T. Rowe Price Survey Reveals Parents Overwhelmingly Feel it is Their Responsibility to Teach Kids About Money, But See Room for Improvement as Financial Role Models

Parents Find It Easier To Discuss Drugs and Alcohol Than Family Finances
Two-Thirds of Parents Feel They Could Do More to Teach Their Children About Money

BALTIMORE, March 31, 2011 /PRNewswire/ -- The third annual Parents, Kids & Money Survey from T. Rowe Price reveals that 86 percent of parents feel they — more so than educators or others — should have primary responsibility for teaching their kids the basics of personal finance. Yet, parents on average only grade themselves a B- for serving as role models regarding their saving and spending habits, with more than one-third grading themselves a C or lower.

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Similarly, parents on average grade themselves a B for their personal knowledge about money, with more than one-quarter grading themselves a C or lower. Just 28 percent of parents say they are very prepared to discuss basic financial principles such as setting goals, the importance of saving, smart spending, inflation, and diversification. Parents actually find it easier to discuss drugs and alcohol with their kids than family finances. They also find talking about investing just as difficult as talking about puberty/coming of age.

In addition, two-thirds of parents think they could be doing more to teach their children about money. The survey results are released in recognition of Financial Literacy Month, which occurs in April.

"The need for financial education has never been greater," says Stuart Ritter, CFP®, a T. Rowe Price financial planner and father of three. "There are opportunities each and every day to share important lessons with children, and with kids able to grasp many of these important financial concepts at a young age, these conversations can start as early as elementary school, if not sooner. Parents don't need to be experts, but they should be able to share the basic tenets that will put their children on the right financial path."

Mr. Ritter offers parents five tips for discussing family finances with their kids:

1. **Take advantage of everyday teachable moments** — such as going grocery shopping, opening the household bills or planning a family vacation — to reinforce financial lessons and make them more memorable.
2. **Help your kids set specific savings goals** — both short- and long-term — to provide real-life incentives and make the general advice to "save" more concrete. This will also better equip them to make smarter spending decisions.
3. **Emphasize prioritization** and focus on tying spending decisions back to the goals when your kids want something else. This can be a better approach than simply saying "no" and helps put the decisions in a context they will understand while making it easier to discuss the trade-offs.
4. **Have open communications** about the financial choices the family has to make and be careful about how you react to money issues. While you don't need to reveal all financial details such as exact household income, it's important to let kids know that the topic of money is not taboo and is open for discussion.
5. **Make money conversations fun** — which will better engage your kids and avoid the eye rolls that tend to accompany these types of discussions.

Facilitating family financial conversations and helping convey basic money lessons is one reason T. Rowe Price collaborated with Walt Disney Imagineering and Walt Disney Parks and Resorts Online to create The Great Piggy Bank Adventure®, which offers lessons on goal setting, spending vs. saving, inflation, and diversification. The Great Piggy Bank Adventure® comes to life through a free online board game at thegreatpiggybankadventure.com and through a hands-on, interactive exhibit at INNOVENTIONS at Epcot® at the *Walt Disney World*® Resort in Florida.

Additional survey findings include:

Parents May Not be Practicing What They Preach: With parents grading themselves higher for their money knowledge than in being good financial role models, there's room for improvement in making sure their behavior aligns with what they say to their kids. In addition, parents say that 20 percent of the time their children remind them of the money lessons they had discussed.

Conversations are Important and They're Happening More Frequently: 76 percent of parents say having conversations with their children about money and saving is very important, and half say they are having more such conversations than a year ago.

Moms Get Money Questions First, Although Dads Say They are More Knowledgeable: 61 percent of parents report that their children typically go to mom first with money questions. Yet, only 17 percent of moms grade themselves an A on their financial knowledge compared to 28 percent of dads.

Parents Agree Conversations Should Start Early: 77 percent of parents think discussions about the importance of saving and spending should start before age 10.

Kids Have Room to Grow in Their Financial Habits: Although family money conversations often lead to kids making good money choices, parents also report that more than a quarter of the time their children quickly forget the lessons. Likewise, while 92 percent of parents who give an allowance say they discuss how it should be handled, 43 percent of kids at least sometimes spend it all at once and 39 percent sometimes or always come back for more.

Missed Teachable Moment Opportunities: Although parents often take advantage of teachable moments during family activities such as shopping at a store or when their kids receive money as a gift, they tend to miss opportunities to have these conversations when shopping online, paying bills, or visiting the bank or ATM.

Online Resources Would Support Parents' Education Efforts: Outside of their own life experiences, parents say the resources they would find most useful in teaching their children about personal finance would be free online educational games and websites with tips and advice.

Understanding of Inflation and Diversification Lags: While parents say they and their kids have at least a fairly good understanding of how to set goals and the importance of saving, they also report that they — and particularly their kids — are a lot less knowledgeable about inflation, asset allocation, and diversification, the understanding of which are key to successful investing.

To further parents' financial education, T. Rowe Price also hosts a Family Center section on the firm's website. The T. Rowe Price Family Center (troweprice.com/trowefamilycenter) features real-life stories from parents about how they are taking the financial lessons they learned and are passing them on to their children at an early age.

The third annual T. Rowe Price *Parents, Kids & Money Survey* was conducted online by MarketTools, Inc. among moms and dads of children ages 8 to 14, capturing parents' attitudes and behaviors toward teaching their children about money. The study has a sample size of 1008 and the margin of error is +/- 5.0 percent. The study was fielded February 20 through March 7, 2011. Full results can be found by clicking here.

MEDIA NOTE: Stuart Ritter is available to discuss the survey and provide parents with additional tips on how to approach the topic of financial education.

Founded in 1937, Baltimore-based T. Rowe Price (Nasdaq: TROW) is a global investment management organization with $482 billion in assets under management as of December 31, 2010. 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. More information is available at troweprice.com.

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