

**T**revor\* was a junior at a California high school when he began to get savvy about finances. At 17, he earned enough pocket change to go to the movies every weekend with his friends, buy a new music CD a couple of times a month, and drive to Taco Bell every day for lunch. *Every day.* Then one day, the Students In Free Enterprise (SIFE) team from La Sierra University, in Riverside, California, visited his class to teach Trevor and his classmates about smart money management.

Trevor is not unusual. Teens in developed countries are among the highest spenders per earnings. According to *Credit Union Magazine* (August 2000), American teens were expected to spend more than \$100 billion a year on clothing, food, and entertainment. That number was up to \$170 billion in 2002, according to Teen Research Unlimited. With easy access to credit and an indulgent lifestyle, teens and young adults are

growing up in a culture of debt. The constant media barrage of “buy now, pay later,” coupled with easy credit has created a consumer society unmatched in history.

Yet few young people have any idea of the trap in which they’re caught. After all, they’re following in the footsteps of Mom and Dad—who are likely living paycheck to paycheck, enjoying a lifestyle that costs them 122 percent of their income.<sup>1</sup> So children get little or no financial training at home, and even less at school. According to the Economic Policy Institute, a Washington, D.C.-based think tank, the average American household debt is now a record 109 percent of income, up from 88 percent a decade ago.<sup>2</sup> According to [www.TheMint.org](http://www.TheMint.org), kids today are spending \$3,500 to \$4,400 per year, but they are clueless about how the system should work. If they carry their habits into adulthood, they are going to be making mistakes that have long-term financial consequences.<sup>3</sup>

There are many practical reasons for teaching youth

to live within their means. Here are a few for starters:

- Having more money in the long run to do what they want.
- Being able to afford the really important things, such as a house, a car, and a college education.
- Being able to save for the future.
- Having less stress.

And there are some not-so-obvious reasons. According to [www.TheMint.org](http://www.TheMint.org), “Thirty-four percent of Americans have not even begun to prepare for retirement. And

55 percent say that the major obstacle to saving is a continuing focus on today’s expenses rather than on their financial future.”

One of the leading causes of bankruptcy today is dependent adult children. Parents who give in to their children’s every desire, purchasing toys, clothing, electronics, and cars without teaching them personal pride in earning things for themselves, are likely to produce financially

dependent young adults who will need to be bailed out of debt and always demanding one more “emergency loan” to make a late payment or buy that perfect item they’ve been wanting, even though they have a job and live on their own.

Children who never learn to save and don’t delay gratification, grow up to be adults whose spending habits surpass their income. That’s a recipe for financial disaster.

#### **Becoming Good Stewards**

Besides the practical, self-preservation reasons to teach children to be wise with their money, there are also moral reasons. The Bible advises us to “owe no one anything” (Romans 13:8, NKJV).<sup>4</sup> “The wise man saves for the future, but

the foolish man spends whatever he gets” (Proverbs 21:20, TLB).<sup>5</sup>

Here is Solomon’s advice: “Four things on earth are small, yet they are extremely wise: Ants are creatures of little strength, yet they store up their food in the summer” (Proverbs 30:24-25, NIV).<sup>6</sup>

Even Joseph saved up for bad times. He didn’t let the

**LEARNING  
THE LEDGER:**  
**The Case for Teaching  
Financial Literacy**  
**BY HEATHER MILLER**

***With easy access to credit and an indulgent lifestyle, teens and young adults are growing up in a culture of debt.***

\* Not their real names.

seven years of plenty slip by, but made provision for the lean years to follow. The principle of godly living and of financial success is *waste not, want not*.

Unfortunately, too many parents have trained up their children to follow their example by passing on a legacy of debt. Instead, Christians are called to be good stewards of the money God has entrusted to us. The parable of the talents shows us God's pleasure with the servants who put their master's money to work, doubling their nest egg by the time the master returned. But it also instructs

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"spiritual entrepreneurship," giving strategically to achieve a lasting impact and leaving the world a better place than you found it.

**Learning Literacy**

What is financial literacy? According to the Wall Street Institute Financial Skills for Life, financial literacy is "a comprehension of financial matters that heightens our ability to interpret and use financial information and data in a way that helps to build and maintain our personal financial security for our families and ourselves." Financial literacy is the ability to understand what money does and how it works.

Like hundreds of other Students In Free Enterprise teams<sup>®</sup> in the United States and some 40 other countries, the La Sierra University (LSU) SIFE team has recognized this disparity and decided to address it. Over the past several years, the team has created several financial literacy projects that teach elementary, junior high, and high school students smart money management. In one of our SIFE lessons called Power of the Penny, we ask elementary students which they would rather have: \$1 million, or a penny doubled every day for 30 days. Without fail, they all choose the \$1 million. Why? Because it seems like a lot of money, and a penny doubled for 30 days seems like an infinitely smaller sum. But when you work out the numbers, doubling a penny every day for 30 days adds up to more than \$5 million!<sup>9</sup> This is a simple illustration of the power of compounding. Being financially literate can help young people establish a secure future.

The LSU SIFE team leads the students through a curriculum that first teaches about the dangers of getting into debt, covering topics such as credit cards, interest, and consumerism. The students are then

**One Penny Doubled Each Day for 30 Days Will Equal \$5,368,709.12**

Days	Days
1 - .01	16 - 327.68
2 - .02	17 - 655.36
3 - .04	18 - 1,310.72
4 - .08	19 - 2,621.44
5 - .16	20 - 5,242.88
6 - .32	21 - 10,485.76
7 - .64	22 - 20,971.52
8 - 1.28	23 - 41,943.04
9 - 2.56	24 - 83,886.08
10 - 5.12	25 - 167,772.16
11 - 10.24	26 - 335,544.32
12 - 20.48	27 - 671,088.64
13 - 40.96	28 - 1,342,177.28
14 - 81.92	29 - 2,684,354.56
15 - 163.84	30 - 5,368,709.12

us that we should not bury our head (or our talent) in the sand, as the third servant did, doing nothing to grow the master's funds.

And why be good stewards and grow the funds God has entrusted to us? Christians have struggled over this question for generations. While not disputing careful money management, many have believed it is a sin to purposefully grow their money because of biblical quotes about the potential dangers of wealth.

But money is not evil. It is simply a tool to be used for good or for evil. We are called to build up God's kingdom. Creating wealth gives us the opportunity to put financial resources to work for God's purposes. Some may call it leaving a legacy, or making a difference for good in one's corner of the world. It is a form of



A cheerful participant in the Kids' Wealth project shows off some of the SIFE money she earned during the project by working with her team, answering questions, and figuring out or completing worksheets. Participants exchanged their earnings for snacks during breaks.

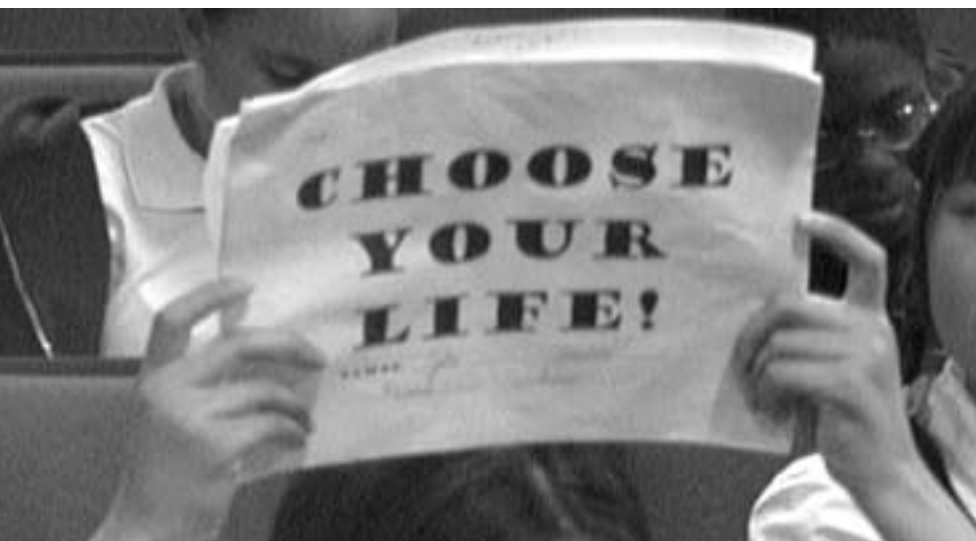
taught how to do personal and family budgeting. Using the “Choose Your Life!” worksheet, they divide into groups and make spending choices in numerous categories, such as housing, transportation, food, entertainment, charity, etc. Each group selects from choices in high-, moderate-, or low-spending columns for each category. Then they tally their spending to find out how much they have left at the end of the month. The final

page presents options for spending their discretionary money, including charity and investments.

This exercise also includes an analysis of “needs versus wants,” which focuses on how youth spend their money. Most children and teens earn an allowance—a set amount of money given by their parents on a weekly or monthly basis. In some cases, household chores must be accomplished before the allowance is

paid; in others, the two are not related. The needs versus wants exercise asks students to tabulate their total monthly and yearly income, including allowance, birthday and Christmas money, and any other cash they earn from various jobs. Then they list all of their daily needs—such as food, shelter, and clothing—in one column. In the other column, they are asked to list anything they buy, or would like to buy, that they want but don’t absolutely have to have. This exercise underscores how much extra they may be spending on incidental items or entertainment that are not really necessary, and gives them an idea how much they could be saving and investing if they chose to do so.

One more note on allowances: Giving young people a regular allowance may teach them to expect a set income whether or not they earn it. This may cause them to grow up with an entitlement mentality, believing that someone else owes them a living. It will be difficult for them to associate having to make a contribution in exchange for pay. Also, if they focus on a set amount, they may seek the security of a fixed income as they enter adulthood, which can limit



Children work in “family groups” to complete the Choose Your Life! worksheet where they make family budget choices in categories such as housing, transportation, household goods, entertainment, and charity. The goal is to see how much they spend and what they can or should save to invest for their future.



Like everyone else, these high school seniors were amazed to learn the power of compound interest and time through the Rule of 72 lesson, where they quickly see how their money can double in a given number of years, depending on the interest rate they earn on their investments.

their financial potential. Therefore, many parents establish a pay-per-job arrangement, allowing their children to choose household jobs based on how much they want to earn that week. So, for example, if Nina\* wants to earn \$17 to pay for lunch and a trip to the skating rink with her friends, she can do the dishes every night this week, plus clean the bathroom, empty the trash, and vacuum the house on Friday. She is internally motivated to get those jobs done and do them well and on time, so that Mom and Dad will be happy to pay her what she earned. Of course, either way, she should still think about savings and investment before she spends her earnings on the desired entertainment.

After these exercises and lively discussion, the SIFE curriculum addresses the topic of investing. One of the first principles taught is “Pay God first, and pay yourself second.” The principle of paying tithe teaches young people that in the area of finance, God desires a faith relationship with His children. “Seek ye first the kingdom of God,” Jesus said, “and all these things will be added unto you” (Matthew 6:33, KJV). The wise man wrote: “Honor the Lord by giving him the first part of all your income, and he will fill your barns” (Proverbs 3:9, TLB). “Bring all the tithes into the storehouse, that there may be food in My house, and prove Me now in this,” says the Lord of hosts, ‘If I will not open for you the windows of heaven And pour out for you such blessing That there will not be room enough to receive it’” (Chap. 3:10, NKJV). This principle of paying God a tithe—given as the *first* fruits of one’s labor, prompts the giver to put God first and recognize Him as the giver of all things. In effect, it makes God a partner in all our endeavors.

Just as with the principle of tithing, the students learn that if they don’t also pay themselves first (as pointed out in Og Mandino’s classic book, *The Richest Man in Babylon*) by setting aside a certain amount for investment *before* paying the bills, it

## Creating wealth gives us the opportunity to put financial resources to work for God’s purposes.

will be very difficult to maintain that commitment after all their other expenses are paid. So the principle of paying God first and paying yourself second is crucial to establishing a plan for investing. (It should be noted here that when this curriculum is taught in public schools, the principle of tithe-paying and giving of offerings is presented in the context of charity.)

Second, the SIFE team teaches the principles of compounding interest and the value of time. Here, they present the classic Rule of 72: Divide 72 by the interest rate to estimate the number of years it takes for money to double. For example, if you are receiving six percent on an investment,

divide 72 by six, and you will discover that your money will double in 12 years. At 15 percent, your money doubles in 4.8 years. Compounding interest can have a dramatic effect on the growth of an investment. The difference between simple and compound interest is that with simple interest, the interest rate is applied only to the original amount; with compound interest, the interest rate is applied to the original amount, *plus any accumulated interest* to compute the earnings. Compound interest makes money grow more quickly through increases in both time period and interest rate.

Using this principle, students learn the *time value* of money—that the longer their money is invested, the greater the growth. For example, if they invest \$25 every month at 15 percent interest, they would have \$6,966 at the end of 10 years. If they continued to invest \$25 a month for another 15 years (for a total of 25 years), they would have \$82,102. Af-

# RULE OF 72

POWER OF TIME AND COMPOUND INTEREST

Rule of 72: Divide 72 by the interest rate to estimate the number of years it takes for your money to double.

4 % <small>Doubles in 18 years</small>		6 % <small>Doubles in 12 years</small>		15 % <small>Doubles in 4.8 years</small>	
AGE		AGE		AGE	
29	— \$10,000	29	— \$10,000	29	— \$10,000
47	— \$20,000	41	— \$20,000	34	— \$20,000
65	— \$40,000	53	— \$40,000	39	— \$40,000
		65	— \$80,000	44	— \$80,000
With taxes and inflation, you have less money than you started with.				48	— \$160,000
				53	— \$320,000
				58	— \$640,000
				63	— \$1,280,000
				67.4	— \$2,560,000
<b>Doubles: 3 Times</b>		<b>Doubles: 4 Times</b>		<b>Doubles: 9 Times</b>	
From Birth: \$64,400		From Birth: \$225,600		From Birth: \$61,440,000	
Doubles: 3.6		Doubles: 5.4		Doubles: 13.5	

ter 50 years, the \$25 a month will produce \$3,492,951. In contrast, if all they did was to stick \$25 a month under their mattress, they would have a grand total of \$3,000 after 10 years, \$7,500 after 25 years, and \$15,000 after 50 years! (And their money would be worth less than that after inflation.)

Third, the SIFE curriculum discusses various ways to invest, including stocks and bonds, money market accounts, IRAs, and others, and points the students toward those types of investments and companies that are safest and have the best rates of return over the long run.

All of these topics are presented within the framework of ethical decision-making and social responsibility. Rather than amassing hordes of wealth for one's own personal gratification (remember what happened to the foolish man in the Bible who tore down his barns to build bigger ones!), those who begin to earn a payoff from their investments need to consider how they can improve the world with their profits. Perhaps there is a neighborhood project that

## **Being financially literate can help young people establish a secure future.**

needs a few hundred dollars. Maybe a mission project needs a building or a piece of equipment. Perhaps a child or older student in another country could benefit from educational sponsorship. Whatever the needs, once a person or a family has the means to help, they should be thoughtful and strategic about their giving. This will give them, in the long run, far greater satisfaction than simply accumulating bigger bank accounts or more expensive consumer goods.

### **Getting Practical**

So what kind of practical things can teachers suggest that young people do to get started on the path of financial literacy? Here are a few ideas:

1. Begin by writing out a budget of all your income and regular weekly or monthly expenses.
2. Identify items on which you

are spending more than you should, such as fast food or entertainment. This also includes poor habits such as being charged a fee for paying bills late.

3. Set up a savings system. Younger children can start with a piggy bank. Older youth can open a savings account. Once this is in place, they are more likely to deposit money into it!

4. Be sure to put the "excess" money saved in Item 2 into the piggy bank or savings account. You may need to be very ceremonious about this when you begin, but it will soon become a habit.

5. After the first month of putting the excess into a savings account, start the second and all succeeding months by setting aside the tithe and investment money *first*, and then leaving yourself the rest of the money for the other items on your budget.

6. Follow your budget strictly. Don't give in to impulse spending. If you have a problem in this area, get a "conscience buddy" to keep you honest and help you stick to your plan.

7. Avoid instant gratification! De-



A wooden-peg game teaches these junior high students how to work smarter, not harder—one of the key lessons in the financial literacy curriculum. Eventually, participants figure out the fastest way to set up and remove the wooden pegs from the board.

velop limits for yourself and stick to them.

8. Don't incur credit card debt. There are healthy ways to build credit and ways to become enslaved to debt. Learn early how to avoid the pitfalls of consumer debt.

9. Set savings and investment goals. Make a chart if this helps you stay on track.

10. Once you have a certain amount saved in your piggy bank or bank account, find an investment broker and begin making investments. Some funds may allow you to begin investing with as little as \$25 a month, others perhaps \$100. Make those investments without fail.

11. When investing, look for companies that have paid a minimum of 15 percent annually for a number of years. Plan to leave your money in the investment for a long period of time so that it will grow.

12. Think seriously about the person you'll marry. The Bible says not to be unequally yoked. That includes financially! Promise your life partner that you will live by sound financial principles, and ask him or her to make the same commitment to you.

## ***The principle of paying God first and paying yourself second is crucial to establishing a plan for investing.***

13. Find ways to make a difference in the world by sharing the blessings God has given you.

If schools don't start teaching these principles at every level, today's happy-go-lucky elementary students will graduate from high school unprepared to handle the onslaught of tempting credit-card offers that fill every college freshman's mailbox.

"Demos, a public policy group, says credit card debt for Americans 18-24 more than doubled from 1992 to 2001."<sup>10</sup> If students don't learn money management even before they enter the workplace, they will be deeply in debt—and then they will take on additional loans for a car and a house, joining the grand march of consumerism right into bankruptcy. Like their parents, most of whom are currently spending 122 percent of

their income, today's youth will face their golden years on an inadequate fixed income, unable to even live comfortably, never mind leave a legacy behind for their family, the church, or society.

Here are some suggestions for incorporating these concepts into your classroom:

- Teach the principle of compound interest in math class, focusing on the Rule of 72. Students will be amazed at how quickly money grows. As one child in one of the Kids' Wealth sessions concluded, "It's like magic!"

- Teach the principle of compound interest and the time value of money along with the popular "bean sprout" lesson (or another gardening or growing lesson) in science class so students can see how a little growth over a period of time makes a big difference.

- Allocate a unit in a 12th-grade Bible life-skills class to home budgeting, the dangers of credit cards and consumer debt, and the principles of investing. Encourage each student to make lifetime commitments that will result in sound financial choices.

- Assign an essay or research pa-



Activities like this word search help students grasp and remember the concepts taught in the financial literacy curricula.

per in English or social studies on each person's social responsibility as a citizen of the world to care for the needs of others.

- Create a unit on fiscal fitness and financial literacy, encouraging students to discuss what they have learned with their parents.

- Play the Online Gazillionaire Stock Market Challenge in computer class to give students hands-on virtual experience in buying and selling stocks. Most of these simulation games follow the activity of the stock market in near real-time.

- Use one or more of the SIFE lesson plans in your classroom to teach specific skills. Invite a SIFE team from a local college or university to come in and present their lessons. Visit the La Sierra Univer-

sity SIFE Website at <http://www.sifelink.com>; or to find other SIFE teams, go to <http://www.sife.org> and select the appropriate continent or country, click on Enrolled Schools, and select the state for a list of teams.

Setting out on this new adventure will not necessarily be easy. Most of us have not had role models to teach us how to manage money. In fact, the whole idea of being financially responsible is a major shift for today's generation.

Remember Trevor, from the beginning of this article? When he added it all up, he was really spending a lot on fast food. What seemed like a fairly small amount of \$4 a day, actually added up to \$80 a month. That's quite a chunk for a high

school junior. Making his own lunch and investing that money could have a significant impact on his financial future. Besides, he really didn't want to end up like his parents, in debt and living paycheck to paycheck. As he told our SIFE students, "If I don't start doing something different, I'll probably be bankrupt by the time I'm 25."

It's time we started raising a generation of financially literate young people and helping them achieve the huge potential they have for good in the future. ✍



**Heather Miller** is Director of Special Projects at La Sierra University School of Business and Management, Riverside, California.

## How to Get SIFE Into Your Classroom

- *You call us.* If you're interested in having a SIFE financial literacy program in your classroom, give us a call at (951) 785-2255, visit our Website at <http://www.sifelink.com> and click on "For Teachers," or send us an e-mail at [sife@lasierra.edu](mailto:sife@lasierra.edu).

- *We call you.* Throughout the year, we contact schools and/or specific teachers and invite them to participate in a variety of projects. Let us know if you would like us to put you on our list of schools.

- *Classroom visit or Internet.* If your school is within reasonable driving distance from La Sierra University in southern California, we would like to visit your classroom. However, we also do some projects online, which allows classrooms in any location to participate.

- *SIFE curricula.* Many of our SIFE projects can be easily implemented or directed by a teacher. Contact us for more information.

- *Length of projects.* SIFE projects vary in length and may require anywhere from two to five class periods. Some projects may be scheduled one day a week over six or eight weeks. Most are flexible enough to work into your school's curriculum.

### SIFE Students

- The La Sierra University SIFE team starts each fall quarter with about 50 students; however, that number generally doubles by the spring quarter. While about half of the SIFE team is business majors, students also come from every other major on campus, including music, psychology, religious studies, history, English and communication, and many others. Both undergraduate and graduate students participate.

- Rookie SIFE students are mentored by veteran team members, who help them learn how to run SIFE projects successfully. Team members also learn key content areas before going out to teach. Students carefully research material for each curriculum and have it reviewed by faculty and/or advisory board members.

### NOTES AND REFERENCES

1. Leslie E. Royale, "Debt-Free Is the Way to Be," *Black Enterprise* (October 2000), p. 148.

2. "Spendthrifts Anonymous: Debtors Keep Up Their Free-Spending Ways, Even as They Increasingly Freely Fall Into Bankruptcy," from <http://www.financial-services-directory.com>, July 31, 2003.

3. From <http://www.themint.org/about/whatkindsdontknow.php>.

4. Texts credited to NKJV are from The New King James Version. Copyright © 1979, 1980, 1982, Thomas Nelson, Inc., Publishers. All rights reserved.

5. Verses marked TLB are taken from The Living Bible, copyright © 1971 by Tyndale House Publishers, Wheaton, Ill. Used by permission.

6. Scripture texts credited to NIV are from the *Holy Bible, New International Version*, copyright © 1973, 1978, International Bible Society. Used by permission of Zondervan Bible Publishers.

7. See <http://www.WallStreetInstitute.org>.

8. Students In Free Enterprise (SIFE) is an international organization started by corporate America in 1975 to give college students hands-on experience in learning, teaching, and practicing the principles of free enterprise. There are SIFE teams on more than 1,700 college campuses in some 40 countries, including about 800 in the U.S. The La Sierra University SIFE team was started in the fall of 1991, and has won the SIFE National and International competitions five times for the educational outreach projects it has created and implemented.

9. On Day 30, the amount is \$5,368,709.12.

10. Lev Grossman, "Grow Up? Not So Fast," *Time* 165:4 (January 25, 2005), p. 45.