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US students lack basic financial knowledge: study

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WASHINGTON (Reuters) - U.S. high school seniors continue to struggle with personal finance basics, according to a study unveiled on Wednesday at the Federal Reserve by a nonprofit financial education group.

The study tested 5,775 12th graders in 37 states on issues such as whether stocks or bonds have higher long-term returns (stocks do), whether they have to pay taxes on interest earned on savings accounts (they do), and whether they would keep their health insurance if their parents lost their jobs (they would not).

Only 14 percent said stocks were likely to have higher returns, just 23 percent realized that interest on savings accounts may be taxable and only 40 percent understood that they could lose their health insurance if their parents became jobless.

The average score for the survey was 52.4 percent -- a failing grade in most U.S. schools. Surveys in 2004, 2002 and 2000 also yielded scores in the 50-percent range.

"What we are looking at are students who by any educational standards are flunking the test of their financial lives," said Lewis Mandell, a professor of finance at the State University of New York in Buffalo, who conducted the study for the Jump\$tart Coalition for Personal Financial Literacy.

The results come despite stepped-up financial education efforts as Congress dismantles boundaries between banks and investment firms and as financial companies offer a broader array of products to consumers.

"It is clear that students don't appear to be learning or retaining those things that are needed for making important financial decisions in their own interest," he said.

The survey was sponsored by the Merrill Lynch Foundation, the philanthropic arm of investment bank Merrill Lynch.

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