



Tipsheet: Are You Financially Educated?

Financial education—the ability to read, analyze, manage and communicate about personal financial conditions affecting material well-being—is lacking among many adults who are trying desperately to control their finances.

Facts

- From 1990 to 2000, the rate of personal bankruptcy in the United States rose by 69 percent.
- In 2002, a total of 1,557,651 bankruptcies were filed in the United States, up 5.7 percent from 2001. Non-business filings accounted for 97.6 percent of all filings in 2002.
- More than three-quarters of college undergraduate students have credit cards; most have multiple cards with an average total balance of \$2,748.
- Conservative estimates put the number of households who do not use banks at 10 percent of the U.S. population, and greatest among the poor, young, seniors, immigrants and minorities.
- Financial education was more common in many American schools in the early 1900s than it is today.
- A large majority (82 percent) of students failed a basic quiz evaluating their knowledge of financial concepts such as interest rates, savings, loans, credit cards, and calculating net worth.
- Students did best on quiz questions relating to income and worst on those relating to savings and investments
- Most youth (94 percent) ages 16 to 22 cite parents as their primary resource for financial information.

Financial education, which also includes the ability to make financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future and respond to life events that affect everyday financial decisions, including events in the general economy, does not have to be overwhelming.

Tips on Managing Personal Finances

Some basic guidelines for creating a budget of your after-tax (net) income include:

- **35 percent = housing**
Spend no more than 35 percent of new income on housing, including mortgage or rent, utilities, taxes and home maintenance.
- **20 percent = transportation**
Spend no more than 20 percent of net income on car payments, auto insurance, vehicle license, maintenance, gasoline, parking, bus cards, etc.
- **20 percent = other**
Spend no more than 15 percent of net income on all other expenses such as food, clothing, childcare, medical expenses, entertainment and charitable giving.
- **15 percent = debt**
Spend no more than 15 percent of net income on all consumer debts such as credit cards, student loans, personal loans, tax debts and medical debts.
- **10 percent = savings**
Save at least 10 percent of your income throughout your working life.

Resources: [United Way 2-1-1™](#) is a free and confidential, 24-hour information/referral line that can connect you to helpful programs and resources in our community. Just dial 2-1-1 or 651-291-0211.