



Get Real Podcast Episode: 049

“Financial Education Absent From Schools”

Hosts: Ron Phillips & Angela Thomas

Welcome to The Get Real Podcast, your high-octane boost and in the trenches tell-it-like-it-is reality therapy for personal, business and real estate investing success with your hosts, power-preneurs Angela and Ron. It's time to get real!

Angela Thomas: Hey everybody, welcome to The Get Real podcast. Thanks for joining us. I'm Angela Thomas and I'm here with Ron Phillips. Hey Ron.

Ron Phillips: Oh man, it's going to be a good show today.

Angela Thomas: Heck yeah. We've been wanting to talk about this one for a while.

Ron Phillips: I don't know why we put it off so long, Angela.

Angela Thomas: I don't know. I don't know. It's a scary subject to approach.

Ron Phillips: I will likely piss someone off today. Hey, this is a, this is a warning. If you're easily offended, you probably should just not listen. Just skip this one.

Angela Thomas: Yeah, we're talking about school again. So watch out.

Ron Phillips: There's no way that government doesn't creep in here just a little bit. So I'm just letting you know, for a warning, I may piss someone off today.

Angela Thomas: Yeah. Yeah. So what we're going to talk about is financial education and personal finance and why it's not taught in school. And we're just gonna... I mean, we've found some interesting articles on this, so we're just gonna discuss it and talk around the issue. So first off, I was reading an article and there's this guy in it that he had to take out \$90,000 in loans to get through college. Air quotes had to, well, you know, he probably could have found another way, but they're so easy to take out, Ron. I mean, I'm the only one in my family that doesn't have any student loans. So I mean...

Ron Phillips: The fact that it's easy does not absolve Mr. what's his name here? The fact that he borrowed \$90,000 to go to college. I'm sorry, I'm probably pissing people off already. Sorry.

Angela Thomas: I understand this though. Cause I don't think people, you know, get what a big deal it is, especially when they're that young and college, which is the whole problem.

Angela Thomas: But anyway, he takes out \$90,000 and he's headed to the air force after graduation and he finds out the loans are going to cost him \$1,000 a month to payback; which is half of his starting salary.

Ron Phillips: Finds out?

Angela Thomas: He finds out. He didn't know, I guess. I dunno. So he's absolutely shocked and he's like, you know, he thought the military was somehow going to take care of him. That wouldn't be as bad.

Ron Phillips: Here's the other thing is, that they actually will, if you go into the right MOS. If you actually choose the right one, they'll pay all of them off.

Angela Thomas: No, I actually know quite a few people that went to college and the army or air force or whatever paid for it. Right?

Ron Phillips: Yeah. My brother has a, he has a doctor degree. He is a doctor of physical therapy. They paid for it. So, yeah. Okay. Maybe they don't want your history degree in the military, so they're not going to pay for it. Sorry dude. Maybe they don't want your underwater basket weaving \$90,000, you know, student loan still doesn't translate into real life.

Angela Thomas: This guy probably majored in women's studies, Ron, come on.

Ron Phillips: That is very needed today. How dare you say something like that.

Angela Thomas: It's, you know, we need more guys majoring in women's studies, so I'm proud of, I'm proud of this dude. Yeah, okay. I'm sorry if you're out. Anyway.

Ron Phillips: Angela, is it this dude's fault? Whose fault is it? Whose fault is it that he didn't know that he was going to have \$1,000 payment when he got out of school? Whose fault is that?

Angela Thomas: I mean, whether he knew it or not, it's still, I mean the responsibility ends up on him. No one else is going to pay it for him, so no matter whose fault it is, it's ends up being his.

Ron Phillips: So I think it's a few people's fault. Obviously, but it's his fault, but also just, it's a, it's a fundamental failure of education in our country where someone can graduate from high school, let alone college and not know the fundamental basics of how a loan works. How do you not know how a loan works when you graduate from college? I'm going to swear in this episode two. So fair warning. There's no way it's not going to happen. I'm already fired up and we're not even five minutes in, so.

Angela Thomas: Yeah, I don't know how \$90,000 doesn't scare you even with no financial education, so that shows how bad this problem really is. You know, I'm sure I got a different education than most because I was homeschooled and then went to college early and I still was missing a ton. I mean, you know, I got credit cards and bought my first car on them when I was in college and just kept using them when I didn't have enough money for stuff. Didn't really think about it.

Ron Phillips: So this is it, Angela, you just nailed it. This is not... Contrary to what every single politician currently will tell you, this is not a college tuition problem. No, it's not. This is an easy credit, zero education problem. You can fog a mirror and maybe even not that and you can get a credit card. They'll you student loans for some unlimited God awful, humongous amount of money for something that will never, never have the ability to pay the debt in any working society on the planet, there is something wrong.

Angela Thomas: Amen.

Ron Phillips: So yeah, I mean it is his fault for not educating himself, but where the hell is the financial education in our schools? Why are we not teaching young people the fundamentals of how money works? Right.

Angela Thomas: And why do they give an 18 year old \$5,000 of credit when I had no history whatsoever?

Ron Phillips: No job.

Angela Thomas: No I, well I had a job, but I mean I was making what, like, \$600, \$700 a paycheck?

Ron Phillips: My son and my daughter get credit card offers every day. I throw them away before they can look at them, every day. You can't tell me they know anything about my kids. They don't know that they have jobs. All they know is that they're easy prey at 18 years old, they have no freaking idea... And the statistics prove it out, that they have no idea and they don't understand the dangers that are coming right after you sign up for that stupid credit card where they bribe you with some kind of, you know, 25% off at every freaking store in the world has a credit card now. I mean if you apply for every place that says, Hey, you want to apply for our credit card, you could not fit them in a purse, let alone a wallet.

Angela Thomas: And you I mean, as a kid, as an 18 year old kid, I just used it like it was free money. You don't even think about it. So I mean, it's awesome that you were able to save your kids from that. I lived alone, so nobody threw mine away. But yeah, I don't know. I mean, not having the right financial education, these kids spending money on these credit cards have no plan for ever paying it off.

They're just thinking, you know, someday in the future I'll have more money. Or, or not even that. I dunno.

Ron Phillips: Here, let's get into some statistics, Angela, here's an interesting one. This came out of a 2018 investment news article said, financial advisors recognize the problem. Now that's, that's good. I'm glad that they at least do 78% of them strongly agree financial literacy is a concern. So my question is, who the hell are the other 22%? They can't recognize that financial literacy is a concern.

Angela Thomas: Funny.

Ron Phillips: I mean, who are these people and how did they become financial advisors if they don't understand that financial literacy is a concern?

Angela Thomas: I don't know. That's, that is pretty funny.

Ron Phillips: Next stat, four in 10 advisors are doing something to address the problem. Nearly 80%, eight in 10 know there's a problem. Four in 10 are doing something about it. And zero in 10 schools are doing something about it. So there's, there's where we have our problems, right? So.

Angela Thomas: Yeah, but didn't you just see an article where this is changing in Pennsylvania?

Ron Phillips: I did. Yeah. They're starting to put... We'll see what, we'll see what it says. So I have this jaded view, Angela, which is probably gonna piss some people off too. But I got to ask myself, why in the world do we already not have this in schools? And why are they not teaching people that it's necessary to understand money? That it's necessary to look at the, at the actual income from the career choice that you're making when you go get in debt for college to make sure it's actually can pay for itself, right? Why are they not teaching... Why do they not teach entrepreneur-ism why do they not teach people to how to run a business? Why do they not? Why do they only teach people go to college so you can get a job so that you can work for someone else. Why do they not teach people don't go get in crazy amounts of debt buying things you don't need? Why do they not do that? Now in my jaded mind, right? I think to myself, Oh, okay. Well, the politicians are bought and paid for on both parties. They're bought and paid for by corporations. Exact corporations want people who are good employees and they want people who are awesome consumers of their products. So why they have there is no... Outrage from any of them to solve this problem, because the problem benefits them.

Angela Thomas: And that is one of the biggest reasons Americans fall short, because we are all run by money. There's money behind everything that runs the country, which is good. I know we actually like that. It sounds like we're going socialist here, but

we're not. That's a good thing. But man it is causing a problem in this area. I mean, we're...

Ron Phillips: It's a shortsighted view, Angela, because these people... It works for awhile, right? We can consume for a while, but at some point we have to actually build something. We can't just consume forever because at some point that you're going to run out of money to pay and then the companies aren't going to have the money anymore. Right. There's, there's not gonna be any more money coming in. So an educated populace in the short run... maybe we'll lose a little bit of of business, but in the long run we'll have consumers for a lot longer because they'll have some money.

Angela Thomas: Right. Amen. Real quick on that note, let me share another stat here. So I also read in this article that the US adult financial literacy level is 57%, and it's only slightly higher than that of Botswana, who's a economy is 1127% smaller. Whoo. Right?

Ron Phillips: I'm actually surprised it's almost 60%. That actually shocks me, that it's that high.

Angela Thomas: Well that's what this, this, you know, stats, you can lie with stats. So who knows. But I mean, that's not what we've seen in our company. But yeah, that's what this article said so.

Ron Phillips: Well here's another article, here's another article. It says that the the financial literacy is actually on a downward trend, which would make sense, right? So if you, if you've got a study saying 60%, that means they're actually, it's probably going, it's going lower. Only 37% of individuals correctly answered four out of five financial questions down from 42%.

Angela Thomas: Yeah. So we're getting worse. Awesome.

Ron Phillips: We're getting dumber.

Angela Thomas: Well, if you think about all the issues and education, this one doesn't, this one should be a much bigger topic. Like when you hear, you know, politicians, you know, speaking or debating this issue doesn't come up. It seems like we're more worried about, you know, social issues then financial education.

Ron Phillips: And here's what they do Angela... I'm trying to choose my words deliberately here; it probably won't help. This is why people struggle. It is not because there are rich people. It is not because one political party is in charge and the other political party is not in charge. It's not because of racism. It's not because of anything else. It's because as a country we are ignorant, financially ignorant. So everybody out there, they can be pissed that there are rich people, and yet

instead of actually trying to figure out what the rich people know that they don't know, they just, they just stay in their broke state of mind. They don't ever actually go out and educate themselves. And the politicians and the government and the education system and everything else doesn't do butkus to stop it.

Ron Phillips: All they do is pit rich people against poor people and say that the poor people are poor because of the rich people, which is the biggest line of horse crap ever. The reason people are poor is because they have no financial literacy. When you leave college and you have a payment coming out the door that is 50% of what you get paid at your career, there is no way in hell you're... you're not going to get past that and until you're done paying the debt off of completely saddled yourself right out of the gate,

Angela Thomas: The poverty until you pay off \$90,000.

Ron Phillips: Yeah. Whose fault is that? Is that the rich guy's fault that you didn't educate yourself before you went to college? Spent \$90,000 came out with \$1,000 that's 50% of what you make. That means you can't buy a car. You can't afford rent, you can't buy any assets, you can't save any money. You are screwed out of the gate.

Angela Thomas: Yep.

Ron Phillips: And then the same politicians want to get pissed off about all of the debt they made easy. It's, it's federally backed debt. All of these politicians that have been in Congress for their entire lives, they're the ones who made the laws!

Angela Thomas: And there was fired up Ron. Okay.

Ron Phillips: People educate yourselves and your kids before they spend 90 grand and come out with \$1,000. And God bless this dude, he could actually get a job. What about the poor saps who can't even find a job?

Angela Thomas: He actually said here, too, he said his parents didn't tell him anything about it. He was the oldest of three kids and he feels like he's the test dummy, because now you know the younger two siblings might think twice, but he had no idea. So parents, man, that's, I mean that's a rough lesson to let your kid learn.

Ron Phillips: Oh boy, it really is. I'm going to try to calm down now.

Angela Thomas: No, and I'd probably... This, ah, this really gets me, cause I'd probably be in this boat if I cause I knew college, you know, I was told college was really important. My mom was the first one in her family to graduate from college and, and it was very important to her that I did. And I started college really young, and if I hadn't had a scholarship I'd probably be in the same boat. So I was only able to

rack up my credit card because luckily I had a scholarship. But, but not everyone has that. So.

Ron Phillips: This is, you know, I've had this conversation with my daughter several times because she says, how do you go to school and do school and work to pay for school?

Angela Thomas: Right. It's a great question.

Ron Phillips: How do you do it? It's hard as hell. That's how you do it. That's how people did it before the government decided to make it so easy to just pay for school. And it's interesting that the correlation between the skyrocketing prices of school and easy debt, easy credit. Cause they can, they can charge whatever they want here because they had some pain because the people will pay it because they can get easy credit. Anybody can get the credit.

Angela Thomas: And that is, I mean that is the big point here. If, if we could change the ability to get easy credit, the schools would have to lower their prices because they have to keep enrollment up. I mean everyone knows that.

Ron Phillips: The education hasn't gotten any better. Not like you're getting a better education. That's, you know, \$50,000 better than somewhere else. All right. And here's the thing, because of the easy credit, household credit card debt has risen to \$8,200 in 2018 from \$6,600 in 2011; so 25% increase in just a few years.

Angela Thomas: Wow.

Ron Phillips: Now you've got to ask yourself why, why... It should have done the opposite of that. Because everybody's making more money. There are more people employed. People have a job. Credit card debt shouldn't be going up. It should be going down. And here's the fundamental problem. People are spending money on things they don't need but that they want and they are not willing to wait for them. Now this all leads to a really big problem, Angela.

Angela Thomas: Yeah, here's the one we see every day. So.

Ron Phillips: This, this affects us on a daily basis, right? Cause we, we see...

Angela Thomas: We talked to these people and I talked to them on Facebook and on the phone and email and Oh, it's really sad.

Ron Phillips: Someone out there right now, Angela, listening to this is going to relate to what we're getting ready to talk about. And somebody is already related to what we've talked about. I've probably pissed them off. They're no longer a listener of

our show, but this one right here is going to relate to people who are listening. I guarantee it.

Angela Thomas: All right. Yeah. Retirement. Saving for retirement. And I think this really hit people. Tell me if I'm wrong, Ron, but I noticed this heading... People I don't know about that. The last, you know... I didn't even say what I was going to say yet. Come on. The last crash in 2009 I mean, I think really woke people up to this realizing that they can't rely on anyone else for their retirement. Including, you know, relying on volatile investments, stocks, you know, anything that can just disappear. And, you know, we're at a time where, you know, pensions have disappeared. Social security is not something you can count on. I mean, this is really hitting people that, you know, they're, they're hitting, you know, your age, Ron, no offense. And they're like, Oh crap. I know. I just went there. And they're like, crap, I have, I'm going to be working until I'm 90.

Ron Phillips: So stats again... You know, stats are tricky things, but Americans between 55 and 60, 40 realized that the average, the median retirement savings is a hundred, \$104,000. \$104,000.

Angela Thomas: Wow. Which would translate into \$310 a month if invested in an inflation adjusted annuity.

Ron Phillips: Which, good hell, please don't do that.

Angela Thomas: Oh wow. Well, that wouldn't be the best investment. But if you did, that's what...

Ron Phillips: What makes this worse, Angela, is that America that we're living longer. Right? So when, when social security started, when pensions were were, you know, the big deal and you know, 401k start all this stuff. Well, people were dying much sooner. Now we're living longer. We're not saving...

Angela Thomas: Dang you modern medicine.

Ron Phillips: Pensions are basically gone. Social security, if you are banking on that and you're my age, you're an idiot. It's been bankrupt forever. I read an article the other day that's, Oh my gosh. The whole article is about how it's such a big lie that the government has stolen the money out of social security. So they went through all of this technical jockeying and in the article basically stating that technically they haven't stolen the money out of the thing, but they've reallocated it and spent it, which is the same damn thing. The money's gone. I don't care what you call it, the money's gone. So he goes bankrupt. There's no money there. They're just robbing Peter to pay Paul. So by the time I get there, Peter and Paul will have been dead; long since dead, and I'm on my own. And so

are you out there listening. So if you're sitting on \$140,000, you better crank it up because that's not enough money.

Angela Thomas: You know, Ron, I've talked to a few people actually that I've called into our company and stuff about this issue, and some people out there seem to think that the whole social security bankruptcy thing is going to be, is going to be fixed before they actually need it.

Ron Phillips: They've been talking about fixing it....

Angela Thomas: You know, the amazing, the politicians that always keep their promises.

Ron Phillips: Oh my gosh. Well they give themselves a raise.

Angela Thomas: Yeah. They're like, Oh, we've got more money here. Yeah. So if you're one of those people, you got to wake up. That's it... It's just not going to happen. I mean, I would bet on it. I would bet quite a bit. It's not going to happen.

Angela Thomas: So anyway, on that note, you know, like we said that part of a big part of the problem is that schools don't incorporate financial education into their curriculum. It's just not taught. According to this third of States actually require high school students to take a personal finance course; that is not California or Utah I'm guessing. Cause nobody, nobody that I know had one of those in high school. No, if I'm wrong, go ahead and correct me. Yeah,

Ron Phillips: My kids didn't. And then it's, and then it's exacerbated by the fact that you've got the financial services industry out there that's, you know, they claim they're doing something about educating people. Right. But they spend \$17billion marketing their products and you know, a few million on financial education. I mean it's, it's pathetic, you know, and then there's the whole, then there's the whole conflict of interest thing. Right, Angela? It's funny because here in this, in this article it says conflicts of interest for example, are pervasive in the, in the advice industry. No... really? Current rules allow brokers to put their financial interests ahead of a, of a customer's when selling a financial product.

Ron Phillips: In other words, they may choose the mutual fund or annuity earning them the highest sales commission. And... I mean, if you did it and if you, if you thought that it was any other way than that...

Angela Thomas: I know, okay, there's, there's good financial advisors out there, but man, it's hard to, it's hard to completely trust their advice because usually it's connected to what they're going to make money on. Why would they want to tell you to go do something that it's not going to pay them? Right? That doesn't make any sense. So I don't blame them for doing that. That's how they're paid. Why wouldn't you do that?

Ron Phillips: But all the more reason why you and I and anyone else who is doing anything with those products should educate themselves about the products because it's like asking the hamburger guy whose hamburgers are best. Come on people

Angela Thomas: Or asking us who sells the best investment properties.

Ron Phillips: Back in 2007, every real estate broker alive damn near said that the real estate market was going to keep going up. Well because it benefited them that the real estate market and everybody knows that the real estate market doesn't continue to go up. So why would you take that kind of ridiculous advice?

Angela Thomas: Cause they were on TV obviously, Ron. You always got to watch where the advice is coming from, what their motive is, right?

Ron Phillips: Yeah. I mean I think they have to disclose those things, but usually they put them in the disclosure statement 2that's so complicated. Nobody can understand it and it's in fine print. Nobody even reads it. Right. So you're on your own. So get out there and freaking educate about this stuff. You know?

Angela Thomas: Exactly.

Ron Phillips: Here's the thing. I was, I was, I was getting to this earlier, right? But you know, 40% of financial advisors are currently involved in initiatives related to improving financial literacy. That means the rest of them don't care and they're just selling products.

Ron Phillips: Guys. And I don't even understand why because it doesn't make any sense in my mind, and I think it would be backed up by stats. An educated consumer is a better consumer if you're selling financial services products, unless what you're selling is crap on a stick. Right.

Angela Thomas: Right. Well, that may be good.

Ron Phillips: Savvy consumers are more likely to take the recommendations of their advisors because they already understand what the advisors are talking about. It makes better clients. When our clients are better educated, they buy more stuff because they understand it. So keeping people ignorant so that you can sell them products that they're just going to get out of as soon as something happens to it negatively because they don't understand what they're doing is a short sighted, stupid way to think if you're a financial advisor. So stop it.

Angela Thomas: Hey man. Okay. All right. Well next point on this is that kids emulate their parents personal financial habits. So...

Ron Phillips: Angela's trying to figure out where to go that I'm not going to get off.

Angela Thomas: You just keep ranting, which is good. I like that. I think everyone will enjoy that. Oh Ron, you froze or I froze.

Ron Phillips: Oh well, it happens. Am I back? Just keep talking. If I'm not back. I wasn't me. I don't know.

Angela Thomas: Oh, it looks like you froze. All right. But yeah, kids copy what their parents are doing. So your kids are probably fine, Ron, as long as you're, you know...

Ron Phillips: No kid is fine because they're all kinds of stupid at that age. They are not stupid. They're ignorant at that age. But yeah, you gotta you gotta help them. They actually do look and listen to what you say.

Angela Thomas: Well yeah, more than listening to what you say. They watch what you do. And I mean that's why I wanted to get involved in real estate investing cause I saw my mom doing it and I saw what it did for her. But I also learned some not so great habits from my parents, and you know, I think it's, I think it's really important that you're, you know, that you're actually teaching them as well. Because it's still easy to miss a lot of stuff. Cause you know, I learned about real estate investing from my mom, but then I freaking racked up a credit card when I was 18 so obviously I missed a few things and I didn't, you know, I came out of college not knowing how to write a check, like, which I realize isn't, you know, that's barely relevant anymore, but it still seems if we're missing that, what else are we missing? And I took financial courses in college and then I took entrepreneurial courses. Another big problem I think is that none of it, it's all kind of like theory. None of it's actually, you're not practicing any of it. None of it actually applies when you get out. It's more the theory of it.

Ron Phillips: And many, many of the educators are theoreticians anyway. They, they just never actually did any of it. It's all theory, right? And so it's really difficult when you get out there and you start your own business, because where do you learn that stuff? It's almost all hard knocks and you better learn financial literacy pretty quickly, otherwise you're going to be out of business.

Angela Thomas: Do you remember Ron? This is, Oh, go ahead. I was just gonna sorry...

Ron Phillips: Kids. They look at, they look at their parents and if their parents have been wise with money, odds are they're going to be wise with money. They still may do some stupid things all kids do. I did. Everybody does. But they're less likely to do, you know, things that are going to incapacitate them financially if their parents have done a good job talking about money with them and they're, you know, the stats to back it up. And we've been stating this whole time so it's you know, it's...

Angela Thomas: Well, and this part right here is, this is really important too, is, you know, parents are how we get things added to curriculum. When parents were saying that their kids need to be computer literate, the schools started responding. So parents need to demand that their kids are taught basic financial literacy or it's never going to happen. Elizabeth Warren said that. So, you know, we love her, but it's true.

Ron Phillips: It's true. And she was an educator. She probably went through that and understands how things like that happen. Yeah. And it, and it is. So if we're waiting for some politician to save us, it isn't going to happen. We've got to start educating our kids and we've got to start demanding financial literacy being taught in school and then be taught correctly. Right. That, I mean there's so much out there that is just not right. That is taught. Anyway. That's a whole, that's a whole other topic.

Ron Phillips: But schools need to get into the business of teaching money, I believe. I don't think they will, but they should. And in its place, obviously us as parents, we're supposed to be teaching our children anyway, not waiting on the, on the government and the education system to do it. So start doing it. Get yourself educated if you're not, and start educating your children because if you're waiting on some institution to do it, it'll never happen.

Angela Thomas: Yeah. And I think there may be some parents out there that think this is taught in school and are, you know, just expecting the school to teach their kids. So.

Ron Phillips: Which is hilarious because we work with thousands of adults who've never done a personal financial statement, don't know how to do it, have no clue, no clue. And they like their kids not to make big, big mistakes when they themselves are doing it and have zero idea about finances. I mean come on people.

Angela Thomas: So if that's the case, you know, you gotta educate yourself and then your kids. Right.

Ron Phillips: And is some really, really simple ways to do this.

Angela Thomas: Yeah. Which we're going to talk about in the next episode. Okay. All right Ron, let's save it for the next episode then. Yeah. So next episode we're going to talk about... I know you are a tease Ron, come on. We're going to talk about wealth management lessons that you should have mastered and that you can teach your kids that they should master young. So join us next time.

Ron Phillips: There's still time if you haven't mastered them. And I'm going to try really hard to be calm on the next one, Angela. you want me talking about solution?

Angela Thomas:

I like preacher Ron. Come on. All right, preach Ron. Thanks everybody for joining us. As always, you know, you can visit, getrealestatesuccess.com if you'd like to subscribe to our podcast, leave us any comments, tell us any other topic you'd like to hear about, or you can check us out on Facebook or Instagram at Get Real Podcast and we'll see you next time. Thanks Ron.

Ron Phillips:

See ya.

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