

Financial gains: Teens savvy at managing real accounts, not simply studying concepts

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Teens learn more about money by managing real bank accounts, which can help avoid costly financial mistakes later in life, according to a new University of Michigan report.

Children's Development Account programs encourage savings and good [financial practices](#) early in life, establishing a foundation for life-long asset building. These programs are also more effective than [financial](#)

[education](#) alone, said Trina Shanks, associate professor of social work and the report's lead author.

"Having a real account or the opportunity to practice financial strategies may make it easier for students to retain knowledge gained from financial education," she said.

One initiative, Saving for Education Entrepreneurship and Downpayment, targeted young people under 23 and offered them incentives to save. The accounts are considered a "good deal" by parents, the analysis showed. However, some parents have been frustrated when they were unable to maximize the amount in the kids' accounts. The average savings has been more than \$1,500, but half of that amount was the initial deposit from the SEED program.

Shanks said what has helped some families find success in the programs has been direct deposit, matching funds and restricted access to their children's accounts.

In analyzing accounts for [preschool children](#), the research indicated that nearly 75 percent of the parents—who were almost all in low-income households—had a bank account, but few invested in retirement accounts, stocks or certificates of deposit.

Shanks also noted that the initial SEED deposits of \$800 from the program were available to the parents, but few withdrew the money despite their own difficult financial situations.

"This indicates that the families valued the opportunity to save for their child's education and resisted the temptation to dip into this account, honoring the commitment to restrict these resources," she said.

In SEED programs for high school children and [young adults](#),

respondents noted a positive self-image among those who saved, but negative feelings among those who failed to meet their goals.

The findings appear in a special youth economic opportunities issue of *Innovations*, a journal that will be launched at the 2013 Global Youth Economic Opportunities Conference, a three-day gathering beginning today in Washington D.C.

The article, titled "Financial Education and Financial Access: Lessons Learned from Child Development Account Research," was co-authored by Lewis Mandell, an emeritus professor at SUNY-Buffalo, and Deborah Adams, associate professor at the University of Kansas.

More information: bit.ly/17MaWpf

Provided by University of Michigan

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