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# Money Talk

**f**inancial literacy is not a new topic in the United States. In 1787, John Adams wrote a letter to Thomas Jefferson, articulating the same issue we face today: “In the centuries that followed, the United States, the richest nation in the world, should have produced a financially literate populace to match its global stature. The sobering fact is that this has not happened.”

Three main issues must be considered to fully understand what’s at stake when it comes to financial literacy:

1. To a large extent, financial literacy is handed down from generation to generation.
2. Education systems and financial literacy are highly correlated.
3. The cost of not fixing the problem is great.

## Financial DNA

In “The Millionaire Next Door,” authors Thomas Stanley and William Danko studied high-income earners and found they are not all created equal. They found the high spenders were more likely to have children who also possessed high-spending habits.

John Kiernan, senior writer and editor for *Evolution Finance*, has tracked financial status since the Great Recession and has found:

- \$133 billion in new credit card debt since 2012;
- Only two out of five adults have a budget;
- 20 percent of Americans spend more than they make; and
- 60 percent of Americans have no emergency fund.

If parents are responsible for their kids’ financial lessons and habits, we have a lot of work to do.

## Education and Financial Literacy

WalletHub, an online portal dedicated to financial literacy, tapped 11 financial experts to create the criteria, research and conduct a survey on financial literacy. The findings indicate a background of strong education has a direct correlation to strong financial literacy.



In short, financially savvy Americans tend to be born from strong and successful education systems.

What does this tell us? To break the pattern of generations of financially illiterate individuals, financial education needs to be readily available in schools, as well as real-world lessons at home.

## The Cost of Not Fixing the Problem

*USA Today* reported the Organization for Economic Co-operation and Development recently surveyed 29,000 students in 18 countries on financial literacy. U.S. teens scored below average and ranked No. 9.

Lack of financial literacy impacts a number of social problems, including excessive student loan debt; mortgage foreclosures; income inequality; and poverty in retirement.

The cost of not fixing the problem will be worse than financial bankruptcy. It will cause a bankruptcy of hope.

## What Can We Do To Help?

CPAs are trusted advisers, valued employees and preferred providers of financial and advisory services. We have the knowledge, expertise and unique perspective to make


## What To Do about Financial Literacy in America

sense of the complex challenges facing Californians and provide objective information for practical solutions.

CalCPA’s financial literacy workshops are a free service provided by members to serve California communities. The program provides trained CPAs to help people better understand what they need to know to effectively manage their financial well-being. CalCPA provides free handouts for attendees and presentation materials for the presenter.

Workshops can be customized to the needs of the audience and topics include budgeting, savings, retirement planning and financing college. Presentations can be geared to young students, college students, adults, seniors and veterans. Multiple events can be scheduled to address different needs.

CalCPA is looking for opportunities to serve the community, whether through schools or other organizations and is asking members to help us reach further into the communities by volunteering or assisting in leads for presentation opportunities. If you can help with this, contact David Lo, CalCPA’s strategic relations manager, at [david.lo@calcpa.org](mailto:david.lo@calcpa.org).

We can utilize CalCPA member’s expertise and passion to strengthen our communities help combat the problem of financial literacy in the United States and California. 

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## want**more?**

You can check out our financial literacy resources online and find information on disaster recovery, our Dollars & Sense program, high school financial smarts and more: [www.calcpa.org/public-resources/financial-literacy](http://www.calcpa.org/public-resources/financial-literacy).