

Learning about money is smart move

<http://www.suntimes.com/news/commentary/letters/350540.CST-EDT-VOX20A.article>

April 20, 2007

Amid the backdrop of an increasingly complex financial environment, an economist on our staff recently concluded that 40 percent of consumers make mistakes when trying to select the best credit card deal. For a small minority of those consumers, this mistake can cost hundreds of dollars in excess interest payments.

Working with three other economists, Sumit Agarwal also found that over time consumers learn from their mistakes -- and not surprisingly, that the larger the cost of the mistake, the more likely consumers are to correct it.

Perhaps most interesting is their work on age as an indicator of a person's ability to make good financial choices. Their research finds that younger and older borrowers are more prone to make poor choices. In fact, the research shows, middle-age consumers make the best decisions. Specifically, 53-year-olds are least likely to make mistakes on financial decisions, and this finding was consistent across an array of borrowing options, including those involving credit cards, mortgages, auto loans, home equity loans and small business loans.

This research has significant implications for younger and older people, and it certainly reminds us how important it is for all consumers to be well-educated when making decisions about how to save money and how to borrow it.

I mention this as Chicago prepares for its sixth annual Money Smart Week April 30 through May 5. Money Smart Week features more than 300 free educational events throughout the Chicago area by partners including community groups, financial institutions, libraries, schools and nonprofit organizations. This wide variety of classes and seminars will help consumers learn about many different aspects of personal finance.

The goal is to help consumers make informed choices about managing their finances by exposing them to the vast amount of educational resources available to them. Additional information and a calendar of events are now available at www.moneysmartweek.org/chicago.

Consumers today have a slew of decisions to make about managing their personal finances. As always, the key to making good decisions is getting good information. Money Smart Week helps people do that.

Michael H. Moskow,

president and CEO,

Federal Reserve Bank of Chicago