

2000 Financial Literacy Survey Results

Background

In early 1997, the Jump\$tart Coalition for Personal Financial Literacy conducted its first nationwide survey of twelfth grade students to determine the ability of our young people to survive in today's complex economy. The widely reported results were not reassuring. Of the 1523 high school seniors surveyed, only 10.2 percent were able to correctly answer at least three quarters of the basic, age-relevant questions. In fact, the average "grade" on the "exam" was just 57.3 percent, a failure under any grading system.

The *Personal Financial Survey* was designed for several purposes. Its primary function was to gauge whether our young adults possess the tools and knowledge of personal finance required to get started in life without mishap. The results of the first survey clearly indicated that they do not!

A second function of the survey was to find out which tools are most lacking so that the problems could be addressed by concerned schools and school systems. A positive result of the first survey was to raise awareness of the problem and encourage educators, authors and entrepreneurs to produce materials that can be used to educate our young people.

A third function of the survey was to form a baseline measurement of financial literacy so that the effectiveness of interventions can be measured in periodic follow-up studies. The Jump\$tart Coalition planned to administer a version of the *Personal Financial Survey* every two to three years to measure interim progress toward the overall goal of universal financial literacy for all American high school graduates.

Results of the 2000 Survey

In late 1999 and early 2000, a second nationwide survey was administered to 723 high school seniors. The results were substantially worse than those of the first survey, conducted three years earlier. Overall test scores fell from 57.3 percent to just 51.9 percent. Students showed some improvement in a small number of specific areas. As the result of a 9-year bull market, they were, for example, more likely to think the long-term growth potential of common stocks exceeded that of savings accounts. However, the few bright spots were more than offset by decreased understanding of the most practical and important personal financial concepts. One example is that the proportion of students who understood that a doubling of their income would result in at least a doubling of their federal taxes fell from 49.4 to 38.3 percent.