)
Analysis of Question 21
Who Pays Lower Finance Charge?

	(a) Same Rate, Same <u>Background</u>	(b) Vacation <u>Less</u>	(c)* Car Less; <u>Collateral</u>	(d) Same Rate <u>by Law</u>
<u>Planned Occupation</u>				
Manual Work	21.4	21.4	42.9	14.3
Skilled Trade	25.6	30.8	38.5	5.1
Service Worker	25.7	14.3	30.0	30.0
Professional Worker	20.7	17.1	43.7	18.5
Other or Don't Know	17.2	11.9	55.2	15.7
<u>Expected Full-Time Income</u>				
Under \$15,000	19.2	26.9	38.5	15.4
\$15,000 to \$19,999	28.3	17.0	35.8	18.9
\$20,000 to \$29,999	17.3	12.8	47.4	22.4
\$30,000 or More	21.6	16.8	45.4	16.2
Don't Know	20.7	18.9	41.4	18.9
<u>Classes in H.S.¹</u>				
Entire Course, Money				
Mgt./Personal Finance	17.8	13.9	53.5	14.9
Portion of Course, Money				
Mgt./Personal Finance	21.7	14.3	45.3	18.6
Entire Course, Economics				
Portion Course, Economics	21.7	17.2	47.5	13.5
Stock Mkt. Game in Class				
	21.3	16.5	42.7	19.5
	22.2	15.3	48.3	14.2
<u>Discuss Money Matters</u> <u>with Parents</u>				
Never	32.7	18.4	28.6	20.4
Rarely	20.8	20.8	39.2	19.2
Sometimes	19.1	14.1	47.7	19.1
Often	21.3	17.3	45.0	16.5
<u>Allowance</u>				
Money as Needed	21.5	18.4	45.5	14.6
Allowance for Chores	20.4	14.5	42.4	22.7
Allowance, No Chores	21.1	15.8	42.1	21.1

¹ Percents may total more than 100 percent with multiple responses possible.

Table 6-5 (continued)
Analysis of Question 21
Who Pays Lower Finance Charge?

	(a) Same Rate, Same <u>Background</u>	(b) Vacation <u>Less</u>	(c)* Car Less <u>Collateral</u>	(d) Same Rate <u>by Law</u>
<u>Auto</u>				
No License	16.4	18.6	39.3	25.7
License, No Car	16.7	12.5	62.5	8.3
Shares Car, Pays Insur.	28.3	26.4	35.8	9.4
Shares Car, Does not Pay Insur.	20.8	17.0	49.1	13.2
Owens Car; Pays Insur.	21.0	14.6	48.4	16.0
Owens Car; Does Not Pays Insur.	22.9	15.4	40.0	21.7

Question 8. Walter must borrow \$10,000 to complete his college education. Which of the following would NOT be likely to reduce the finance charge rate?

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

The correct answer is d) "if he went to a state college rather than a private college."

Walter's finance charge rate for his educational loan is *not* likely to be affected by his choice of a state college rather than a private college. Lenders tend to charge lower rates of interest if the loan is likely to be repaid. Answers a), b) and c) add to the likelihood that the bank will be repaid for the money it has loaned to Walter.

Slightly more than a quarter of the students answered this question correctly, indicating that they did not really understand much about the lending process (Table 6-6). This was down from the nearly one-third of students who answered the question correctly in 1997.

Surprisingly, children of college graduates did no better than others, and students from the highest family incomes did significantly worse than those from middle income families.

Table 6-6
Analysis of Question 8
Which Won't Reduce College Loan Finance Charge?

	(a) Parents <u>Co-Signed</u>	(b) Additional <u>Mortgage</u>	(c) Federal <u>Insurance</u>	(d)* State <u>College</u>
All Students 2000	19.8%	30.6%	21.6%	27.4%
<i>All Students 1997</i>	<i>20.1%</i>	<i>27.8%</i>	<i>19.2%</i>	<i>32.9%</i>
<u>Parents' Income</u>				
Less than \$20,000	23.7	23.7	28.0	24.7
\$20,000 to \$39,999	16.4	34.0	25.2	24.5
\$40,000 to \$79,999	18.4	34.3	15.9	31.3
\$80,000 or More	19.6	34.6	20.6	25.2
Don't Know	22.6	25.8	23.9	27.7
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	20.9	22.0	30.8	26.4
Completed H.S.	15.9	36.9	18.2	29.0
Some College	22.5	28.7	20.2	28.7
College Grad or More	17.7	32.3	20.7	29.3
Don't Know	31.7	26.8	29.3	12.2
<u>Sex</u>				
Female	19.1	31.2	23.6	26.2
Male	20.8	30.6	19.6	29.1
<u>Race</u>				
White	18.9	31.6	20.9	28.7
African American	15.5	34.5	25.9	24.1
Hispanic American	21.0	26.9	26.1	26.1
Asian American	33.3	31.3	16.7	18.8
Native American	14.3	42.9	14.3	28.6
Other	20.0	24.0	20.0	36.0
<u>Educational Plans</u>				
No Further Ed.	16.7	16.7	33.3	33.3
2-year or Jr. College	21.4	30.8	27.4	20.5
4-year College	19.2	30.3	20.6	29.9
Other Training or Ed.	22.8	31.6	19.3	26.3
Don't Know	21.1	42.1	18.4	18.4

Table 6-6 (continued)
Analysis of Question 8
Which Won't Reduce College Loan Finance Charge?

	(a) Parents <u>Co-Signed</u>	(b) Additional <u>Mortgage</u>	(c) Federal <u>Insurance</u>	(d)* State <u>College</u>
<u>Planned Occupation</u>				
Manual Work	39.3	21.4	10.7	28.6
Skilled Trade	20.0	30.0	20.0	30.0
Service Worker	25.4	38.0	19.7	16.9
Professional Worker	18.5	30.0	20.7	30.9
Other or Don't Know	17.2	32.8	27.6	22.4
<u>Expected Full-Time Income</u>				
Under \$15,000	15.4	34.6	26.9	23.1
\$15,000 to \$19,999	29.6	25.9	22.2	22.2
\$20,000 to \$29,999	18.4	33.5	23.4	24.7
\$30,000 or More	18.4	32.5	18.7	30.4
Don't Know	21.6	23.4	27.9	27.0
<u>Classes in H.S.¹</u>				
Entire Course, Money				
Mgt./Personal Finance	27.5	32.4	14.7	25.5
Portion of Course, Money				
Mgt./Personal Finance	16.8	34.2	19.9	29.2
Entire Course, Economics				
Mgt./Personal Finance	19.3	32.0	20.9	27.9
Portion Course, Economics				
Mgt./Personal Finance	24.2	32.7	21.2	21.8
Stock Mkt. Game in Class	22.0	33.9	14.7	29.4
<u>Discuss Money Matters</u>				
<u>with Parents</u>				
Never	26.5	32.7	16.3	24.5
Rarely	18.2	31.1	24.2	26.5
Sometimes	20.1	30.7	21.6	27.6
Often	17.7	30.5	22.5	29.3
<u>Allowance</u>				
Money as Needed	18.2	31.1	22.7	28.0
Allowance for Chores	22.4	30.6	20.0	27.1
Allowance, No Chores	14.7	30.7	24.0	30.7

¹ Percents may total more than 100 percent with multiple responses possible.

Question 12. Len has just applied for a credit card. He is an 18-year-old high school graduate with few valuable possessions and no credit history. If Len 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 charge Len twice the finance charge rate it charges older cardholders.
- b) It will require Len to have both parents co-sign for the card.
- c) It will make Len's parents pledge their home to repay Len's credit card debt.
- d) It will start Len out with a small line of credit to see how he handles the account.

The correct answer is d) "It will start Len out with a small line of credit to see how he 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 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).

More than two-thirds of the students (67.9 percent) correctly responded that the credit card company would probably start Len out with a small line of credit to see how he does (Table 6-7. below). This was up slightly from the 65.6 percent who answered the question correctly in 1997.

The ability to answer this question correctly appears to relate to neither income nor parents' education. However, females (71.9 percent) were far more likely to get this question correct than males (64.4 percent). Hispanic American and Asian American students did better than all other racial groupings on this question, including Whites.

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 6-7. Once again, experience seems to add little to, or even detracts from, knowledge. In fact, those who have no access to a credit card, either in their name or in the name of their parents, did *better* on this question than those who use a credit card (70.5 percent for non-users compared to 63.6 percent for students with their *own* card).

Table 6-7
Analysis of Question 12
How Credit Card Companies Reduce Risk

	(a) Charge Twice <u>Normal Rate</u>	(b) Both Parents <u>Co-Sign</u>	(c) Pledge <u>Home</u>	(d)* Start with <u>Small Line</u>
All Students 2000	8.7%	15.4%	7.3%	67.9%
<i>All Students 1997</i>	6.5%	18.5%	9.4%	65.6%
<u>Parents' Income</u>				
Less than \$20,000	7.4	17.0	7.4	68.1
\$20,000 to \$39,999	7.0	13.9	8.2	70.9
\$40,000 to \$79,999	6.9	17.8	6.4	68.8
\$80,000 or More	13.3	12.4	7.6	66.7
Don't Know	10.3	14.8	6.5	68.4
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	7.7	13.2	7.7	71.4
Completed H.S.	8.0	17.0	6.3	68.8
Some College	9.4	16.1	5.6	68.9
College Grad or More	10.0	16.2	8.3	65.5
Don't Know	4.9	4.9	14.6	75.6
<u>Sex</u>				
Female	7.6	12.8	7.8	71.9
Male	10.2	18.6	6.9	64.4
<u>Race</u>				
White	10.0	15.0	7.4	67.6
African American	15.5	20.7	8.6	55.2
Hispanic American	5.0	16.7	5.8	72.5
Asian American	4.2	6.3	4.2	85.4
Native American	---	14.3	28.6	57.1
Other	4.0	16.0	8.0	72.0
<u>Educational Plans</u>				
No Further Ed.	16.7	25.0	8.3	50.0
2-year or Jr. College	9.4	19.7	6.8	64.1
4-year College	8.7	13.8	7.3	70.2
Other Training or Ed.	1.8	21.1	10.5	66.7
Don't Know	13.2	13.2	5.3	68.4

Table 6-7 (continued)
Analysis of Question 12
How Credit Card Companies Reduce Risk

	(a) Charge Twice <u>Normal Rate</u>	(b) Both Parents <u>Co-Sign</u>	(c) Pledge <u>Home</u>	(d)* Start with <u>Small Line</u>
<u>Planned Occupation</u>				
Manual Work	10.7	14.3	17.9	57.1
Skilled Trade	5.0	17.5	7.5	70.0
Service Worker	11.3	23.9	9.9	54.9
Professional Worker	8.8	13.5	6.1	71.6
Other or Don't Know	8.2	15.7	7.5	68.7
<u>Expected Full-Time Income</u>				
Under \$15,000	15.4	23.1	11.5	50.0
\$15,000 to \$19,999	11.1	27.8	13.0	48.1
\$20,000 to \$29,999	7.0	11.4	5.1	76.6
\$30,000 or More	8.4	14.9	7.6	69.0
Don't Know	9.9	14.4	6.3	69.4
<u>Classes in H.S.¹</u>				
Entire Course, Money				
Mgt./Personal Finance	9.8	14.7	9.8	65.7
Portion of Course, Money				
Mgt./Personal Finance	7.5	17.5	5.6	69.4
Entire Course, Economics				
Portion Course, Economics	10.7	14.8	9.1	65.4
Stock Mkt. Game in Class				
	9.1	15.2	7.9	67.9
	11.3	14.7	5.6	68.4
<u>Discuss Money Matters</u>				
<u>with Parents</u>				
Never	10.2	22.4	8.2	59.2
Rarely	9.1	14.4	9.8	66.7
Sometimes	8.2	14.9	7.1	69.9
Often	9.2	15.3	6.4	69.1
<u>Allowance</u>				
Money as Needed	7.4	15.3	7.7	69.6
Allowance for Chores	8.6	16.4	6.6	68.4
Allowance, No Chores	17.6	12.2	8.1	62.2

¹ Percents may total more than 100 percent with multiple responses possible.

Table 6-7 (continued)
Analysis of Question 12
How Credit Card Companies Reduce Risk

	(a) Charge Twice <u>Normal Rate</u>	(b) Both Parents <u>Co-Sign</u>	(c) Pledge <u>Home</u>	(d)* Start with <u>Small Line</u>
<u>Card Used</u>				
Own	12.1	12.1	12.1	63.6
Parents'	10.8	16.2	9.2	63.8
Own and Parents'	5.0	20.0	10.0	65.0
None	8.0	15.4	6.2	70.5

Credit History

Question 27. Which of the following statements is true?

- a) Your bad loan payment record with one bank will not be considered if you apply to another bank for a loan.
- b) People have so many loans it is very unlikely that one bank will know your history with another bank.
- c) 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.
- d) If you missed a payment more than two years ago, it cannot be considered in a loan decision.

The correct answer is c). 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.

Overall, 67.4 percent of the students were aware of the fact that banks share credit information (Table 6-8, below). As in the case of many of the credit-related questions, students from higher income families tend to do no better than others, perhaps because they are not as reliant on credit. Females do a bit better than males, and Whites and Asian Americans do better than other racial groups.

Responses were run against credit card use, which serves as the only indicator we have of the use of credit. The results are perverse. Students who do not use a credit card do a lot better than those who do, and students who use their *own* credit card do worse than anyone else.

Table 6-8
Analysis of Question 27
Can Your Credit History Be Used in Loan Decisions?

	(a) Past Bad Record Not <u>Considered</u>	(b) Past Record Not Known	(c)* Banks Share Information; <u>History Known</u>	(d) Missed Payment 2 Years Ago, <u>Not Considered</u>
All Students 2000	9.4%	13.2%	67.4%	9.2%
<i>All Students 1997¹</i>			75.0%	
<u>Parents' Income</u>				
Less than \$20,000	12.9	14.0	60.2	12.9
\$20,000 to \$39,999	8.9	17.7	68.4	5.1
\$40,000 to \$79,999	7.0	10.0	74.1	9.0
\$80,000 or More	5.6	11.2	72.0	11.2
Don't Know	14.1	13.5	61.5	10.9
<u>Highest Level of Parents'</u>				
<u>Education</u>				
Neither Finished H.S.	14.1	8.7	66.3	10.9
Completed H.S.	8.1	17.3	68.2	6.4
Some College	9.5	14.0	67.0	9.5
College Grad or More	7.3	11.2	72.0	9.5
Don't Know	14.6	17.1	51.2	17.1
<u>Sex</u>				
Female	9.4	12.3	68.9	9.4
Male	9.5	14.6	66.7	9.2
<u>Race</u>				
White	7.1	12.9	70.4	9.6
African American	14.0	21.1	59.6	5.3
Hispanic American	15.1	16.0	59.7	9.2
Asian American	12.5	6.3	75.0	6.3
Native American	7.1	14.3	42.9	35.7
Other	4.0	8.0	80.0	8.0

¹ Question in 2000 not directly comparable to 1997 question.

Table 6-8 (continued)
Analysis of Question 27
Can Your Credit History Be Used in Loan Decisions?

	(a) Past Bad Record Not <u>Considered</u>	(b) Past Record Not Known	(c)* Banks Share Information; <u>History Known</u>	(d) Missed Payment 2 Years Ago; <u>Not Considered</u>
<u>Educational Plans</u>				
No Further Ed.	33.3	16.7	33.3	16.7
2-year or Jr. College	6.8	17.8	63.6	11.9
4-year College	9.3	12.6	71.2	6.9
Other Training or Ed.	8.6	8.6	62.1	20.7
Don't Know	13.2	15.8	57.9	13.2
<u>Planned Occupation</u>				
Manual Work	21.4	21.4	46.4	10.7
Skilled Trade	12.8	17.9	64.1	5.1
Service Worker	9.9	18.3	63.4	8.5
Professional Worker	7.7	12.6	70.4	9.3
Other or Don't Know	11.1	10.4	67.4	11.1
<u>Expected Full-Time Income</u>				
Under \$15,000	15.4	26.9	50.0	7.7
\$15,000 to \$19,999	14.8	9.3	57.4	18.5
\$20,000 to \$29,999	8.9	12.1	70.1	8.9
\$30,000 or More	8.1	12.4	71.4	8.1
Don't Know	10.0	17.3	62.7	10.0
<u>Classes in H.S.¹</u>				
Entire Course, Money				
Mgt./Personal Finance	10.8	14.7	64.7	9.8
Portion of Course, Money				
Mgt./Personal Finance	10.5	9.9	71.6	8.0
Entire Course, Economics	11.0	14.2	65.4	9.3
Portion Course, Economics	10.4	9.8	66.5	13.4
Stock Mkt. Game in Class	8.0	14.3	69.7	8.0

¹ Percents may total more than 100 percent with multiple responses possible.

Table 6-8 (continued)
Analysis of Question 27
Can Your Credit History Be Used in Loan Decisions?

	(a) Past Bad Record Not <u>Considered</u>	(b) Past Record Not Known	(c)* Banks Share Information; <u>History Known</u>	(d) Missed Payment 2 Years Ago; <u>Not Considered</u>
<u>Discuss Money Matters</u>				
<u>with Parents</u>				
Never	12.2	28.6	49.0	10.2
Rarely	6.8	15.9	67.4	9.8
Sometimes	10.7	9.6	70.1	9.6
Often	9.2	13.2	68.8	8.8
<u>Allowance</u>				
Money as Needed	9.6	10.9	68.6	10.9
Allowance for Chores	7.4	14.5	70.7	7.4
Allowance, No Chores	15.8	22.4	53.9	7.9
<u>Card Used</u>				
Own	13.6	22.7	57.6	6.1
Parents'	10.6	16.7	61.4	11.4
Own and Parents'	15.8	15.8	63.2	5.3
None	8.2	11.2	71.2	9.4

Question 1. Which of the following statements best describes your right to check your credit history for accuracy?

- a) You cannot see your credit record.
- b) Your credit record can be checked at any time for free.
- c) If you are turned down for credit based on a credit report, the record can be checked for free.
- d) All credit records are the property of the U.S. government and access is only available to the FBI and lenders.

The correct answer is c). If you are turned down for credit based on a credit report, the record can be checked for free. If you would like to see your record and have not been turned down for a loan or line of credit, you can see your report for a small charge.

This question is somewhat technical and it is not surprising that only 31.7 percent of the students answered it correctly (down from 35.5 percent in 1997). A larger proportion, 53.0 percent, felt that they could examine their credit records for free at any time.

Students from families with higher incomes and more education did significantly *worse* on this questions than did other students, perhaps because no one in their families had ever been turned down for credit. African Americans did best and Whites worst on this question.

Responses to this question were run against credit card use and the results are displayed at the bottom of Table 6-9. Students who used their own credit card did a little better than others on this question, but those who did not use a credit card at all outperformed students who used their own card and a card from a parent.

Table 6-9
Analysis of Question 1
When Can You Check Your Credit Record for Accuracy?

	(a) <u>Never</u>	(b) <u>Free Any Time</u>	(c)* <u>Free if Turned Down</u>	(d) <u>Property of U.S. Gov't</u>
All Students 2000	5.9%	53.0%	31.7%	7.7%
All Students 1997	7.5%	46.9%	35.5%	10.0%
<u>Parents' Income</u>				
Less than \$20,000	6.5	45.7	37.0	10.9
\$20,000 to \$39,999	3.8	52.5	41.1	2.5
\$40,000 to \$79,999	4.0	58.3	30.7	7.0
\$80,000 or More	11.5	55.8	22.1	10.6
Don't Know	7.1	53.2	29.9	9.7
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	7.6	43.5	39.1	9.8
Completed H.S.	4.0	56.6	31.4	8.0
Some College	4.5	57.4	32.4	5.7
College Grad or More	7.5	55.9	27.8	8.8
Don't Know	7.5	42.5	47.5	2.5
<u>Sex</u>				
Female	6.1	52.6	35.2	6.1
Male	6.0	55.6	28.8	9.6
<u>Race</u>				
White	6.0	55.0	31.3	7.6
African American	5.3	45.6	40.4	8.8
Hispanic American	3.4	55.1	33.1	8.5
Asian American	8.5	51.1	38.3	2.1
Native American	16.7	50.0	33.3	---
Other	4.0	56.0	24.0	16.0
<u>Educational Plans</u>				
No Further Ed.	8.3	41.7	41.7	8.3
2-year or Jr. College	8.5	50.4	31.6	9.4
4-year College	5.5	55.3	31.4	7.8
Other Training or Ed.	---	60.7	33.9	5.4
Don't Know	13.9	38.9	38.9	8.3

Table 6-9 (continued)
Analysis of Question 1
When Can You Check Your Credit Record for Accuracy?

	(a) <u>Never</u>	(b) <u>Free Any Time</u>	(c)* <u>Free if Turned Down</u>	(d) <u>Property of U.S. Gov't</u>
<u>Planned Occupation</u>				
Manual Work	7.4	51.9	29.6	11.1
Skilled Trade	5.1	48.7	36.9	10.3
Service Worker	8.6	54.3	34.3	2.9
Professional Worker	4.6	56.9	29.4	9.1
Other or Don't Know	9.0	47.0	40.3	3.7
<u>Expected Full-Time Income</u>				
Under \$15,000	---	46.2	46.2	7.7
\$15,000 to \$19,999	7.5	54.7	35.8	1.9
\$20,000 to \$29,999	5.1	52.9	35.7	6.4
\$30,000 or More	5.5	56.2	28.8	9.6
Don't Know	9.2	50.5	34.9	5.5
<u>Classes in H.S.¹</u>				
Entire Course, Money Mgt./Personal Finance	9.0	55.0	27.0	9.0
Portion of Course, Money Mgt./Personal Finance	5.7	51.3	38.0	5.1
Entire Course, Economics	7.3	49.0	32.7	11.0
Portion Course, Economics	5.5	59.1	30.5	4.9
Stock Mkt. Game in Class	7.4	57.4	25.9	9.7
<u>Discuss Money Matters with Parents</u>				
Never	12.8	34.0	40.4	12.8
Rarely	6.1	54.2	33.6	6.1
Sometimes	6.4	56.4	31.1	6.1
Often	4.0	54.7	31.6	9.7
<u>Allowance</u>				
Money as Needed	4.8	53.6	33.3	8.3
Allowance for Chores	6.4	52.0	33.6	8.0
Allowance, No Chores	9.2	61.8	25.0	3.9

¹ Percents may total more than 100 percent with multiple responses possible.

Table 6-9 (continued)
Analysis of Question 1
When Can You Check Your Credit Record for Accuracy?

	(a) <u>Never</u>	(b) Free Any <u>Time</u>	(c)* Free if <u>Turned Down</u>	(d) Property of <u>U.S. Gov't</u>
<u>Credit Card Used</u>				
Own	6.1	53.0	34.8	6.1
Parents'	10.1	52.7	31.8	5.4
Own and Parents'	5.0	65.0	30.0	---
None	4.8	54.1	32.1	8.9

Rights and Responsibilities

Question 24. 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, how much will you be responsible to pay?

- a) none
- b) \$50
- c) \$1000
- d) \$500

The correct answer is b). 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, you may not have to pay anything at all.

Very few students (14.5 percent) got this question correct (Table 6-10, below). This was somewhat better than the 8.7 percent who had answered this question correctly in 1997. The vast majority of students, 63.2 percent, felt that they had no liability for a lost or stolen card. This lack of knowledge probably implies additional losses for the user as well as the issuer when a card falls into the wrong hands because it is not reported sooner. It also means that the card issuers have not been doing a very good job of educating card holders about their responsibilities or the consequences of not exercising them promptly.

Correct responses are not related to many of the usual demographics, including income, education and race. When responses to the question were run by the type of card used (end of Table 6-10), students who had their own card (or their own card and one owned by their parents) did much better than those with no card or those who only used a parent's card, although, even here, no more than a quarter of card-using students knew their liability for the card if lost or stolen.

Table 6-10
Analysis of Question 24
Maximum Liability on Credit Card Loss

	(a) <u>None</u>	(b)* <u>\$50</u>	(c) <u>\$1000</u>	(d) <u>\$500</u>
All Students 2000	63.2%	14.5%	16.5%	5.0%
<i>All Students 1997</i>	62.7%	8.7%	22.3%	6.3%
<u>Parents' Income</u>				
Less than \$20,000	60.6	12.8	22.3	4.3
\$20,000 to \$39,999	61.8	14.0	19.7	4.5
\$40,000 to \$79,999	62.2	17.4	15.9	4.5
\$80,000 or More	64.2	18.9	13.2	3.8
Don't Know	69.2	9.6	14.1	7.1
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	53.3	17.4	23.9	5.4
Completed H.S.	67.8	15.5	13.8	2.9
Some College	63.9	12.8	18.3	5.0
College Grad or More	63.3	15.7	14.8	6.1
Don't Know	68.3	7.3	17.1	7.3
<u>Sex</u>				
Female	67.1	13.6	14.4	5.0
Male	60.0	15.8	19.1	5.1
<u>Race</u>				
White	62.4	17.1	15.3	5.1
African American	78.6	8.9	8.9	3.6
Hispanic American	59.2	12.5	25.8	2.5
Asian American	72.9	4.2	16.7	6.3
Native American	64.3	14.3	21.4	---
Other	58.3	12.5	12.5	16.7
<u>Educational Plans</u>				
No Further Ed.	58.3	16.7	25.0	---
2-year or Jr. College	65.0	15.4	16.2	3.4
4-year College	64.9	14.8	14.8	5.5
Other Training or Ed.	56.9	8.6	31.0	3.4
Don't Know	55.3	18.4	18.4	7.9

Table 6-10 (continued)
Analysis of Question 24
Maximum Liability on Credit Card Loss

	(a) <u>None</u>	(b)* <u>\$50</u>	(c) <u>\$1000</u>	(d) <u>\$500</u>
<u>Planned Occupation</u>				
Manual Work	42.9	21.4	28.6	7.1
Skilled Trade	51.3	23.1	25.6	---
Service Worker	71.8	9.9	14.1	4.2
Professional Worker	64.0	14.6	16.2	5.2
Other or Don't Know	66.7	13.6	14.4	5.3
<u>Expected Full-Time Income</u>				
Under \$15,000	50.0	26.9	15.4	7.7
\$15,000 to \$19,999	57.4	14.8	25.9	1.9
\$20,000 to \$29,999	62.0	15.8	17.7	4.4
\$30,000 or More	65.8	13.3	15.5	5.4
Don't Know	64.5	14.5	15.5	5.5
<u>Classes in H.S.¹</u>				
Entire Course, Money				
Mgt./Personal Finance	62.4	15.8	14.9	6.9
Portion of Course, Money				
Mgt./Personal Finance	57.8	20.5	15.5	6.2
Entire Course, Economics				
Portion Course, Economics	57.8	19.3	17.2	5.7
Stock Mkt. Game in Class				
	68.1	12.3	14.7	4.9
	64.0	13.7	14.9	7.4
<u>Discuss Money Matters</u>				
<u>with Parents</u>				
Never	49.0	12.2	26.5	12.2
Rarely	70.0	10.0	16.2	3.8
Sometimes	64.3	14.8	15.9	4.9
Often	61.8	17.7	16.1	4.4
<u>Allowance</u>				
Money as Needed	65.3	13.5	16.7	4.5
Allowance for Chores	60.9	15.4	19.4	4.3
Allowance, No Chores	60.5	19.7	9.2	10.5

¹ Percents may total more than 100 percent with multiple responses possible.

Table 6-10 (continued)
Analysis of Question 24
Maximum Liability on Credit Card Loss

	(a) <u>None</u>	(b)* <u>\$50</u>	(c) <u>\$1000</u>	(d) <u>\$500</u>
<u>Credit Card Used</u>				
Own	61.2	20.9	11.9	6.0
Parents'	59.5	18.3	18.3	3.8
Own and Parents'	65.0	25.0	10.0	---
None	64.9	12.4	17.3	5.4

Credit Overextension

Question 11. 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 force those who loaned you money to forgive all your debts.
- b) They can get the federal government to apply your income taxes to pay off your debts.
- c) They can cancel and cut up all of your credit cards without your permission.
- d) They can work with those who loaned you money to set up a new payment schedule that you can meet.

The correct answer is d). 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 that will pay off your debt over a longer period of time, provided that you appear willing to cooperate.

Nearly three-quarters (73.4 percent, see Table 6-11, below) of the students correctly replied that a responsible counseling service could work with those who loaned money to set up a new payment schedule. This was roughly equivalent to the 74.1 percent who answered this question correctly in 1997. The relative accuracy of students on this question was probably due in part to the far-fetched nature of the alternative answers.

As with most of the credit difficulty questions, students from families with higher incomes tended to do no better, or even worse, than others. Women tended to do slightly better than men, and Asian Americans did better than other races.

Table 6-11
Analysis of Question 11
What Help Can You Get From a Responsible Credit Counseling Service?

	(a)	(b)	(c)	(d)*
	<u>Forgiveness of all Debts</u>	<u>Use Income Tax for Debts</u>	<u>Cancel Cards without Permission</u>	<u>New Payment Schedule</u>
All Students 2000	4.0%	11.6%	10.6%	73.4%
All Students 1997	3.8%	10.5%	11.6%	74.1%
<u>Parents' Income</u>				
Less than \$20,000	6.4	11.7	14.9	67.0
\$20,000 to \$39,999	5.7	13.2	6.9	74.2
\$40,000 to \$79,999	1.0	8.9	11.9	78.2
\$80,000 or More	5.7	14.2	5.7	74.5
Don't Know	3.9	11.0	14.2	71.0
<u>Highest Level of Parents' Education</u>				
Neither Finished H.S.	9.9	15.4	8.8	65.9
Completed H.S.	5.7	9.7	11.9	72.7
Some College	1.1	11.1	13.3	74.4
College Grad or More	3.5	10.0	8.7	77.9
Don't Know	---	22.0	4.9	73.1
<u>Sex</u>				
Female	3.6	10.9	11.2	74.2
Male	4.5	12.5	10.1	72.9
<u>Race</u>				
White	4.4	9.6	12.9	73.1
African American	3.4	17.2	8.6	70.7
Hispanic American	5.8	16.7	7.5	70.0
Asian American	---	14.6	---	85.4
Native American	---	14.3	7.1	78.6
Other	---	8.0	8.0	84.0
<u>Educational Plans</u>				
No Further Ed.	16.7	---	41.7	41.7
2-year or Jr. College	4.3	12.0	13.7	70.1
4-year College	3.8	12.1	8.3	75.8
Other Training or Ed.	1.8	8.8	14.0	75.4
Don't Know				

Table 6-11
Analysis of Question 11
What Help Can You Get From a Responsible Credit Counseling Service?

	(a)	(b)	(c)	(d)*
	<u>Forgiveness of all Debts</u>	<u>Use Income Tax for Debts</u>	<u>Cancel Cards Without Permission</u>	<u>New Payment Schedule</u>
<u>Planned Occupation</u>				
Manual Work	14.3	14.3	21.4	50.0
Skilled Trade	7.5	7.5	12.5	72.5
Service Worker	5.6	18.3	15.5	60.6
Professional Worker	2.5	10.6	8.3	78.7
Other or Don't Know	4.5	12.7	11.2	71.6
<u>Expected Full-Time Income</u>				
Under \$15,000	7.7	15.4	19.2	57.7
\$15,000 to \$19,999	9.3	18.5	14.8	57.4
\$20,000 to \$29,999	2.5	10.8	6.3	80.4
\$30,000 or More	3.5	10.8	9.5	76.2
Don't Know	4.5	10.8	15.3	69.4
<u>Classes in H.S.¹</u>				
<u>Entire Course, Money</u>				
Mgt./Personal Finance	3.9	10.8	7.8	77.5
<u>Portion of Course, Money</u>				
Mgt./Personal Finance	9.4	6.3	10.0	74.4
<u>Entire Course, Economics</u>				
Portion Course, Economics	5.7	11.1	10.7	72.5
<u>Stock Mkt. Game in Class</u>				
	4.2	15.8	9.1	70.9
	3.9	8.4	12.9	74.7
<u>Discuss Money Matters</u>				
<u>with Parents</u>				
Never	12.2	14.3	10.2	63.3
Rarely	6.1	9.1	10.6	74.2
Sometimes	2.8	12.4	11.7	73.1
Often	2.8	11.2	9.6	76.4
<u>Allowance</u>				
Money as Needed	2.9	11.9	10.8	74.4
Allowance for Chores	5.1	10.9	9.0	75.0
Allowance, No Chores	6.7	12.0	14.7	66.7

¹ Percents may total more than 100 percent with multiple responses possible.