

## **Financial Train Wrecks: Study Finds Parents May Be Young Peoples Top Defense**

*How Young Adults Really Manage and Think About Their Money*

TUCSON, Ariz., May 4, 2009 The last 12 months paint a sobering picture of many corporate giants. When consumers stop using their credit cards, they buckle in days. It's a macro-level reflection of the average American consumer: we live beyond our means, we don't save, and we borrow stress with every dollar. Research has shown that poor money management spills over into illness, depression and other problems. But where do these financial behaviors come from? How can we change them? A new study at The University of Arizona, led by Soyeon Shim and her colleagues, hopes to answer these questions and more.

Just through its first year, the *Arizona Pathways to Life Success for University Students* (APLUS) study already offers promising data for how, as a culture, we can begin to move toward healthier personal finances. Preliminary findings from the study show that parents are poised to be the true heroes when it comes to better money management. APLUS researchers found that parents have more influence over their children's financial knowledge, attitudes and behaviors than work experience and high school financial education combined.

The survey also shows clear value in moderate work experience. Overall, young people with experience in the workplace developed more positive financial attitudes and behaviors and were better off than their non-working peers.

At the same time, the research yields some troubling information. Nearly 73 percent of students surveyed have resorted to at least one "risky" financial behavior, such as maxing out credit card limits or not paying bills on time. Nearly one in five of those surveyed has used some extreme strategy for meeting day-to-day financial needs, such as taking out payday loans or using one credit card to pay another. Michael Staten, director of the Take Charge America Institute at the University of Arizona added, It is not surprising that the group scored, on average, 59 percent on a standard test of financial literacy. This is consistent with the national average for this age group

This is just the start of what APLUS researchers hope to learn as they follow more than 2,000 young people through their emerging adult years, ages 18 to 25. It will delve into their financial behaviors, uncover attitudes driving those behaviors and better understand how those attitudes form.

APLUS touches on three of the top 10 research priorities laid out by the U.S. Department of Treasury working with scholars and government officials to address shortcomings in financial literacy: *How does socialization affect financial behavior in a household? How does it vary by socio-demographics? And how does it affect well-being?*

The latter is particularly important since financial behavior affects more than our wallets: earlier research links poor financial decision-making to lower academic achievement, lower-quality relationships and decreased physical and mental health.

The APLUS team recently published a summary of findings from its first survey to the praise of the National Endowment for Financial Education (NEFE), which is funding the research. "We're so glad we could be a part of this outstanding research," said Marilyn Canfield, NEFE's director of Grants and Research. "There's so much here that will benefit our work with high school and college students and young adults in general."

The implications of the APLUS data will shift and grow as the study progresses, but already, the research sings out strong calls to action for teaching young people better money management. Parents need to make a concerted effort to talk with children about finances and money management and also model good attitudes and behavior, said Shim. To do so, more opportunities for parents to learn about personal finances are essential for them to make the most of their role as key influencers. The study also suggests that education not just in teen years, but at earlier ages, as well plays an important role in augmenting what parents teach, both implicitly and explicitly.

The landmark study, *Arizona Pathways for Life Success in University Students* (APLUS), examines financial attitudes and behaviors and the forces that drive them in youth ages 18 to 25. Soyeon Shim, director of the John and Doris Norton School of Family and Consumer Sciences at The University of Arizona, is the study's principal investigator. Shim works closely with a team of researchers from the University of Arizona, the University of Rhode Island and Murdoch University in Australia. APLUS launched in the spring of 2008, collecting information from more than 2,000 students whom researchers will follow and survey over the next several years. For more information, visit <http://aplus.arizona.edu>.

The National Endowment for Financial Education (NEFE) funded the first wave of research in the APLUS study. NEFE is a nonprofit foundation dedicated to helping all Americans acquire the knowledge and skills necessary to take control of their financial destiny. To learn more about NEFE and additional resources related to this study, visit [www.nefe.org/APLUS](http://www.nefe.org/APLUS).