

Americans Lack Adequate Economic And Financial Knowledge

(NAPSA)—A recent survey by the Center for Economic and Entrepreneurial Literacy (Econ4U.org) revealed an urgent need for increased education on personal finance and economic issues.

The survey found an overwhelming number of Americans are unable to answer some of the most basic questions about borrowing, interest rates and even simple math. What's more, many people admitted to making poor decisions with their own personal finances.

The survey showed that just one in four adults know that if they need a quick \$100 to cover an expense, overdrawing their checking account is more expensive than a payday loan, credit card advance or emergency wire transfer.

Even worse, half of those surveyed admitted to having overdrawn their checking account. A recent study by the Federal Deposit Insurance Commission showed that bank overdrafts are the most expensive form of short-term borrowing, with fees ranging from 1,067 percent to 3,520 percent APR.

"Somehow, overdrafting checking accounts became a common practice, particularly among young Americans," said James Bowers, Managing Director of Econ4U.org. "The public needs to understand that the interest rates and fees on these overdrafts are far more expensive than any other conceivable form of short-term borrowing."

But it isn't just short-term loan fees that Americans are unaware of. The survey results revealed a surprising degree of economic illiteracy on a wide range of topics.

The survey discovered:

- 54 percent of respondents could not define "subprime mortgage."
- 56 percent of respondents could not identify their FICO score as the most important factor in getting a loan.
- 65 percent of respondents



Better personal finance education at all ages can mean better-informed workers, borrowers and voters.

could not correctly subtract 25 percent from 8. One in three couldn't calculate 1 percent of 50,000.

"Economic illiteracy is at the heart of our current economic crisis," Bowers said. "As many Americans find themselves knee-deep in mortgages that are far too expensive and that they don't understand, it's troubling to see just how widespread our financial ignorance is."

Americans, Bowers believes, need to be more diligent about understanding their personal finances. Specifically, paying bills late and overdrawing a checking account are preventable financial mistakes. Not only expensive in the short term, these missteps hurt borrowers' credit ratings, costing them more down the line.

CEEL urges policymakers to commit to increased and expanded economic education at all levels.

Learn More

You can learn about credit ratings, monthly payments, profit margins, consumer loans and the national debt, and even take economics quizzes, at the Center for Economic and Entrepreneurial Literacy Web site, www.Econ4U.org.