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SCHAER/LAMPITT/COUTINHO BILL TO TEACH KIDS FINANCIAL RESPONSIBILITY HEADS TO GOVERNOR'S DESK

Legislation Would Create Pilot Program To Educate High Schoolers

(TRENTON) – The Senate today passed legislation Assembly members Gary S. Schaer, Pamela R. Lampitt, and Albert Coutinho sponsored to initiate a pilot program to educate high school students on personal finance management so they can avoid irresponsible spending habits that lead to excessive personal debt and bankruptcy, sending the measure to Gov. Jon Corzine's desk for his signature into law.

“Too many young people have taken an ‘out of sight, out of mind’ attitude to their personal finances, setting themselves up for financial hardship before they even get their college degree,” said Schaer (D-Passaic/Bergen/Essex), a professional financial advisor. “We must do a better job of preparing students to be financially responsible adults.”

A 2005 analysis of credit card debt by student-loan provider Nellie Mae found the average college freshman carried a credit card balance of \$1,585. That debt load ballooned to an average of \$2,864 for college seniors.

A 2007 follow-up survey of graduate students reported an average outstanding credit card debt of \$8,612. Only 20 percent said they pay-off their balance each month. Two-thirds of respondents said they received their first credit card as an undergraduate student, with 93 percent saying would have liked additional financial management information before starting school.

“Young people need to learn how to employ sound financial practices early on, and how being responsible with money and credit will help them in the long run,” said Lampitt (D-Camden). “Whether it comes to opening a savings account to pay for their own education or to buy their first car, knowing how the credit and money markets work will pay a lifetime of dividends.”

According to the American Institute of Certified Public Accountants, savings rates among younger consumers are sharply dropping.

The organization reported in a 2006 study that the percentage of Americans aged 25 to 34 who had an interest-bearing saving account had dropped to 47 percent. In 1985, 61 percent of younger adults had such bank accounts.

Under the bill (A-1943), the state Department of Education would establish a three-year pilot program to provide financial literacy instruction for high school seniors in six public school districts – two each in the north, central and southern regions. The program curriculum would include instruction on personal budgeting, savings and investment, credit card debt and other issues associated with personal financial responsibility.

After the three-year pilot period, the Commissioner of Education would report to the Governor and Legislature on the feasibility of implementing the program statewide

“Consumers will more easily be able to attain their personal long-term financial goals if they are taught early in life how to manage their money,” said Coutinho (D-Essex). “Personal financial responsibility should be the fourth ‘R’ in education.”

The bill passed 35-1.

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