

GET A CLUE

Being 'good' or 'bad' with money isn't genetic (luckily) – it's a skill that can be learned, and the earlier the better. Susanna Stuart offers some teaching tools

A recent incident involving a friend of mine highlighted huge gaps in the financial knowledge of the next generation. The accident wasn't major but the victim, my friend, had her car crashed into by an 18-year-old. In these situations we're all pretty used to the routine of swapping key details, including our insurance companies. We all know the drill.

Well, not quite. This time, my friend found, the young driver was totally at sea. She'd just bought the car and wasn't sure if she was covered. "It transfers from one owner to the next doesn't it?" she said, taking a wild stab at the truth. When it came to the crunch, the young driver didn't have a clue.

A recent survey sponsored by Barclays bank in the UK asked 1500 young people aged 16-24 about their financial understanding. The picture shows that while many are very savvy, a distressingly large chunk of the young population is poorly equipped with financial knowledge or a sense of control over their own money.

- More than a third told the researchers that they regularly run out of money.
- A third, including many with full-time jobs, rely on parents for handouts.
- A third of teenagers agreed with the statement: "Buying on a credit card does not really count as spending money."

In New Zealand the Financial Knowledge Survey, undertaken by the Retirement Commission in 2009, confirmed that while 31% of all Kiwis are in the 'low knowledge' segment, almost twice that percentage (57%) of those aged 18-24 belong in that segment.

The issue of financial literacy has been highlighted by the recent global economic crisis where bad investment decisions have messed up people's lives. The OECD has this year commissioned an international survey to assess how exposed young people are, particularly in developed nations such as ours, to the risks that come with inadequate financial knowledge.

As the OECD notes, the consequences of a limited knowledge are more serious than ever. This is due to a general shift away from nanny state economics towards a world in which individuals now assume more self-responsibility.

Where's the best place to learn financial matters? The OECD is convinced that schools are the most efficient medium and they cite research that shows those exposed to financial education are later more likely to save and plan for their retirement.

I think it goes beyond just that, however. Parents can be a great practical influence on their teenagers by adopting a pragmatic attitude, such as

accompanying every life stage step with appropriate advice.

FROM AROUND AGE 10

Implement a pocket money regime. Once they hit their teens, set up a bank account that will encourage them to think about their withdrawals.

AT CAR-BUYING AGE

Do the maths with your child to show the true costs of car finance versus paying cash, and set ground rules: You can't buy a car unless you can afford insurance.

AT UNIVERSITY AGE

Help your student develop a budget for each semester so



they don't resort unnecessarily to increasing their student loans. And set some rules: "If you blow your budget, don't come to me for a handout."

ENTERING WORK

Consider establishing with them some kind of regular savings plan, such as KiwiSaver.

Young people face a risky future unless they become financially confident. We can be there for them by providing guidance and by showing them what to do before they have their own financial crash. **N**

HELPFUL RESOURCES

- For information on financial literacy offerings via school go to www.financialliteracy.org.nz
- www.sorted.org.nz has advice for young people starting out, and for students on how to manage their student loans etc.
- My books, *Start Talking Cents* or *Your Family Fortune*, are great guides to increasing your kids' money skills. Available from your local library or email info@stuartcarlyon.co.nz.

HAVE YOU HEARD...

I have always wondered where the word 'budget' originated and came across this colourful explanation in the Visual Thesaurus:

"Most of us today would feel a bit vulnerable carrying around our budget in a leather pouch, but that's

where budget comes from; it's from the diminutive bougette, from bouge, 'leather bag'. The usage developed from England's Chancellor of the Exchequer who, in presenting his annual statement, was formerly said to open the budget."