Welcome to the real world of spending—youth learn to budget

The Situation
The average student who graduates from high school lacks basic skills in the management of personal finances, according to a 2008 survey by the Jump Start Coalition for personal literacy. Many are unable to balance a checkbook and most simply have no insight into the basic survival principles involved with earning, spending, saving and investing. On the 2008 high school financial literacy survey, seniors answered only 48.3% of the questions correctly. This is a drop from a 2006 survey, and illustrated that most students are not prepared to manage financial issues. Today’s teens, in adulthood, will be required to take more personal responsibility for actively managing their finances than any previous generation. Those who understand budgeting, credit, debt and living within your means will have a significant advantage over those who do not. These concepts are integrated into the “Welcome to the Real World “simulation. (2008 National Jump$tart Coalition Survey of High School Seniors and College Students).

Our Response
Southern District Family and Consumer Sciences Extension Educators responded to requests from local high school and junior high teachers by offering “Welcome to the Real World,” a simulation on personal financial management, budgeting, savings and career exploration. Students receive instruction and go through a hands-on process of selecting a career, receiving a paycheck, putting money in a savings account, depositing money in a checking account, writing a check properly and balancing a checkbook. They learn about the different budget categories and the percentage of their income that should be allocated for each. Based upon the salary for the “career” they have randomly selected, students write checks for housing, transportation, insurance, utilities, groceries, clothing, and entertainment. Each category has several choices with varying dollar amounts based upon the prices in their community. Students are also taught the difference between a debit card and a credit card. They are given the choice to use a debit card or on-line bill pay instead of writing a check for some of the categories. The last activity is random selection of a chance card. Chance cards contain real life situations that can occur without warning, such as a flat tire, medical bill, or car repair.

Program Outcomes
During the 2009-2010 school year over 300 students participated in “Welcome to the Real World” simulation. Welcome to the Real World was taught in regular and alternative high schools, and junior high schools in classes such as economics, math, school to work, and family consumer sciences. A post survey was given to students who completed the program.
Students were asked to rate their understanding of eight concepts taught in the lessons.

Table 1: Top Six Skills Students Learned.

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<thead>
<tr>
<th>Skills Learned</th>
<th>Increase in knowledge</th>
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<tr>
<td>Understand that there are budget percentages for different expense categories.</td>
<td>55%</td>
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<tr>
<td>Know how to set up and use online banking.</td>
<td>53%</td>
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<td>Know how to balance a checkbook register.</td>
<td>45%</td>
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<tr>
<td>Understand the “time value” of saving money.</td>
<td>43%</td>
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<tr>
<td>Know how to open a savings and checking account.</td>
<td>42%</td>
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<tr>
<td>Understand that there is a relationship between education and potential earnings.</td>
<td>37%</td>
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Participant Comments

Students were asked how their view of life in the future changed as a result of participating in the “Real World” program:

- That you need to go to college.
- It makes me want to save up money every month in a savings account.
- It helped me prepare better.
- That you need an education in order to live.
- Not to spend money on everything, just spend on needs first then extras.
- It was definitely eye opening; made me see how fast money goes.
- I should live within my means no matter how much money I make.

Students indicated this simulation helped them to think about future finances and relate their spending goals to future education and saving habits. Students reported that skills learned while they are in high school will benefit their future. The “Welcome to the Real World” project will continue to offer the hands-on simulation to interested high school and junior high classrooms in the Treasure Valley.

References


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