



North Carolina Department of the State Treasurer

\$KILL \$ET S U R V E Y

EXECUTIVE SUMMARY

HALF EMPTY AND HALF FULL

INTRODUCTION

Would you believe that barely one in four North Carolina 7th graders answered this question correctly? It's true. (It's also true that savings accounts are not very risky! Answer b.)

Which of these statements is true about savings accounts?

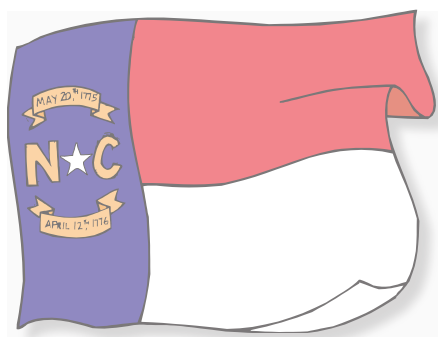
- a. They are very risky.
- b. They are not very risky.
- c. They require a \$1,000 minimum balance.
- d. They are not accessible via ATM withdrawals.

The question above was one of 20 multiple-choice questions comprising the \$kill \$et Survey, an initiative sponsored by the Department of State Treasurer, the Department of Public Instruction (DPI), the State Board of Education, and other private organizations¹ with an interest in financial education. The questions all centered on topics related to personal finance. Collectively, the survey results provide a snapshot of our 7th graders' grasp of real-world topics such as savings and interest, credit, spending, and budgeting.

At the end of the weeklong survey, 20 schools and a total of 3,006 students had participated. On average, students answered half of the questions correctly — 48% to be more precise. Most schools were within a few percentage points of the overall average, with the highest average score at 59% (Green Valley Elementary School, Watauga Co.), and the lowest average score at 41% (Brogden Middle School, Wayne Co.).

NATIONAL & STATE CONTEXT

Should we be surprised that there is room for improvement in understanding and applying concepts related to the management of personal finances? The \$kill \$et results closely mirror those of high school seniors across the country. Every two years the Jump\$tart Coalition for Personal Financial Literacy² administers a nationwide survey of high school seniors, and average scores have remained near 50%; in 2006, the average score was 52.4%.



More-revealing indicators of room for improvement show up among adults. In 2005, the average personal savings rate dipped into negative territory (- 0.5%) in the U.S. for the first time since the Great Depression. Consumers relied on credit and/or tapped into savings and other assets to allow them to spend more than they took in. (As a comparison, savings rates for countries in Western Europe hover around +14%.³)

High levels of debt and high rates of personal bankruptcy across the country serve as additional signs of the need for improved financial literacy.

Recognizing the need for financially literate adults, states and commonwealths across the country have targeted K – 12 education as an opportunity to improve the situation. In many cases, legislators and state

¹ Other sponsoring organizations included Topics Education, CitiFinancial, Citi Street, and State Street.

² <http://www.jumpstart.org/>

³ http://www.dallasnews.com/sharedcontent/dws/bus/columnists/ddimartino/stories/DN-dimartino_11bus.ART.State.Edition1.e6ee544.html

boards of education have worked together to integrate personal financial education into classroom instruction and, potentially, end-of-grade testing.

For example, after passing legislation in 2005, Virginia adopted Economics Education and Financial Literacy standards in April 2006 to help guide teachers in what to teach and how to teach it.⁴ Similarly, South Carolina developed curriculum standards last year and began training teachers through a public/private partnership. Legislation also spurred those actions.

North Carolina is in the midst of a similar process. In 2005, the General Assembly, under the leadership of Senator Kay Hagan and State Treasurer Richard Moore, passed SB 622, which includes a provision for implementing a financial literacy curriculum in high schools by Fall 2007. The snapshot that \$kill \$et provides has helped guide DPI in determining how to integrate personal financial education into the Standard Course of Study.

7.59 TEACH FINANCIAL LITERACY IN PUBLIC SCHOOLS

Senate Bill 622 | Session Law 2005-276 | The 2005 Appropriations Act

Senate Bill 622 requires that the public schools provide instruction in personal financial literacy for all students during the high school years. It directs the State Board of Education to determine the components of personal financial literacy that will be covered in the curriculum, and to review the high school Standard Course of Study to determine in which course the new personal financial literacy curriculum can be integrated. Moreover, it gives the State Board of Education two years to develop the curriculum.

\$KILL \$ET METHODOLOGY & STRUCTURE

Because the \$kill \$et survey's purpose was to paint a clearer picture of financial literacy among all North Carolina students, it was important that the participants accurately reflect the state's student population in terms of gender, race, socioeconomic status, test scores, and geographic dispersion. Using a random stratified sampling technique, DPI identified 21 schools (with 3,335 7th grade students) to participate in the survey. Of that sample, 20 schools and 3,006 students took part in the survey, representing a 90% participation rate.

During the week of March 5-9, 2007, students accessed the \$kill \$et survey through the State Treasurer's website, primarily in computer labs and during social studies class periods. The online delivery allowed students to enter their student ID number (i.e., SIMS or NCWise number) at the start of the survey for verification and backend analysis of the results. Students whose ID numbers did not match state records were assigned a temporary number, so that their results could also be included in the backend analysis.

Subject matter and education experts developed the 20-question survey to cover four key areas of financial literacy — ensuring that its scope, length, and language were all age appropriate. Its 20-question length struck a balance between gauging student knowledge and recognizing limits on student attention spans for a non-graded “test.” The length also was mindful of not taking away too much instruction time from the schools that participated in the survey.

Five questions applied to each of the financial literacy subject areas:



Savings and Interest



Credit



Spending



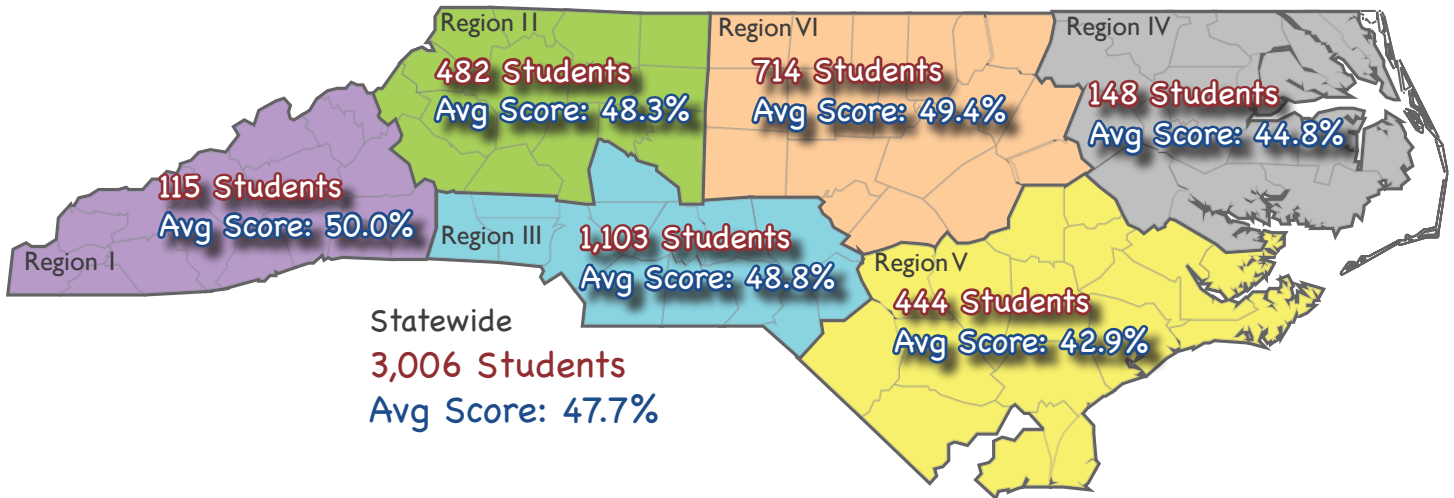
Budgeting

Students had no time restrictions, and volunteer proctors encouraged them to do the best they could. Upon completing the survey, students immediately learned the percentage of questions they answered correctly. Additionally, students received a certificate of completion that included links to web resources where they could learn more about the areas of financial literacy that proved difficult to them.

⁴ The Virginia standards are entitled: Economics Education and Financial Literacy: Objectives and Correlations to Mathematics and History and Social Science Standards of Learning and Career and Technical Education Competencies. See <http://www.doe.virginia.gov/VDOE/Instruction/CTE/inf100a.pdf>.

RESULTS & TRENDS

The results show that **all** of the subject areas proved difficult to many of the students. Statewide averages, as well as averages among the six regions of the state, bear this out. The trend across the state was one of consistency. The scores for each subject area within each region mirrored the statewide trend. Across all regions, the highest scores were in the Savings and Interest section, and the lowest were in the Spending section.



Section	Statewide	Region I	Region II	Region III	Region IV	Region V	Region VI
Savings and Interest	57%	59%	55%	60%	58%	51%	57%
Credit	46%	49%	46%	45%	41%	43%	48%
Spending	41%	45%	44%	42%	36%	36%	43%
Budgeting	47%	48%	48%	48%	44%	41%	49%

S a m p l e Q u e s t i o n s

Chris receives an allowance of \$30 per week. He makes another \$15 per week for walking his neighbor’s dog. His school lunch costs \$2 per day (5 days a week), and he spends another \$5 a week on snacks and \$10 each weekend going out to a movie with his friends. How many weeks will it take him to save \$100 for a new pair of sneakers.
65% correctly chose: “5 weeks”

Carla is deciding to finance the purchase of a used car. She is looking at a 3-year loan and a 4-year loan with the same terms. What is the main difference to her if she selects the 3-year loan?
39% correctly chose: “With the shorter loan, she will pay less interest.”

You go to the store and see something you want. You figure out how much it costs and how much money you have. You decide to buy it right now. What is this type of spending called?
29% correctly chose: “Impulse spending”

Which of the following is an advantage of having a budget?
54% correctly chose: “It helps you understand what you can afford.”

PICTURE IN GREATER FOCUS

With a statewide average of just under 50%, is the picture that the \$kill \$et survey provides us a glass that is half-empty? Half-full? Both?

The \$kill \$et survey reinforces how young North Carolinians are like their counterparts in other parts of the country. They have deficiencies in their personal financial knowledge, skills, and behavior that can manifest themselves in harmful ways (both individually and societally) if they are not actively addressed. The survey also reinforces that North Carolina is correct to push to integrate financial education into classrooms across the state.

Survey participants and their peers have five more years of school before they enter college and/or the workplace. By giving them financial literacy training in the classroom, we can give them the chance to make financially sound decisions in the future.