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“Private Sector: Americans Professionally astute, financially frail”

By Eric Dickerson

America is one of the wealthiest nations on earth with a highly skilled work force, so it seems unfathomable that our working professionals remain so uninformed about their own personal finances. How can employees focus so much on making money and pay so little attention to protecting and growing it?

More significantly, perhaps, is how can so many employers continue to ignore their employees' personal finances -- even when each company's bottom line may be affected by it?

It would be easy to feel optimistic about our nation's work force. Each year, an increasing number of students graduate from colleges and universities across the United States, with many heading for advanced degrees. This represents thousands of educated minds, hungry for an opportunity to make their marks in the ever-expanding business world. Our economy and global business position thrive based on the notion of high-achieving professionals seeking corporate stardom. Even as our economy rides a roller coaster of tumultuous economic news, advancement opportunities abound for those eager for success.

How secure are we?

A deeper look, though, shows a very different story. More than half of all Americans live paycheck to paycheck, with one in five having a net worth of zero or less. Revolving debt, mostly comprising credit card debt, has increased from \$54 billion in January 1980 to more than \$780 billion today. The average American family spends \$1.22 for every dollar earned. The data indicates most workers know they have a problem. Only one in four Americans feel well informed regarding their personal finances, and a full two-thirds report having trouble paying their bills, leading to constant worry.

After years of college and post-graduate education, endless hours of long working days, and personal sacrifice all in the name of ambition, have working Americans struggled so long and hard only to undermine their individual monetary growth and security by failing to understand their own personal finances? All signs indicate a resounding "yes."

Is this lack of understanding simply a case of one generation passing along bad financial habits to the next? The personal savings rate for U.S. households was 8.4 percent in 1960. In 1980 it increased to 9.3 percent, and in 2000 it fell to an unimpressive 2.9 percent. Today it lies at a dismal -0.7 percent. Prior generations knew the answers but may have failed to pass them on.

Begin at home

Strong educational values and poor financial management skills start concurrently -- at youth. As our society diligently browbeats its citizenry to maximize their educational and professional opportunities, rarely if ever do we think to educate them on the virtues of personal finance.

Because poor financial behaviors are learned in childhood, the key is for families to address these issues early. But survey data suggest that it's easier for parents to speak to their children about sex than to broach the ultimate taboo of finances. Meaningful dialogue regarding family financial values and strength is so unmentionable that we feel more secure talking about the bedroom than we do the checkbook.

This attitude is all too relevant, since more than 80 percent of graduating high school seniors possess at least one credit card, with half having cards in their name. And the vast majority of those same students have never engaged in continual and structured personal financial management training, either at home or in a third-party educational system.

Assume responsibility

The lack of early financial education sets a dangerous trend. The progressive financial stepladder of an allowance as children, student loans and credit cards when young adults, and mortgage payments and car notes as working adults builds with a diligent fury throughout individuals' lives. Suddenly, after years of parental control, college exploration and late night employment deadlines, working adults reluctantly turn their attention to their personal finances, often with no real sense of where to go for help.

Working adults must assume far greater personal accountability for their own financial well-being, and nothing short of full commitment and engagement in their daily fiscal practices will suffice. They must take unbridled control of their finances by seeking education, paying persistent attention, establishing realistic financial goals and committing to achieve them.

Employers can help

Beyond personal accountability, however, it's no secret that employers are playing an ever-increasing role in their employees' personal financial education -- and the most effective organizations are embracing it.

Though expressing an interest in the personal well-being of employees might take a company out of its traditional comfort zone, smart companies realize that, in order to bring out the best in their employees professionally, they must support them personally.

As our world grows more complex, employees find that personal pressures -- including financial ones -- don't turn off when they arrive at the office. Problems at home can spill over into the work environment, no matter how hard employees try to separate them. Employers who help employees deal with personal problems typically report happier, more productive workplaces.

When employers offer personal financial education, the payoff can be even more tangible. Employees who lack control in their own financial arena can't

reasonably be expected to handle company finances in a prudent fashion. As anyone familiar with the Sarbanes-Oxley law and corporate disclosure knows, every employee has a responsibility toward company funds, to one extent or another.

Employees with strong personal financial management knowledge and skills will probably carry those over into their corporate lives, affecting the company's bottom line in very real ways. The few dollars a company spends on personal financial training for its employees now might actually save them much more down the stretch. The Institute for Personal Finance Employee Education reports that the potential return on investment for employers who provide financial education is at least 300 percent.

In a time when we push our employees towards superior professional performance, isn't it developmentally irresponsible to ignore the largest private issue haunting most American families -- effectively managing their personal finances and growing independent wealth? And as stewards of our company's financial position and shareholder investment, isn't it incumbent on us to help our employees gain the knowledge and security they need to be optimal corporate contributors? If the United States is to remain a strong working nation, we must focus on possibly the most pressing concern for nearly every American household -- increasing personal financial management capabilities.

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