



How To (Effectively) Teach Teens Financial Literacy

Prep Period Podcast Episode #01

February 2021

ANNOUNCER: You're listening to prep period the only podcast for teachers that's focused on quick wins and actionable tips that can be implemented in your classroom tomorrow prep period starts in three two one

BRIAN: Welcome to the prep period podcast. As always my name is Brian Bean. I'm going to be your host and today we've got something special. Okay our guest is Adam Carroll from well from pretty much everywhere as you will soon see. Our topics for today we're going to talk about Adam's philosophy about teaching personal finance. Especially the fact that money isn't real for students today and that students really need to make money mistakes early and often. So I am super excited with that. Welcome Adam. So first things first let's get our listeners a little bit more familiar with you. Adam Carroll spent 15 years helping people do more with the money that they make. He's an internationally recognized financial literacy expert author of four amazon bestsellers a two-time Ted talk speaker with over 5 million views on YouTube. But despite all that this is career highlight I'm assuming. We've reached the peak now. You created let me make sure I get this right *Broke, Busted, and Disgusted*. It's a documentary aired on CNBC and is shown in literally hundreds thousands of high schools and colleges across the country. Okay he's the host of the Build a Bigger Life podcast and the founder of The Shred Method. When Adam isn't speaking at conferences consulting with companies or hosting leadership retreats in exotic locations (you're gonna have to show me how to get into that gig) you'll most likely find him at home shooting hoops or having nerf wars with his kids. So with that intro i feel like i'm in the presence of royalty. I'm so excited.

ADAM: Oh jeez. Can I record that and air that for my wife? And again I come home from events Brian and she's like clean the toilet pal. So I get my my humility at home. She serves me some humble pie. But thank you for having me.

BRIAN: Next time you're doing a consulting retreat at some exotic location you need a hype man you just call me.

ADAM: Done and done.

BRIAN: Alright now for our listeners who somehow maybe are not familiar with you and this is their first exposure to Adam Carroll okay one of the things that I've actually I've heard you say this to me before as well is that for students today money isn't real. So obvious first question what does that mean?

ADAM: Well I'll tell you. When I first realized that money wasn't real to this generation I was speaking on college campuses. Brian and I had been on 750 college campuses all across the country everywhere from Florida State University on the east coast of the university of spoiled



children on the west coast. You know where that's at. And every school that I that I presented where I presented I would ask the question how much student loan debt will you have when you graduate? And the answer that I got overwhelmingly do you know what it was?

BRIAN: My guess is they said I don't know.

ADAM: They did! They said I have no clue. And I'd say ballpark best guess and they could be like I couldn't even venture I guess.

BRIAN: Wow!

ADAM: And so I'm watching them spend money and not realize they're spending money or not realize how much money they're spending. And at that moment it was like well this isn't even real to most of these young people. And then we started developing all this fintech like Venmo and and you know obviously Paypal was a thing already but you get to Venmo where I could pay you out of my Venmo account with a couple of pushes of a button and it doesn't feel like I've sent you anything though I have. I've transferred value to you. And then I started noticing on many college campuses if you wanted to go into the dining center Brian you just lay your fingertip on the reader and it scans your fingerprint and then charges your u-bill.

BRIAN: Wow.

ADAM: I'm like this is even more abstract for these young people and...

BRIAN: That's like science fiction.

ADAM: Right right. I mean we might as well have units that are floating above digitally around our heads and when we hit it it just transfers you know units from one person to another. Which is essentially what we're doing. And-and I was really taken aback by just the lack of awareness by you know high school middle school high school college students of how much they were spending what they were spending that they were spending and I really wanted to bring that to the forefront. So that's what I mean when money isn't real. I mean we've we've created a society where money is so intangible for most people that they can't even fathom how it functions in society today.

BRIAN: You know you're absolutely right. We're gonna we're right out the gate. We're gonna go off script now. So yeah we're gonna throw the script away because I wanna keep talking about this very concept because you're right. And when you think about it when you remove that physical action of parting with your wealth when you remove that from the equation it becomes so much easier to spend money without thought. So if that's the case it seems like that's priority number one for teachers anyone who's going to teach personal finance and that responsibility. How do they overcome that barrier of I'm trying to teach you about money and to you money isn't real?



ADAM: Right. Well number one and this was the this was the issue in our house was the kids would see us swipe a credit card or a debit card at the grocery store and literally I mean if you were to time that transaction that transaction takes maybe 10 seconds.

BRIAN: Yeah.

ADAM: Stick the card in the reader. Maybe you key in your pin you pull it out you stick it back in your wallet. A kid could turn around and look at you know something in the aisle and turn around and it's done. So they don't have any concept for and I'm talking about young children.

BRIAN: Yeah.

ADAM: They don't have any concept that money is exchanged hands. It's just like oh we went and got groceries.

BRIAN: Yeah I show them this piece of plastic. They give me stuff this is great!

ADAM: And where it became really apparent for me well before that I used to I remember going to the grocery store with my parents and I remember them writing checks and I remember this is going to date me but I remember them writing checks where the teller would say or the cashier would say what is your social security number and they would give it to them and the cashier would write it on the check to the extent brian that I can give you my both of my parent's social security numbers.

BRIAN: I don't know let's try it why don't you give them to me now we'll just see.

ADAM: Four eight one nine eight - I'm just kidding but I literally know both of my parent's social security numbers because it was ingrained in my head when I watched them do that. And my mom was meticulous about writing down how much was the check and balancing the checkbook in the moment where my dad would write the check and he would balance the checkbook a week later and it would drive my mom crazy. And fast forward to my kids growing up and watching us do what we do. I got my first apple pay account on an iphone and I went through the same grocery store that I you know the chain that I grew up with and worked at when I was a teenager and I went through and the first time I put my phone over the sensor and did apple pay my son who was seven at the time he goes dad I can't wait to get a phone so I can buy stuff.

BRIAN: No .

ADAM: And I was like this is wrong. This is this is not what I want and so in the moment Brian what I realized was you know I had been speaking on college campuses I was faced with the realization that money isn't real on the campus. Money isn't real to kids. And the number one thing that we have to do as educators is we have to make sure that students are using cash. Because they need to feel the tangibility of money and feel what it's like to give a \$50 bill to the



cashier and get a few dollars or cents back. And the difference that that is from hitting one-click ship on amazon for \$47. Because we'll do that all day long and not think twice about it.

BRIAN: Yeah. Now when I think about this, on the one hand, I think absolutely I couldn't agree more. You know I wish every like my I have teenage boys and I want them to go mow somebody's lawn and get paid in cash.

ADAM: Yeah.

BRIAN: That's not going to happen anymore where I live. But that's what I want them to do. I want to get cash that way. Go get a babysitting job and get paid two bucks an hour something.

ADAM: Totally.

BRIAN: And then go use that money to go buy something at the store. And I that's the gut reaction but now let me play devil's advocate.

ADAM: Okay.

BRIAN: You and I may very well be dinosaurs that are about to become extinct, you know? The world technology may inevitably go in this direction where we become a cashless society. Yeah. So the the challenge then is teaching students how to make concrete decisions with an abstract concept right? I know that you and I'm familiar with your work you're somewhat familiar with my teaching model. We have a lot of similar philosophies when it comes to how to teach personal finances. One thing that I really like that you've harped on many times that I think might be intricate to this process that we're talking about is the idea that students and people in general they need to make mistakes. They need to make financial mistakes early and I believe you say you're exactly early and often.

ADAM: Early and often.

BRIAN: Yeah where's the value? Help us understand the value in making the mistakes early and often.

ADAM: So I love this question Brian because it goes back to my experience on college campuses. When I would talk to these students and they would ask me some of them would come up and and just be very forthcoming about the fact that their parents took care of everything. Yeah. You know and these are like 21 22 sometimes 24-year-olds that would say yeah I just don't know how much anything costs because my parents have always taken care of this stuff. And in the moment while I understand why they do it I think at some point societally we've conflated love and struggle. So we we believe that I love my kids like I truly believe you love your teenage boys no question. I love my kids and therefore I don't want them to struggle. That's sort of the message that we have societally today and the reality is that.



BRIAN: The opposite may be true.

ADAM: The opposite is true. And we like the struggle has to occur for them to pop out on the other side as successful productive adults. And so case in point there's a good friend of mine who is a very successful entrepreneur. He got into the cellular telephone market years and years and years ago like probably 25 years ago he opened the first franchise store for this local carrier and he's been super successful ever since. And he built this long-term residual business with it. Just brilliant guy. And the other day I was talking to him and he said you know my daughter's going off to college and I think we've done a great job. And I asked her how do you think we've done preparing you to leave the nest. And she goes great on everything but I know nothing about money. And I said how is she 18 and you've been so successful and she doesn't know anything about money. And he said I gave her a credit card. She's an authorized user on my credit card and I said if you need anything put it on here. And I said what does that mean exactly? And he said she puts her gas on it. She if she goes shopping she puts her shopping on it. If she wants to get something to eat with her friends she'll treat her friends to things and put that on there. And we pay it. And so long as it isn't crazy I don't say anything. And I'm like this this this proves my point that money is abstract.

BRIAN: Yeah.

ADAM: Because if she has no clue of how much she's spending and you're not calling her you know holding her accountable or calling to the carpet on any of it it's on you. It's not on her. And so she's going to be an 18 or 22 or 25-year-old person still reliant on dad or mom covering all the bills. So when I say we need to have them fail early and often what I mean by that is hey if the kid has five bucks in his hand and he goes into target and he buys five dollars worth of candy when he comes out the lesson is well you just spent five dollars on candy. How do you feel? And he'll either be like I feel great I bought a bunch of candy. And if he eats all the candy and he gets sick you're like well you just wasted five bucks on candy they just puked up. You know that's a lesson.

BRIAN: Yeah it all depends on the candy. I mean if he's buying laffy taffy I understand but if he walks out five dollars in tootsie rolls that's just a waste of money right?

ADAM: That's right that's right. I'm with you. I'm totally with you on this. And so as...

BRIAN: We just lost tootsie rolls as a sponsor.

ADAM: So with our kids what we did we started we started an allowance program when they were much younger. And the deal was they got a dollar per year of age per week. And they had to do chores in order to get the money. There was no like paying commission and all that. I know there's a lot of gurus out there that will say oh pay your kids commission. Well I have a couple of pretty savvy kids that'll be like I don't care how much you're going to pay me to pay to clean the toilet. I'm not going to do it right? So we said you have this spat of chores you have to do. You will only get the money if you do them because that's how our house runs. But when



you get the money it's yours to do with as you please right? And we had rules. 10% goes to saving 10% to investing 10% to giving 70% is yours to do what you want. We had a family 401k plan where we would put 20. I would match whatever they put in their investment jar up to 25 bucks a month.

BRIAN: Wow.

ADAM: And you know the lesson was that if you wanted to buy a \$50 nerf gun well go for it. I mean that's your fifty dollars. Just know that it's going to take you a few months to save that back up again. And my one son my middle son middle child oldest son he would always put \$25 in the invest jar because he knew I'd double it. So even if he had to borrow out of the save or you know a different a month of 70% that he had to spend he would do that because he knew he was going to double his money. If he put 25 bucks in the invest jar and all the way along...

BRIAN: I wish I could find somebody who would just match every investment that I made.

ADAM: Right! It's a pretty good deal. But I and you'll appreciate this Brian one of the things I told them was you will not go to school. You know you will not go to college until you have an MB. And they were like what do you mean? By that I said you will have a massive bank account before you go to college. And I set a goal for them that they had to have five thousand dollars set aside in a savings account before they hit 18. And my 17-year-olds there my 15-year-old's you know 80% there.

BRIAN: Wow.

ADAM: My 13-year-old is 60% there. So when you when you set these commitments and expectations of them generally speaking they'll strive to meet them. And I think that's what we have to do around money with kids is give them the opportunity to fail early and often. And then set expectations like okay now that you know how to handle money here's the goal. Yeah and they'll rise to meet that expectation.

BRIAN: Well I like that the the groundwork to develop the skills and develop the perspective is laid first.

ADAM: Yes.

BRIAN: One of the things that so I'll just plug my own teaching model here for a second. One of the things about my teaching model that worked so well is that every decision students made in class financially carried an opportunity cost of some kind that they could see almost immediately.

ADAM: Yes.



BRIAN: I want this thing but if I buy it I can't get that. And I want that too. And I gotta decide which one I want more. Or we throw in needs and it's like I want this but I need that.

ADAM: Yeah.

BRIAN: What am I willing to sacrifice? And and I think that is just absolutely instrumental in the learning process.

ADAM: Totally.

BRIAN: And I don't think that finances owns the monopoly on this either. I think that that can hold true in almost any subject matter where you know students have you put them in a position to take control of the direction of their learning.

ADAM: Yes.

BRIAN: And it just unlocks a completely different part of their brain that takes them to a different level is my personal belief.

ADAM: My dad my dad has this term that he uses and he's an organizational development guy and he taught me about shared ownership.

BRIAN: Yeah.

ADAM: And shared ownership I think is really important for parents and kids around money. And he said to have shared ownership you have to have three things. You have to have information you have to have decision making and you have to have consequences. So as an example I find I found that a lot of college students with whom I spoke said I have no idea how much my parents saved for college for me. I have no idea how much I'll have to borrow. I have no idea how much they've taken out in parent plus loans. And for us we create a shared ownership model around that where I would tell my kids this is exactly how much money there is in the various accounts for college. You are going to determine from an information perspective how much the schools you're looking at cost and what it's actually going to be over four years. Then we have decisions to make. And the decisions are you know are you going to be an RA? Are you going to work full-time? Are you going how much debt are you going to take on because I'm not going to take on any debt for you? How many scholarships are you going to apply for and what's the percentage likelihood that you're going to win some of these? So we get it's a numbers game. And then the consequences of those decisions are I'm going to show you exactly how much you owe and exactly how much those payments are going to translate to when you graduate. And it's amazing when you have a shared ownership conversation like that. They get it. Like my kids all get it. They know how much college costs are and what they're going to have to save and how much scholarship money they're gonna get.



BRIAN: I love it. And and you know even the concept of student loans kind of when you think about it that that just doubles down on this concept that it's abstract money. Because they might walk away with you know eighty thousand dollars of student loan debt that translates to a few hundred bucks a month in their payment because it's amortized out to 20 years. And so they don't think about the fact \$80,000 I'm going to pay back \$150 because of interest yeah over 20 years they just think about oh it's 2-300 bucks a month. But I'm going to get this great job after I graduate so 300 bucks a month is nothing kind of a thing. And it just kind of fuels the abstract fire.

ADAM: Well and to boot they also will will not I mean they'll say well I'll go into forbearance or deferment for six months or 12 months and then by the time they get back out and start paying because they found that dream job. Now that student loan has grown by five thousand dollars in interest and you know delayed payments and they're like I didn't borrow this much money. No you didn't you borrowed five thousand less and then decided not to pay it for...

BRIAN: Exactly.

ADAM: Yeah that's the scary part. And in the in the documentary *Broke, Busted, and Disgusted* we interviewed a woman by the name of Allison who was a she was a veterinarian. She had her doctor a veterinary medicine degree. And when I asked her how much debt do you have she said 298 thousand dollars and I know what the payment on 298 is going to be but I and I we asked them all how much is your payment a month and she said \$1200 a month. Now if you do the math that's fourteen thousand four hundred dollars a year in payments.

BRIAN: Yeah.

ADAM: But doctor of veterinary medicine level loans are at like six to eight percent.

BRIAN: Yeah.

ADAM: So eight percent on three hundred thousand is twenty four thousand dollars a year in interest which means her loans were growing by ten thousand dollars every single year. And and this is where it's like it was abstract. She just needed to go get the wanted to get the degree right?

BRIAN: Yeah. It's so funny you mentioned that. So you know I sold my company a while back. Got a little bit of a financial windfall from that and I the first thing I did is I went and I paid off all my student loans. I had made we'll call them bad choices we'll call that I had a lot of student loans.

ADAM: Yeah.

BRIAN: But I had never ever missed a payment. I had had to go on to determine a couple times for forbearance but I'd never miss a payment. And I've been paying on these student loans for



almost 20 years now. When you think about it according to how these things work I'm supposed to be done after 20 years.

ADAM: Right.

BRIAN: Right. But I wasn't I wasn't even close because I had also been doing you know income based repayment. Yeah. All these different things to make my monthly payment more managed. I'm a school teacher and I'll make a lot of money all these different kind of things. And when I finally paid him off I paid out over \$10,000 more than I actually ever borrowed and that's after having paid 20 years of payments. I still owed 10 grand more than when I actually had borrowed if I had continued doing it based and it's not like I did anything like I don't want to say overly irresponsible. I was doing everything within the program that the government laid out.

ADAM: Sure sure.

BRIAN: You can borrow this money. You can make these payments. And that's fine. Yeah well I never did anything you know untoward on anything of that. Yeah I if I hadn't sold my company I would have probably never gotten out of student loan debt.

ADAM: And you know the interesting thing is that yours like that story is so commonplace today. When I talk to people that could be in their 40s 50s I know folks in their 60s and 70s that still have student loan debt many of much of it is either parent plus loans or some of it's their own. And it was advanced level you know education debt. But the the average length of time to pay back loans today is 21 to 23 years and the government will say we want to make college affordable which is true. They do by shrinking the payment and extending your payments out into perpetuity.

BRIAN: Yeah.

ADAM: And what they're not saying what they're saying is we want to make college affordable. What they're not telling you is you are going to hate these for the last 15 years of your life. Because right it'll be like can I please just kick this thing to the curb.

BRIAN: Yeah and and the the the scary thing is I had multiple financial advisors tell me not to do it. Not to pay it off because my interest rates were so low. Yep. They're like dude just go invest that money somewhere else. You will get a higher return than paying that off. But it's like I said if I don't pay this off I'm going to never pay it off right? I will be there forever right? I used to joke with my wife so you know I'm getting my doctorate degree. I've got a master's degree. I used to joke with my wife that my plan was to just never stop going to college and then I never have to pay off my student loans and I'll just go to college. I'll have like eight degrees when I die and then I'll worry about somebody.



ADAM: There are people who are doing that right now. I mean we did when we did the doc we interviewed folks who said I'm going to take one or two classes every year for the rest of my life just so I'd never have to pay student loans again.

BRIAN: Wow.

ADAM: And you know it's it is a strategy.

BRIAN: It is a stress strategy by definition it is a strategy. Well I tell you what thank you so much for your time. We've gone a little bit overboard but I don't really care. It's been really fun to talk. You know I'll leave you on this note. You talk about the the strategy you've taken with your kids and and preparing them for college and helping them understand and it it reminded me a lot of my own father's strategy. So my dad took the same strategy as you. I knew exactly how much money was set aside and that number was zero. Yeah he had set aside no money for me. So I had to make all those decisions for myself. So I think that I think your way might have been a little a little better for lack of a better word. And I think that we've taken we've given a lot of nuggets to the listeners out here either teaching or people who have families and kids. It's applicable if you're a parent you're a teacher right?

ADAM: Absolutely. Absolutely. Well and to the educators and to the parents out there what I would tell you is that that your your kids whether you're teaching them in class or you're teaching them at home they are ready for advanced thought around this. They're craving it in fact. And the earlier you share it with them the the more readily they will absorb it. As they get older you know I've got teenagers who I mean they're my son was like dad what's what's Bitcoin price at. And you know what what is Apple stock doing today? And did when it split didn't did it go back up again? Or where are we at these are questions they're asking? And that's not I mean I know 50 and 60-year-olds that wouldn't know to ask some of those questions. And all they did we just need to introduce it. And so I applaud the educators out there and I love what you guys are doing because this is this this is like this is purpose-driven work for me and for you Brian I know.

BRIAN: Yeah as well thank you so much for being on our show. My pleasure. Okay I want to thank Adam one more time for coming on as a guest to our podcast. What a great episode. For those of you who are thinking you might want to check out some of his resources and some of the things that he's done go and check out his website masteryofmoney.com and also it'd be worth a look to go watch his documentary. It's called *Broke, Busted, and Disgusted*. As far as my final thought for the day you know I want to echo what he said about you know just one way or another if you're a teacher and you've got students or parents and you've got kids you'll find a way to increase their accountability but also their ownership of their own education and their decision.s I think that is a tremendous tremendous benefit to students in their learning process and I couldn't echo it any louder. So with that like always if you or anyone that you know you think would be interested in being a guest on our podcast please reach out to me at brian.bean@stukent.com. That's Brian with a bean just like the vegetable. So with that thank you very much for listening.