CFPB Calls for Financial Education for Children

May 7, 2013 - For several years now, ACCESS has been working on children's financial education; and with good reason. (Take a look at our Mastering Money Basics website.) There are only four states that currently require any formal courses on managing personal finances. It simply strikes us as odd that we put children in schools to give them the education they need to gain employment, but that there is almost no instruction given about how they should responsibly manage the money that they earn once employed. Now the CFPB is calling for a nationwide push in children's financial education. That's good! But some the parties who appear to be jumping on the CFPB bandwagon have us a little concerned.

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Earlier this month, CFPB Director Richard Cordray said that his agency is now recommending financial education for children as early as kindergarten. Cordray said, â€œEducation in matters of personal finance is an essential pillar of life as we know it in America.â€• He went on to say, â€œIn this crisis [referring to the recession], families have lost trillions of dollars in household wealth; many have lost their homes and their life savings. But the problems experienced by many Americans were exacerbated by this plain fact: faced with the growing complexity of financial decisions around mortgages and other household credit, they were poorly equipped to deal with that complexity by making sound and sensible decisions.â€•

â€œFinancial education should be as fundamental as the education we are all required to receive in American history and government,â€• said Cordray. â€œWe must be deliberate about pursuing financial education in our schools. Failing to do so is to condemn boys and girls to make the same mistakes others have made before them by enrolling them in the â€˜school of hard knocks,â€™ which we all know is no school at all. It is the antithesis of education for each generation to have to learn the same lessons the hard way. It is utterly unacceptable.

While we agree with much of what Cordray said, we have some real concerns about who may be getting ready to support this effort. Cordray's comments have made it into a number of paid subscription business intelligence publications that are distributed widely in the financial services industry. This is a concern because the major credit reporting agencies, that in our opinion are the source of many of the credit problems experienced by average consumers, already have programs that target children under the guise of education. If these companies attempt to seize this initiative, there is a real risk that any education programs to grow out of Cordray's call will be less about the responsible management of personal finances and more about extoling the virtues purchases made on credit.

There is absolutely no doubt that children need formal education dealing with financial management. The sources of new educational materials, and the motives behind the companies supplying them, need to be scrutinized carefully. If there are conflicts of interest between the educational program and commercial interests providing material support for the

program, those commercial interests should be disqualified from any participation.

byJim Malmberg
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