



Should Schools Teach Financial Literacy?

Anyone who's ever struggled with a difficult class in high school has surely asked themselves, "Will I actually use this knowledge after I graduate?" I'm willing to bet most of us never need to stop and diagram a sentence or solve an algebra equation in everyday life. But I can say for certain, students need to learn how to handle money wisely—and the sooner the better! That's why all of us at Anahuac National Bank offer our support to our schools. We are strong proponents of teaching financial literacy in schools.

As a solution for building better financial understanding, Texas was one of the leading states to require the teaching of financial literacy classes, and now almost all other states have adopted this requirement or have legislation currently pending to do so.

What Is Financial Literacy?

Financial literacy is learning the basics of money management: budgeting, saving, debt, investing, giving and more. This knowledge lays a foundation for students to build strong money habits early on and avoid mistakes that lead to lifelong money struggles. Basic topics like how to open a bank account, pay bills on time, work with a household budget, how credit works and how credit scores can be improved, using debt responsibly, and saving money for retirement.

Why does Financial Literacy belong in schools?

Many Americans are struggling financially today. Statistics show that over 60% of us live paycheck to paycheck and are unable to put money aside for emergencies and savings goals. This problem also affects families earning between \$150,000 to \$200,000 per year with 41% of those Americans living paycheck to paycheck.

Beyond that, many Americans are finding that they cannot buy homes, invest for retirement, or save for their kids' college funds because of their own student loan debt, massive car payments, and lack of financial planning. People are deep in debt and short on hope. This is where financial literacy provides a much needed lifeline. Money problems can be prevented through early education.

What are the benefits of Financial Literacy classes?

1. **Making better financial decisions.** Research shows that financial literacy classes help students make better financial decisions later in life. The FINRA Foundation found that financially literate students were less likely to have late fees, make only minimum payments on credit cards and take out payday loans. States that have implemented financial literacy requirements have also seen positive outcomes. Three years after requiring financial literacy classes, Georgia, Idaho and Texas saw credit scores rise and delinquency rates fall.
2. **Understanding the consequences of student loan debt.** Financially literate students enter college with a better understanding of how loans work. Most college students borrow money to pay for their education, but few understand exactly what they are agreeing to or how much debt

is appropriate. Financial literacy classes can teach kids how to fill out the Free Application for Student Aid (FAFSA), utilize federal grants and apply for scholarships.

3. **Knowing the importance of saving.** The pandemic revealed just how ill-prepared many people are for a financial emergency. Financial literacy classes teach the importance of saving, even if it's just a small amount. Students will also learn about compound interest and why it's beneficial to start investing at a young age.
4. **Financial Literacy has a positive ripple effect.** One of the things people do not think about is that your finances have a ripple effect on every other area of your life—both for better and worse. Studies have shown a link between financial instability and mental health problems, like anxiety and depression. Financial worries are the number one stressor in many people's lives today. This can cause compromised immune systems, digestive issues, high blood pressure and other health problems. When you're financially literate, you're better able to manage the ups and downs of life as they happen—your physical health, mental health and relationships will be better off as a result.

Financial literacy affects every area of our life. The sooner kids understand these concepts, the better off we all are. This education provides a solid foundation they can build on as adults and helps them avoid lifelong money problems, setting themselves on a path to success early on. These good habits trickle down to their families, their communities, and eventually, the nation. Think about the jump start your child could get on life if they were already budgeting, saving regularly, and spending wisely—before they even graduate! I have seen this happening in our schools, and we are proud to be a part of this process. Let us know how we can help you and your family. We thank you for banking with us.

