BY JOANNE VON ARLROTHER
INVESTOR'S BUSINESS DAILY

Most teens today can't balance a checkbook to save their lives. And investing? They think that's some murky mystery understood only by old rich people.

Bob Bacarella wants to change that.

Nearly two years ago, Bacarella founded Monetta Young Investors Fund, a kids-themed mutual fund aimed at persuading young people to embrace long-term investing.

"Financial literacy doesn't happen through osmosis," Bacarella said. "Most of the time it's not taught in school. The typical family either doesn't have time to teach their kids about money or views it as a low priority, so the kids do too."

To nab kids' attention, "you've got to engage the child," he said. "And what motivates kids to get involved is activities and rewards."

Rather than stuffy, stern investment advice, the Young Investors fund uses online games and prizes, toys, books, activities and age-based financial kits to teach kids age 4 and up about long-term saving and investment. It has appeal for parents too; participants earn credit toward college tuition.

The fund is structured simply to keep from scaring off brand-new investors. Exchange traded funds that track the S&P 500 index make up half the fund. The other half is in about 25 stocks that kids and teens can easily recognize, including Walt Disney (DIS), McDonald's (MCD), Coca-Cola (KO) and Target (TGT).

Though it's currently lagging, the fund outperformed the S&P by 5.2 percentage points last year and its peers by 13 points.

Bacarella plans to add more programs for fund participants, including budgeting games and youth checking accounts. In addition, Monetta just agreed to a joint venture with YoungBiz.com to run money camps for the fund's teen clients, and it's working on a 529 platform.

"I want to make a difference in kids' lives while teaching them the business of day-
to-day living,” Bacarella said.

**Work Cut Out For Them**

Even with the fun and games, winning kids' birthday money and allowances isn't easy. The fund has been around since late 2006 but has only attracted $650,000 in assets.

Though the fund is unique among mutuals, it's one of a growing number of financial literacy efforts aimed at boosting young people's fiscal understanding. And they're needed. The ugly truth is that many kids are clueless about money.

The Credit Union National Association's 2006 National Financial Literacy Summit Report showed that 60% of teens don't know the difference between cash, credit cards and checks. And in a recent JumpStart Coalition for Personal Financial Literacy survey, high school seniors correctly answered only 48% of the basic questions about earning, spending, saving and investing. That's down from 52% in 2006.

College students are only marginally more financially literate. College seniors scored an average of 65% on the JumpStart surveys this year. The low scores "demonstrate that graduating high school seniors continue to struggle with financial literacy basics," said Lewis Mandell, who teaches finance at the SUNY Buffalo School of Management and conducted the surveys.

Some financial professionals see contests as a good way to help fix financial literacy. To that end, the Chartered Financial Analyst Society of Los Angeles and the California Council on Economic Education have run the Capital Markets Contest for the last five years.

This year, 1,100 students from 22 schools honed stock-trading skills and studied economics during the contest. The top five students each earned $500 in scholarships and a trip to the New York Stock Exchange and the Federal Reserve Bank of New York.

**Credit Card Abuse**

“There's no question (these programs are) needed,” said Jim Charkins, CCEE executive director. "Even when they do graduate, many kids don't understand money. The biggest reason kids drop out of college in the first year is credit card abuse — they run up big balances and have to quit and go back to work.”

The Treasury Department jumped on board the literacy contest train this year when it created the National Financial Literacy Challenge to inspire kids to bone up on their personal-finance know-how.

More than 46,000 U.S. high school students took the voluntary, 35-question test. The average score was 56%.

Nearly 400 students snared at least a 94% on the test, earning a National Financial Literacy Award, a U.S. Treasury medal. Just 35 students earned perfect scores on the test. Ten of them were randomly selected to receive $2,500 college scholarships and a trip to Washington, D.C. The fall Challenge runs Nov. 3 through Nov. 26.
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