

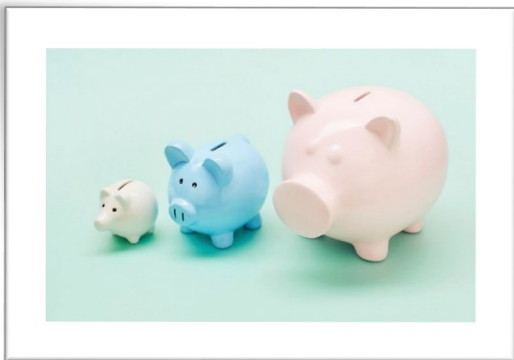


DEI *Perspectives*

Financial Literacy: Lessons Learned

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(She/Her/Hers)*

My niece, Alex, is 16 and started working her first job at 14. I can't say she loves working (what teenager does?), but she LOVES overseeing her own money and spending it! When she started her first job, we went directly to the credit union to open her checking and savings accounts. She was able to get a debit card in her own name, which was one of her primary goals, and we agreed on a certain amount of money that would go in her savings account each week. We also opened a retirement account, and I told her that if she contributed \$20 each pay, I would contribute \$30, which she agreed to. This partnership has been a great way to teach her about finances and it led her to take Personal Finance as one of her high school classes so she could learn more.



Here are some great lessons she has learned so far:

- 1. Actually participating in financial planning rather than just “reading about it” or participating in a “theoretical activity” has been very impactful.** My niece had immediate interest in what her balance was each day, so she downloaded the credit union's banking app, learned how to use it and has even figured out, on her own, how to make mobile deposits (great for those birthday and holiday checks!). According to Annuity.org, as of 2021, 73 percent of teens reported wanting more finance education and 75 percent of teens lack confidence in their knowledge of personal finance. If you have a teen in your life, open an account with them and share your financial expertise.
- 2. Thinking about and planning for retirement is a stretch for teens.** Looking so far down the road was hard for my niece and she even said, “Why save for when I am old? I will just have money for boring things like diapers and sitting around at home.” I had to put some skin in the game to pique her interest, and when she saw I was willing to contribute, she was in! I told her that it might not seem important or like a lot of money now, but when she saw how much she could earn by retirement age because she started saving early, I would be the first one yelling “I told you so!” and helping her make some exciting plans.
- 3. Handling her own money has been a great lesson in responsibility and maturity.** She is required to put money in savings and retirement first with each pay, and the rest goes to her checking account. The adults in her life can't really give her a hard time with what she is spending the money on because she has taken care of the priorities first. Yes, she gets Amazon packages almost every day and yes, she pays way more for new sneakers (of



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which she has at least 10 pairs!) than I ever would, but these are her decisions. She has also learned how to handle the awkward situation of having her card declined because funds are on hold for a purchase that is coming in. She has learned how to talk to the branch staff when her debit card is not working or if she has a question about a transaction. To me, learning how to actually converse with adults has been one of the biggest and best lessons because she is learning to advocate for herself and communicate professionally.

On the other hand, she has also felt the pain of having to pay for expensive things from her savings account. Alex recently joined lacrosse and needed to purchase all her equipment. Her parents wanted to be sure she was committed to this expensive endeavor so they made her pay for her equipment out of her savings with the agreement that if she stuck with it for the full season, they would pay her back. She did not agree with this decision but wanted to play, so she transferred the money to her checking account. When she came out of the store, she commented on how expensive things were and how much it hurt to see her savings account balance go down after working so hard to achieve a certain balance. This is a priceless lesson she would never have learned if she did not begin her own financial journey.

4. **Handling her own finances has caused her to think ahead.** She had a few months over the holidays when she was not working so she just had to live on what she had in her checking account. During this time, she said she learned how much she spent on things she did not need and that, if she made better choices, she would have had more money to spend when money was not coming in. This is a lesson that would have NEVER happened from an activity in class or simply because someone told her about it. She just started a new job, and a car and insurance are up next! She was hoping her parents would let her just contribute to the car and then they would pay the insurance. She said her reasoning for this was because she would just have to save up for one expense and not have to figure out how to make sure she has money each month for insurance. She has begun planning for how she will handle this new recurring monthly expense.
5. **Real life experience has led to seeking further knowledge.** She signed up for a Personal Finance class in school this year. She has already learned about how compound interest works and has applied that knowledge to the money in her savings account. She also used this knowledge in making the decision to transfer some money from her savings to a CD for additional earnings.

There is so much in life that people assume we need to “just figure out.” I know at times this is a lesson we need to learn, but being financially responsible is a lifelong skill and so important – why leave it up to chance!