
Money Makes the World Go 'Round: Are You Ready?

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An October 5, 2017 headline from the business section of the *New York Times* gave Ajeya Shiva reason to celebrate: [Payday Lending Faces Tough New Restrictions By Consumer Agency](#).

Shiva, a senior at the Bronx High School of Science in New York City, is really interested in the industry that provides payday loans, which are small loans that allow people to borrow against a future paycheck. Payday loans come with very high interest rates and are widespread in low-income communities, where people often need to borrow extra money just to pay their monthly bills. The end result – they get into a lot of debt with payday lenders that they then can't afford to pay off.

Payday loans make Shiva angry. He believes that payday lenders “misuse, abuse and manipulate” vulnerable sections of society. “Payday lending systematically creates debt traps and ruins families and communities,” Shiva commented when he first read a November 2016 article that KWHS wrote about payday lending (*see sidebar for Related KWHS Stories*).

So, it's little wonder that Shiva cheered over the news this month that the federal Consumer Financial Protection Bureau is imposing tough new restrictions on payday lending and, as the *New York Times* article says, “dealing a potentially crushing blow to an industry that churns out billions of dollars a year in high-interest loans to working-class and poor Americans.”

A Threat to Your Financial Health

Why the deep interest in lending from a 17-year-old who isn't even old enough to take out a payday loan? Two words: financial literacy.

Knowledge@Wharton High School talks a lot about this concept that means learning to manage money well. Financial literacy is a deep understanding of how money works in the world, including basic concepts like earning and saving, as well as more complex ideas like inflation and compound interest. People who are financially literate are better able to use knowledge and skills to make informed decisions about their finances and manage money effectively throughout their lifetime.

But we don't always address why it's important to understand all aspects of personal finance, from the money in your wallet to the vast network of people and companies who guide, enable and support the financial decisions you make in life. The main reason is that knowledge is power — power that will help you avoid the financial pitfalls that dot the landscape of your life after high school, and give you the tools to navigate a system that is not always kind to consumers.

This empowerment is why Shiva feels so passionate about the intersection of financial literacy and payday loans: when you don't understand how to manage your money, you are sometimes forced to make risky decisions that threaten your financial health. “People borrow from payday sharks because their knowledge of other sources of credit that may be available to them is severely limited. Above all, such desperate financing needs often arise in the first place because people do not know how to budget for expenses and save for a rainy day, however small their savings may turn out to be,” said Shiva, who won [Round Three of the KWHS Comment and Win contest](#) this summer with his reflections on payday lending and his plea for improved financial literacy. “My view is that financial literacy should be part of the core academic curriculum right from middle school. Armed with practical knowledge of finance, children, when they become adults, can then navigate the treacherous waters of the real world infinitely better.”

Shiva has found a way to address what he sees as a crisis of financial illiteracy among young people. In 2016, he began teaching a financial literacy course for teens at his tennis club in Harlem, N.Y. He later brought his idea to spread financial knowledge to the Strage Social Entrepreneurship Competition at his high school, taking home first prize and \$1,000 to develop his Personal Finance Program for Teens. He is currently developing a personal finance curriculum for middle and high school students that he hopes to teach and later train others to carry forward.

Taboo Topic

Shiva's initiative is but one example of how people are promoting financial literacy and helping teenagers learn to make smart decisions about their money. Students at Dunwoody High School near Atlanta, Georgia, recently met Gooding, the frontman for a rock band of the same name who is spreading the message of money management through music. Gooding never talked or learned about money as a teen and later paid the price when he made poor financial decisions that deeply damaged his credit. "So many people get in trouble with money and it puts them in such a bad spot," Gooding says. "This is the common denominator for so many other problems."

Whether it comes from a rocker, a rapper or a kid from the Bronx, financial literacy is a hot topic not only in the U.S., but also around the world. Advocates like Gooding, Shiva and your personal-finance educators are focused on teaching skills, and they are also trying to elevate the conversation about a topic that many people choose not to discuss around the dinner table – money, and all the ways it can help and hurt us depending on how well we manage it. "Each of us needs to understand the workings of money, as well as how to earn, save, invest and spend it wisely," says Shiva, who hopes his Personal Finance for Teens program will include financial planning and investing games that simulate real-world finance, and an online forum for students to discuss money issues. "Economic well-being underpins our ability to lead a dignified life," he adds. "There is an acute need for financial literacy." #LetsTalkMoney