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Barbara Yaffe: Financial literacy classes would have been a lot more useful than learning the value of pi

BY BARBARA YAFFE, VANCOUVER SUN OCTOBER 28, 2013



B.C. bankruptcy trustees Sands & Associates earlier this month interviewed more than 350 students, most aged 18 to 25, at University of B.C. and Simon Fraser University. The company's findings, released last week, suggest today's grads "have an altered sense of financial realities."

Photograph by: Mark Wilson , Getty Images

Latin was a compulsory course at my elementary school. In high school, I sweated over pi and isosceles triangles. At university, I studied French poetry.

Predictably, on graduating I was totally unencumbered by any knowledge of basic dog-eat-dog finances. Money management, the ABCs of borrowing, terms like collateral and amortization all remained abstractions.

And it appears not much has changed, based on a new study of financial literacy among Vancouver-area university students.

B.C. bankruptcy trustees Sands & Associates earlier this month interviewed more than 350 students, most aged 18 to 25, at University of B.C. and Simon Fraser University.

The company's findings, released last week, suggest today's grads "have an altered sense of financial realities."

"The understanding of basic financial life skills and key areas of knowledge were found to be lacking for significant portions of the study population," says the 2013 Student Finances Study.

Respondents were "heavily parent funded," with 52 per cent supported through their studies by mom and dad, and only 17 per cent working full or part time to help finance their education.

While 80 per cent expect to accumulate up to \$20,000 in student debt by graduation, 57 per cent thought they'd be able to pay off their student debts in just one year.

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That may be because the “students have an overwhelmingly positive outlook on their salary potential straight out of university”.

According to the study, 46 per cent of respondents believed they’d be earning within one year of graduating between \$35,000 and \$74,000.

And 73 per cent expected, within five years, to be pulling in \$50,000-plus.

The hard truth is, in B.C., mean per capita income was just \$28,930 in 2011. Only 27 per cent of British Columbians had income of more than \$50,000 that year.

On the positive side, nearly 80 per cent of the students said they use debit cards or cash to fund their daily purchases.

While 63 per cent reported having at least one credit card, 77 per cent said they paid credit card bills in full every month. Good thing too, because 65 per cent of respondents didn’t know about the merciless penalties incurred by late payments.

Blair Mantin, Sands & Associates VP, believes “improved financial literacy is imperative for Canada to solve its consumer debt problem.”

Mantin says he encounters individuals who start accumulating debt while at university “and find themselves hopelessly indebted five to 10 years after graduation.”

About 10 per cent of Sands & Associate’s clients are under 30.

Back in 2007, five UBC grads who suddenly discovered how unprepared they were to confront life’s financial challenges formed FLY which evolved into the Financial Literacy Club, with branches at UBC and SFU.

The club has since developed teaching materials on everything from paying taxes to investing. Their materials have been approved by B.C.’s Education Ministry and are being used in several high schools.

On its website, FLY takes a stab at explaining why “personal finance remains one of the least taught subjects.”

It points to a lack of teaching resources, and says what resources are available are too boring to engage students.

In fact, personal finance is anything but boring. A credit card-bill with accumulated interest can get a debtor’s heart pounding pretty fast and serious stock losses can be a life-altering event.

If boring materials haven’t impeded educators from teaching about isosceles triangles, surely ways can be found to teach young people a few badly needed basics about personal finance.

I’m willing to bet, it would get them a lot further than pi ever got me.