Thank you, Cynthia. I’m very pleased to introduce Carrie Schwab Pomerantz, who is the Chief Strategist of Consumer Education for Charles Schwab & Company, Inc., and is also president of the Charles Schwab Foundation. She speaks and writes extensively about personal finance issues for women and families, and is a huge driving force in the movement to increase financial literacy in America. She has worked with the Boys and Girls Clubs of America to create and now manages a national financial literacy program designed to reach millions of teens.

She also co-wrote with her father, Charles Schwab, who is the founder and the co-CEO of the company, *It Pays to Talk: How to Have the Essential Conversations with Your Family About Money and Investing*. For the past two years, she has been recognized by the *San Francisco Business Times* as one of the Bay Area’s 100 most influential women in business. Carrie, thank you for being on the call this morning.

Thanks, Jenny. It’s really an honor to be here on behalf of the Department of Labor. As you mentioned, Jenny, I’ve been focused
on the lack of financial literacy for a lot of years. I started working for my father’s company when I was 16, so that’s almost going on 30 years. One thing, the common thread that I have found throughout my career is that the lack of financial literacy in our country is a crucial economic issue, and quite frankly, it cuts across Americans from all walks of life – young and old, rich and poor, men and women. So I think it’s terrific, the work that the Department of Labor is doing to educate Americans across the nation.

I wanted to start with talking about some of the skill sets that I think we ought to teach our kids; and in fact, I truly believe this is where we begin to make generational changes, because we know that kids don’t magically, without any personal finance [education], don’t magically become financially savvy adults. So this is where we can get at the crux of the problem. But anyway, I’m going to talk more about sort of the five or six points that I think form a skill set that kids need to have; and then Jayne, our other speaker, is going to talk more about the values. Because I think to raise money-wise kids, you’ve really got to combine not only the money skills, but the money values.
You mentioned that I wrote a book called *It Pays to Talk: How to Have the Essential Conversations with Your Family About Money and Investing*. The reason I wrote that book is because of the numerous research that we’ve done at Schwab. One compelling statistic that came out is the fact that so few families talk about money and investing, and in fact, it falls between sex and drugs as one of the least talked-about topics. My father and I were big believers that, again, if we’re going to make a more financially literate society, the conversation has to start at home.

Just a few side things: What we found through this research is that those families who do talk about money and investing, they do talk to their sons differently than their daughters. When they talk to their sons, they talk about estate planning and wills; but with their daughters, they talk about budgeting and saving. So again, they’re leaving the more hard core money skills to the boys and not to the girls. I point that out given that this particular venue is specific to helping Gen X women, so we need to, again, to make a more financially literate society, to really make sure that we teach both our boys and girls about money management.

Also what we found is that there are a tremendous amount of Americans in this country that lack confidence in their investing
abilities, and they attribute that to the fact that their families didn’t
talk. So I think for all parents who are on the call today, starting to
just talk about it, incorporating it in your daily conversations, when
you’re shopping as a family, making purchasing decisions, talking
about the family budget. It doesn’t have to be a formal
correlation conversation on a weekly basis, just interwoven in your
conversations.

My second point – and I know Jayne is going to talk more about
this – is about giving your kids an allowance. I have three kids
myself, from age eight to 16, so I have run the gamut in terms of
how to teach my kids – or I’ve had the experience of teaching kids
about money and investing, and I suggest that you start probably
around age five or six years old with giving an allowance. The
amount really depends on what responsibilities your kids have,
what the going rate is, and really what your financial situation is.
But the point of giving an allowance is – this is the first time that
kids can actually experience money and place value on it and learn
to make budgetary choices. So again, this gives them the
experience of handling money.

While they’re having their allowance, I think it’s really important
to let them make some of their own purchasing decisions. Try to
hold back the criticism, because again, experience is the most important thing; and in fact, I have a little story with my son. We were shopping in a pharmacy. I was running in to get something, and my son and I walked down the toy aisle. He was begging me to buy him some Pokémon cards. I almost bought them until I realized, wait a minute, he has an allowance.

I said to my son Win, “Win, you’ve got an allowance. You can pay for them.” He looked at me and looked at me for a while, and then he said, “I think I’ll pass.” What he was trying to say really is that his money was more valuable than my money, and really ultimately those Pokémon cards weren’t worth the money at all. So anyway, a first example or a first experience with making choices.

Also – this is a huge issue in our country – is the savings rate. It’s at an all-time low, at 2%. So I’m a big believer about encouraging your kids to save, and there’s different ways to do that; but my kids, I encourage them to save their allowance, birthday money, holiday money; and in fact I had them go down to the local bank and open up their savings account. My first son, who loves money – no problem, he came down; I had him fill out the paperwork, meet the teller and so forth. My second son wasn’t as interested in
it, and I said, “I’m going to give that money back if you don’t come to the bank. This is part of the experience; I want you to be responsible.”

He finally did, and both boys saved enough money over the years, to about a thousand dollars, and at that point we were able to open up brokerage accounts. But I think what’s important about learning to save, there’s a couple of things there. First of all -- what you might do if you have a child that isn’t as interested in saving -- you can offer to match their savings to spark that interest. Compound growth is really what savings is all about, and is really the key motivator; and this is of course a principle that I talk a lot about with adults, with investors, about the whole idea that the earlier you start saving, the less you have to save later in life. And again, it’s about compound growth. I’d like to just tell a couple of examples of putting this particular notion in place.

For kids – and this is not a realistic example, but it’s still amazing – if you were to double a penny every day for 30 days – so the first day is one penny, the second day is two, the next day is four – you ask kids, “What do you think after 30 days it will be worth?” And what you find, if you do the calculation, is that the penny grows to
almost $11 million, which, again nothing doubles, but it does show you how the growth multiplies; it’s a snowball effect.

Let me give you another realistic example -- and this is actually in my book. It’s a fairly common example, but two sisters, one sister starts saving at 25 years old, $2,000 a year for ten years. So a total of $20,000 until she’s 35. Her twin sister does not save and invest in that time period. She starts when the first sister quits, at age 35; and she saves $2,000 a year for the next 30 years. She saves $60,000, versus $20,000 of her sister. [Assuming that both sisters earn the same 10% annual return on their investment over the 40-year period, at the end of that period the first sister would have $611,817 compared to the second sister’s $361,887. That’s because she started earlier and her money had the full forty years to grow and to earn interest on what she saved and on the interest she earned. A table illustrating the yearly growth is found on pages 41 and 42 of Ms. Schwab Pomerantz’s book, *It Pays to Talk: How to Have the Essential Conversations with Your Family About Money and Investing.*]

Now, you wonder. It would make sense that the sister that saved the most money but started ten years later would have more money, but that’s not the case. It was the first sister who almost
has twice as much money saved when they’re both 65 than the sister that waited ten years. So again, the point is, the earlier you start, the more money you’re going to have, and that’s the principle for all of us. I know there are a lot of young women in the audience, but also for our kids.

I mentioned opening up a brokerage account, and I think 12 or 13 years old is a great time. A lot of parents don’t realize that you can open up a custodial IRA account for young people who do work. Again, investing is a very important notion for young people to learn. Stocks historically have always outperformed cash and bonds, and so there’s a lot more opportunity for greater return.

Also, [in] teaching them to invest, I think what’s really key is to introduce them to the whole idea of managing risk and diversification, in other words, not having all your eggs in one basket. What people don’t realize is that diversification not only reduces your risk, but it increases your returns over time. So with my kids, they have been investing in index funds, mutual funds, and I’ve also allowed them to explore individual stocks. But they’ve gotten a good whiff of how a stock can go down pretty quickly or up pretty quickly, but how a diversified portfolio, say of a mutual fund, [can] have a nice, consistent return. So it’s a great
learning [experience], and unfortunately with the bubble burst, a lot of people – adults -- did not learn the power and the importance of diversification, which to me is the most key component of smart investing.

Also, I think it’s really important to encourage a strong worth ethic. Encourage your kids when they want to set up a lemonade stand or do some type of swapping with their friends. You want to encourage that kind of thinking, that entrepreneur thinking; and again, that’s teaching them really some life skills and confidence-building skills, and learning that they can take care of themselves.

With my 16-year-old son this year, a lot of his friends were going over to Spain and Spanish-speaking countries and either learning how to speak Spanish, or they’re going to third-world countries and giving back to the community, which is really great. But these kids have not so far learned about day-to-day working environments, and so my son stayed home and just like the rest of us, started an 8:00 to 5:00 job. And I again think that’s really important for kids to get those skills.

Also, I’m a big believer in not bailing out your kids when they exceed their budget or their allowance. Again, as soon as you start
bailing them out, they’ll always rely on you going forward; so again, it’s better to let them learn those lessons of going over budget at an earlier age so they’re not finding themselves in a situation where they’ve created a great deal of debt, which I’ll let Jayne go into more on that.

Then lastly, being a good role model. Again, actions speak louder than words. If you’re someone who is constantly in debt and barely making ends meet, your kids, without you realizing it, are going to pick those habits up. So I think it’s really important again to apply all these basic principles of saving and investing in your daily life. So Jenny, thank you very much.

C. Dawkins

Thank you, Carrie. I certainly can relate to some of your statements. Now, Jacqueline Cooke, RA, Region One [of the Women’s Bureau], will introduce our second speaker. Jacqueline?