Jumpstart's 12 Principles and the 80/20 Rule

by Lewis Mandell, Ph.D.

When we launched the Jumpstart Coalition for Personal Financial Literacy in 1997, we knew that the problems of financial illiteracy among America's youth could not be solved overnight. Instead, we adopted a "long view," giving ourselves 10 years to document the magnitude of the problem, attract the attention of the public, devise solutions and measure the success of the project.

Bad news becomes worse

At the coalition's official rollout five years ago, we also released the results of a benchmark national survey of American 12th graders showing that they could answer, on average, just 57 percent of practical and age-appropriate questions relating to financial literacy. These dismal results had the intended effect of bringing a great deal of attention to the problem. Membership in the Jumpstart Coalition and interest in financial literacy swelled.

We administered a second survey in 2000. Unexpectedly, the results showed a decline in financial literacy, with the average score falling 4 points to 53 percent. It turned out that increased public and political interest in the problems of financial literacy was outweighed by the pressure on high-school administrators to show improvements in the basic "3 Rs." This meant devoting more time to preparation for the standardized outcome measurement examinations, leaving less time for useful, but not essential courses such as personal finance. Clearly, this was not going to be a 10-year mission.

As the person responsible for administering the national surveys and tabulating the results, I had become the dreaded messenger of bad news. Although few of us expected to see dramatic improvements in the short run, none expected to see a decline in financial literacy on our watch.

A change in focus

This was the context of the Jumpstart meeting held in Washington in the fall of 2000. Attending the meeting were partners from more than 100 diverse organizations interested in financial literacy. They ranged from government agencies including the Treasury Department, Securities and Exchange Commission and the Federal Reserve Board, to trade associations such as CUNA, the American Bankers Association, and the American Financial Services Association, to not-for-profits such as Junior Achievement.

Traditionally, during the afternoon before the big meeting, partners break up into committees to focus on specific areas in which they have special expertise. I was a member of the public relations committee, whose mission was to spread the word about the need for youth financial literacy. Included in our group were senior members of the press including *The Wall Street Journal Classroom Edition*, *Money Magazine*, and *Kiplingers*. Their help had been essential in raising public, corporate, and political support for financial literacy.

As members of the committee spoke that day about ways in which the problem of financial illiteracy could be further publicized, my thoughts drifted, instead, to the time it takes in our system for a serious problem to be solved. First, you need to mobilize political support, both in Washington and in each of the states, since educational curriculum is in the province of state and local government. Then you need to come up with viable curricular and pedagogical solutions to the problem that are acceptable to all the units involved. Then you must prepare teachers to teach financial literacy. In my mind, another generation of students could finish school without learning the basic principles needed to make important financial decisions in their own self-interest.

The essence of personal finance

It was then that the famous 80/20 rule flashed in my head. As with most things, 80 percent of what one truly needs to know about personal finance can be learned in 20 percent of the time needed to learn it all. If we could just focus on the most important principles of personal finance, perhaps we could begin to teach people now, with the help of the media. While the best solution still involves teaching personal finance as part of the primary and secondary curriculum, this was, perhaps, an interim solution. I raised my hand.

The notion of distilling the essence of personal finance into a few easily communicated principles attracted the support of the group. But which principles were most important? Lynne Strang, our committee chairperson, had a brilliant solution. Why not enlist the collective wisdom of all of the organizations that make up the Jumpstart Coalition? This is exactly what she did the next day at the meeting of all partners.

We asked each participant to write down the single most important principle, based upon his or her own expertise. Because we had organizations that represented all of the important components of financial literacy including savings, credit, retirement, insurance, and investments, we received excellent input. The next day, we began sorting through more than 50 contributions and eventually ended up with 12 — one for each month of the year.

Experts in the field carefully reviewed our initial cut. Two youth focus groups — one consisting of high-school students, the other of boy scouts ranging in age from 12 to 18 years old — evaluated the principles for comprehension. Based upon feedback received from these focus groups, we made several modifications. For example, the original wording of one of the principles, "There is no such thing as a free lunch," was rejected as confusing because many students do, in fact, receive a free lunch at school.

The 12 principles that emerged (see sidebar below) have begun to receive a great deal of attention. They've appeared in publications such as this, in a comic book that will be published by the New York Federal Reserve Bank in both English and Spanish, and in seminars offered to students and community groups. You'll also find them in *Googolplex*, CUNA's online magazine for young credit union members.

Most of us continue to believe that the ultimate solution to the problem of financial illiteracy is to reach all students as part of their education. But we're hopeful that those who will graduate before our dream comes true nationwide will benefit from exposure to these principles.

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The Jumpstart Coalition's 12 Principles

January: Map your financial future.
February: Don't expect something for nothing.
March: High returns equal high risks.
April: Know your take-home pay.
May: Compare interest rates.
June: Pay yourself first.
July: Money doubles by the "Rule of 72."
August: Your credit past is your credit future.
September: Start saving young.
October: Stay insured.
November: Budget your money.
December: Don't borrow what you can't repay.

See the Principles explained and linked to related information for youth at www.wright-pattcu.org. *Follow the links to* Googoplex *and this month's Jumpstart principle.*