



Financial Resources for Women & Children, Inc.

This Month:

Fiscal Awareness
And Youth

Page 1-2

What FRWC Has
Been Up To

Page 2

Raising Teen
Girls

Page 3

What Recent College Graduates Know and Don't Know About Money

An essay in a November 2006 issue of *Newsweek* magazine by a recent college graduate illuminates a huge problem with the growing expectation that American workers will be able to plan and to save enough to fund their retirement. The author noted that she and her friends had college degrees from very good schools, but that they did not know how to complete a W-4 form. They can write a thirty-page paper on erudite subjects, but they have no idea what a Roth IRA is, or how to complete a tax form. And she noted that college graduates are leaving school with greater credit card, school loan, and car loan debt than ever before, but with few money management skills.

In order to estimate accurately how much money it will take to live comfortably in retirement, a person needs to be able to anticipate the type of future she would like to have, calculate the probable cost (taking into account the various unknowns like inflation, health, return-on-investment), spend less than she earns in order to save the required amount for the future, make wise choices for growing and preserving savings, and resist the efforts of the market to consume more and the efforts of financial institutions to take out credit in order to consume.

The disconnect between the expectation of life-long financial independence and the ability to achieve that independence starts in most homes before children start to school, when they see their parents acquire goods and services that they can't afford. It continues as children demand to have the latest fad that is pitched to them, without having to save or to make choices between wants and needs. Without the opportunity to observe the adults in their lives using healthy money management skills, children do often assume that money grows on trees, and that there are plenty of trees for everyone.

What Graduates Know, continued...

When do adults need to start the conversation about money, and what skills do we need to transfer to our children and grandchildren so that they can dream and achieve a realistic financial future?

Children become the focus of a huge marketing effort by the time they reach the “tween” years, and very few have any ability to analyze the “pitch,” or to choose between alternatives. For those who have not been hooked by peer pressure or marketing, there are now video games to move them toward a consumption reality.

According to Bankrate.com, American teens spent \$195 billion last year, and \$1.2 billion was spent online using credit cards. Since most states have laws that limit work force participation under a certain age, where is all that money coming from, and why? Is anyone teaching these kids to balance a checkbook? Make good choices? Live on less than what you have?

In the midst of all of this spending, where is the talk about becoming financially independent as an adult? “I want to be rich when I grow up,” is hardly a long-term financial plan. When do adults need to start the conversation about money, and what skills do we need to transfer to our children and grandchildren so that they can dream and achieve a realistic financial future?

The *Newsweek* essay author and her friends are supposedly the best prepared of all those workers who will be asked to save for and primarily fund their own retirement. Certainly, some of them will accomplish that. Others will get lucky and inherit enough money to give them secure golden years. The rest of us had better face our financial truth, and make and implement a plan to pay our debts, spend less than we earn, choose between competing wants, save for important acquisitions, and fund an ever-lengthening future when we are alive but not in the work force. If we explain our choices to our youth as we make them, we may be able to prepare two generations to avoid poverty in their senior years.

Our mission is to develop resources and services that improve the financial stability and long-term safety of women and children who have experienced family violence.

FRWC Board Members Earline Kendall and Georgia Mattison, and President Sheryl Jaynes-Andrews recently made a presentation to the Cambridge (MA) Women’s Commission Domestic Violence Task Force on using micro-credit lending models with women who have experienced violence.

FRWC recently became a supporting member of ***Teen Voices***, an award-winning print and online publication written by, for, and about teen girls. If you are the parent of a teen, or work with teens, we encourage you to see what issues are on the minds of the girls who edit this publication (www.TeenVoices.com)

Raising Teen Girls

Dana DeMoulin, the Editor of the FRWC Newsletter, is an LCSW who has professional experience with women who have experienced violence. FRWC interviewed her to discover the types of issues she is addressing in order to prepare her adolescent daughter to pursue healthy relationships and financial independence.

FRWC: Tell us about your daughter.

Ginny is a talented and savvy 16-year old. She plays baritone in her high school marching band, plays drums and flute in a rock and roll band, and wants to go to NYU to study music composition. She plans to “fall back” on architecture, if she needs to.

FRWC: In the FRWC Spring newsletter we introduced some of the knowledge and skills that youth may need to acquire in order to avoid partner violence. What types of relationship issues have emerged over the last year, and how did you address them?

For a brief time, Ginny was interested in a boy in her marching band. When he became a little too attentive (or “stalky” as she called it), she ended the relationship. She had no confusion about that, for which I was glad. Similarly, when one of the boys in her school sprayed her arm with paint “as a joke,” she found it inappropriate, did not apologize for not finding it funny, and escalated the incident until she felt satisfied it had been addressed.

FRWC: What type of money knowledge/skills have dominated your discussions over the last year?

Ginny would like to go on a school trip to Paris this coming winter. She also just got her driver’s license and would like to buy my car, a 1997 Honda Civic I have agreed to sell to her for \$1000, if she can afford to insure and maintain it. Fortunately, she appreciates the fact that she is expected to choose between those pricey items and pay for them entirely on her own. She will often comment proudly that she is the only kid funding her own lifestyle. But that means that this summer she won’t be at Girls, Inc. with her friends; instead, she’ll be working!

FRWC: Who or what else is giving her input on these topics?

Ginny has very generous godparents who have matched her contributions to her savings account. They are also on hand to help her think about making investments, a talent I lack.

The Economic Power of “Tweens”

“Why should tweens – people without jobs, after all – be such a desirable market for advertisers? True, they reportedly control \$39 billion in purchasing power. It sometimes seems that they’re the only ones who buy music anymore – at one point last year the top three albums in the country were “Kidz Bop 9,” “High School Musical” and the soundtrack to “Curious George.” But the real reason is that these days, kids win at home too: Nickelodeon’s own research reveals a truly astonishing number of families – 70, 80, 90 percent, depending on the product – in which buying decisions are effectively ceded to the kids, on the grounds that they know more about movies, vacation destinations, packaged foods, cellphones and so on than their parents do. There are about 25 million children in America between the ages of 9 and 14, and 77 percent of them, according to Nickelodeon, have television sets in their bedrooms.

The New York Times Magazine, April 8, 2007

Teen Girls, continued...

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MONEY CRISIS:
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FRWC: Have you used outside resources to help you teach certain skills? If so, what type of resources?

Ginny is a regular reader of *TeenVoices*, which gives her a great perspective on spending choices. She also has checking and savings accounts at Young Americans bank, which provides financial education to kids and teens. We require her to bank a third of her allowance there, and give ten percent to an organization she chooses. Finally, we try to reinforce that life is about choices, always. I'm afraid she gets tired of our making the whole world a springboard for discussion, like when we're at the mall and we see teen parents with their two children and we say, "Gee, how will they get to college now?"

FRWC: What other types of issues are you currently working on with your daughter?

The typical teenage stuff of self-image, responsibility, laziness. We try to be very deliberate about subverting the consumer culture, and I'm gratified that she loves to shop at second-hand stores and only wants to have two pairs of shoes, dress and Converse. I'd say that, other than fiscal responsibility, the top issue is food. She has been a vegetarian for about a year, and it's a constant challenge to help her stay on course with choosing healthy food options for herself.

Donations to Financial Resources for Women and Children, Inc. are tax-deductible!

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