March 25, 2015

T. Rowe Price: Parents Let Kids Learn About Money The Hard Way

Parents, Kids & Money Survey Finds That Many Parents Believe Kids Should Have Credit Cards and Student Loans but are Reluctant to Discuss Financial Matters With Them
Parents Think Financial Education Should Be Required for High School Graduation

BALTIMORE, March 25, 2015 /PRNewswire/ -- T. Rowe Price's 2015 *Parents, Kids & Money Survey* revealed that parents are letting their kids, who are 8-14 years old, learn about money the hard way, but may not be having the appropriate financial conversations to help guide their decisions. Additionally, the survey found that a growing number of parents think that it is appropriate for schools to teach financial education, and three-quarters of parents think there should be a personal finance requirement to graduate high school.

Experience the interactive Multimedia News Release here: http://www.multivu.com/players/English/7455231-t-rowe-price-financial-education/

Edward Bernard, vice chairman of T. Rowe Price, commented, "T. Rowe Price believes that financial education can be a valuable component of an educational curriculum. We're pleased to see an increasing number of schools incorporating it into their programs nationwide. The complexity of today's world requires a good understanding of basic financial concepts, in order to save and spend wisely. Financial education works best when schools and parents work together to teach money matters and reinforce lessons from the classroom in daily life."

T. Rowe Price encourages parents to invest in their kids' futures by talking to them about money matters weekly. To help, the firm created MoneyConfidentKids.com. The site provides free online games for kids, lessons for educators, and tips for parents, focused around the financial concepts of goal setting, spending versus saving, inflation, asset allocation, and diversification.

Stuart Ritter, CFP®, a senior financial planner at T. Rowe Price, explains, "Parents need to put aside any reluctance to discuss money matters and find a balance between providing firsthand experiences for kids and talking about finances. While there is value in letting kids learn from mistakes, parents should also regularly discuss money, provide context and guidance, and use the real-life experiences to reinforce money conversations."

Since 2009, T. Rowe Price has used online games and experiences to engage kids in learning about money matters in a fun and interactive way. The firm will soon launch Star Banks Adventure, a new online game and mobile app designed with a matching concept that reinforces learning, while engaging kids in an epic adventure to save the galaxy from financial chaos.

LEARNING ABOUT MONEY THE HARD WAY

- **Let kids make mistakes:** 58% of parents let their kids make their own bad financial decisions so that they can learn from their own mistakes.
- **Using credit cards and student loans as teaching tools:** 52% of parents believe that their kids should have their own credit cards to learn about managing money and 61% think it's important for kids to have their own student loans so that they can learn about debt and responsibility.
- **But kids aren't ready for the responsibility it brings:** Only 21% of kids feel knowledgeable about credit and only 19% of kids feel knowledgeable about student loan debt.
- **Kids don't think parents are great teachers:** Less than half of kids (46%) say their parents are doing very or extremely well at teaching them about money and finances.
- **Parents have some reluctance to discuss money:** 72% of parents experience at least some reluctance talking to their kids about financial matters.
- **Mostly because they don't want kids to worry:** The most common reason cited for having some reluctance to discuss financial matters was that they don't want kids to worry.
- **But kids think their parents worry:** 61% of kids think their parents worry about money.

SCHOOLS HAVE A ROLE TO PLAY

- **Parents want personal finance to be required for graduation:** 75% of parents think there should be a personal finance requirement to graduate from high school, but according to the Council for Economic Education, only 17 states have a personal finance course requirement.
- **Schools are stepping up:** In 2013, 3% of kids said they learned the most about saving and spending at school and 12% said they learned the most about investing at school. In 2015, 35% of students say that they learn more about money at school than they do from their parents.
- **But, parents want schools to do more:** 80% of parents don't think schools are doing enough to teach kids about financial matters.

HOW TIMES HAVE CHANGED

- **More parents think financial education has a role in schools:** 91% of parents feel it is appropriate for kids to learn about financial matters in school, compared with only 70% in 2010.
- **More kids are getting an allowance:** 70% of parents reported giving their kids an allowance in 2015. In previous years, we found that just 47% of parents in 2013 and 48% in 2011 indicated that they give an allowance.
- **But allowance isn't free:** Of the kids who get an allowance, about six times as many are required to earn their allowance (85%) than those who get it with no requirements (15%).
- **Amount of money kids get for allowance is increasing:** In 2013, only 2% of kids got $51.00 or more in weekly allowance. But in 2015, that jumped to 9%. Meanwhile, the lowest dollar range for allowances dropped between 2013 and 2015. 68% of parents reported giving $10.00 or less each week for allowance in 2013, but only 50% reported the same in 2015.
- **The number of kids with credit cards has nearly tripled:** In 2012, 4% of kids had credit cards, but in 2015, 11% of kids have them.

PARENTS' FINANCIAL BEHAVIORS AFFECT THEIR KIDS

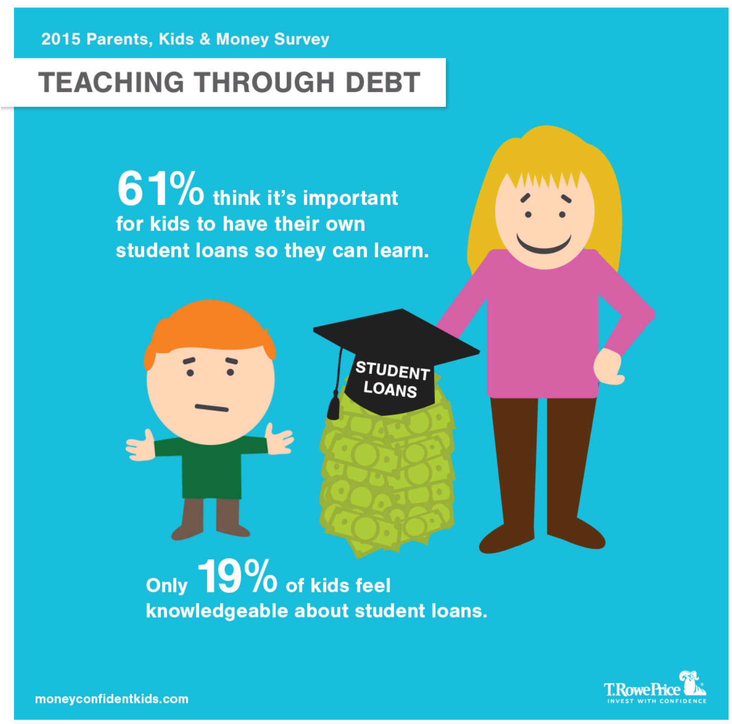
- **Parents want to set a good example for their kids and think that they are:** 69% of parents are concerned with setting a good financial example for their kids and 82% of parents feel they currently are setting a good financial example for their kids.
- **But their actions don't reflect it:** 68% of parents admitted to doing at least one of the following negative actions: lying about money, taking money from their kids' piggy bank, saying they can't afford something when they can, and using a "do as I say, not as I do" mentality when teaching kids.
- **Kids pick up on the bad behaviors:** 68% of kids suspect their parents have told them they can't afford something when they really can. And 40% of kids feel their parents use the "do as I say, not as I do" mentality when teaching them. 28% of kids know their parents take money from their piggy bank.
- **"Spender" parents are more likely to have "spender" kids:** Parents who identified themselves as a "spender" are more likely than parents who identified themselves as a "saver" to have kids that are also "spenders" (64% versus 52%).
- **Saving for vacations almost as much as retirement:** Only 44% of parents regularly save for retirement and 42% of parents regularly save for family vacation.
- **Parents are not preparing for emergencies:** 62% of parents do not regularly contribute to or maintain an emergency fund.
- **And some are not preparing for their kids' college:** Among parents who are not saving for college, the top reason given was that they can't afford to (66%), but more than one-third of those parents who say they cannot afford to also indicated they have money left over after paying monthly expenses (39%) and more than a quarter are saving for vacations (26%).
- **More than half of kids know how much their parents make:** 59% are aware of how much their parents earn annually. And 22% of those kids discuss it with their friends.
- **Some spouses have secret accounts:** 34% of parents keep at least one financial account that their spouse or partner doesn't know about.

ABOUT THE SURVEY

The seventh annual T. Rowe Price *Parents, Kids & Money Survey*, conducted by MarketTools, Inc., aimed to understand the basic financial knowledge, attitudes, and behaviors of both parents of kids ages 8-14 and their kids ages 8-14. The survey was fielded from January 20, 2015, through January 27, 2015, with a sample size of 1,000 parents and 881 kids ages 8-14. The margin of error is +/- 3.1 percentage points. All statistical testing done among subgroups (e.g., boys versus girls) is conducted at the 95% confidence level. Reporting includes only findings that are statistically significant at this level.

ABOUT T. ROWE PRICE

Founded in 1937, Baltimore-based T. Rowe Price (NASDAQ-GS: TROW) is a global investment management organization with $746.8 billion in assets under management as of December 31, 2014. The organization provides a broad array of mutual funds, subadvisory services, and separate account management for individual and institutional investors, retirement plans, and financial intermediaries. The company also offers a variety of sophisticated investment planning and guidance tools. T. Rowe Price's disciplined, risk-aware investment approach focuses on diversification, style consistency, and fundamental research. For more information, visit troweprice.com, Twitter (twitter.com/troweprice), YouTube (youtube.com/trowepricegroup), LinkedIn (linkedin.com/company/t.-rowe-price), or Facebook (fb.com/troweprice).



To view the original version on PR Newswire, visit:http://www.prnewswire.com/news-releases/t-rowe-price-parents-let-kids-learn-about-money-the-hard-way-300055885.html

SOURCE T. Rowe Price Group, Inc.