Suggesting Two Policies to Protect our Financial Future:

Stop Advertising to Kids, and Mandate Financial Education in Schools
Introduction

The growing digitalization of information and the economy presents both opportunities and risks for today's children. While digital platforms and services can facilitate young people's access to information and education, children's data also can be used to track and target them with marketing messages, including advertising for harmful products. Legislation regulating the collection and use of children's data online has only recently been considered; inappropriate use of such data can violate children's privacy, create inequities, and affect their choices and options for the future. And new information continues to emerge regarding how social media use and product promotions across social platforms can pose mental health risks to youth.

Although addressing advertising to children has been on public health and policymakers’ radar for decades, we have made little progress to date. The issue of marketing to kids raises ethical and policy concerns related to children's physical, mental, and social health. But another risk adds further dimension to the conversation: the potential effects of marketing to children on their future financial wellness.

Contemporary advertising is crafted to attract attention, influence attitudes, and modify behavior. It changes societal values in ways that promote materialism and consumerism, often to the detriment of individuals’ financial well-being. And according to the most recent Financial Health Pulse® report, financial health in the U.S. declined in 2022 for the first time in five years. As this decline occurs just as the reach and sophistication of advertising to children grows, American youth have never needed financial education more than they do now.

This article explores the problems posed by advertising to children and youth – with particular focus on kids’ financial health – and suggests two policy strategies to help mitigate those risks.
Clarifying the Problem

Advertising to children today is pervasive across a broad and growing range of platforms, which raises ethical and health concerns across the gamut of life aspects.

Pervasive Nature of Ads to Children

Children see ads from multiple, diverse sources and often are exposed to marketing messages without their parents’ knowledge. To start, children view more than 40,000 ads a year on television alone.(6) True, young people have gradually shifted their viewing behavior from TV to online – US teens watched 37% less traditional TV in 2020 than in 2017.(7) However, American children still watch 28-32 hours of television a week.(8)

Movie theaters now play ads before the film starts, and product placement in movies has been common practice for decades. While one may have thought streaming movie services would eliminate advertising exposure, virtual product placement ads now appear on top streaming platforms.(9)

Print media provides another source of ad exposure. Although young children may not read a lot of magazines, they still see advertising in print. For example, at the grocery store, products with visual appeal to children are placed at their eye level – about three feet.(8)

The bulk of advertising is likely to shift to digital platforms before long. Global digital ad spending is predicted to exceed $645 billion by 2024.(7) And evidence shows that children exposed to interactive advertising – such as on apps or advergames – are more likely to stay fixated for longer periods of time and develop stronger brand loyalties and preferences than kids who see ads on television.(10)
Social media use represents a widespread global phenomenon. An estimated 4.62 billion people (62%) worldwide used social media in 2021, and Google (28.6%) and Facebook (23.8%) held the highest shares of US digital ad revenue that year. In 2018, 95% of U.S. teens reported having access to a smartphone, and nearly all of them said they used social media apps. More recently, in a CNN survey, about half of parents of children aged 10 to 12 and nearly one-third of parents of children aged 7 to 9 reported that their kids used social media in the first six months of 2021. And across those digital platforms, gamified advertising – or “advergames” – had become a common brand promotion strategy. Research shows that 96% of the most-downloaded free apps for children under age 5 contain commercial content, including hidden and pop-up ads and ads that offer tokens or free gameplay when viewed.

Digital advertising often spreads online in video form. Videos are shared online at a rate 1200% higher than text and links combined. A 2020 report indicated that 80% of children aged 0-7 years use YouTube and 59% use the YouTube Kids app. Many videos aimed at children are peer-to-peer videos (i.e. “Kidfluencing”); these include relatively recent phenomena like haul videos and unpacking/unboxing videos, which often fail to disclose brand sponsorship. In a 2019 study, the 50 top kid influencers’ YouTube videos were viewed collectively more than 48 billion times.
Ethical Considerations

Multiple researchers have examined the ethics of advertising to kids. Leading advertising scholar Juliet Schor conducted in-depth research on advertising to children in the early 2000s, stating at the time that “Kids and teens are now the epicenter of American consumer culture. Their tastes drive market trends. Their opinions shape brand strategies. Yet few adults recognize the magnitude of this shift and its consequences for the futures of our children and of our culture.”(20) Yet more than two decades later, these concerns remain largely unaddressed.

Children represent a vulnerable audience that is heavily targeted by advertisers – both because children are easily persuaded to desire products and because they have a growing amount of direct purchase power due to money they receive from allowances, earned money, and/or gifts.(21) Children under age 7 are cognitively unable to comprehend the sophisticated persuasive tactics marketers use and often take advertisements at face value. From ages 7 to 11, children can begin to recognize persuasive intent, but lack the abstract thinking skills to recognize advertising as a larger commercial concept.(22) For those reasons, age 12 is often considered a milestone beyond which advertising to children is “fair.”(23)

Marketers’ aim when advertising to children is largely to encourage brand recognition and loyalty at an early age.(21) Some research has suggested that it’s not advertising to children per se, but the types of ads to which children are exposed that creates a problem. Deception, misleading words and pictures, and linking product advertising with program content are marketing practices that policy should aim to curtail.(24) Marketers also play on parents’ guilt for working more and spending less time with children, encouraging them to compensate by purchasing products for the child.(20,21)

The ethical implications of data exposure and children’s privacy have also come under recent scrutiny. The digital era has opened up previously unimagined ways to collect data from individuals for commercial purposes – including use of cookies on a person’s browser; collection of posts, likes, purchases, and viewing history by social media platforms and search engines; and data collection via apps when the user grants permission to track device data, such as location and contacts. All these data are used to target specific ads to the user. Evidence shows that children and teens do not fully understand when and how their digital data are being collected and used commercially.(22)
Impact of Advertising on Children’s Health

Advertisers use emotional and subconscious tactics to target children, including the images and promotion of trusted characters or celebrities. Newer forms of advertising across digital media are often powered by personal data, unpredictable, and integrated into content in a way that makes them difficult to identify.(22)

**Physical health.** Exposure to advertising has been strongly linked to multiple negative effects on children’s physical health, including unhealthy dietary habits and obesity(25–29); tobacco product, alcohol, and marijuana use(30–34); violence and aggression(35); and unhealthy body image.(36)

**Mental health.** Advertising stimulates increased materialism in children, which leads to the perception that consumption is a goal in itself that brings happiness, defines success, and improves one’s status.(10) Higher levels of materialism are consistently shown to be associated with lower levels of self-esteem.(37)

Social media use has been linked with child and adolescent mental health issues including depression, sleep disorders, and suicide.(38) These issues arise in part due to young people viewing content that promotes an ideal appearance or body image different from their own or possessions they do not have.(39) Although few studies to date have addressed the effects of social media advertising specifically on youth mental health, evidence has demonstrated that social media algorithms target individuals with promotional content based on their search activity on the platform.(40) As advertisers frequently employ the tactic of linking products with appearance, status, experiences, and images that are considered “ideal,” it appears likely that exposure to advertising across social media is at least in some part associated with young people’s mental health.
Relationships. Advertising exposure may increase parent-child conflicts when children are persuaded to make purchase requests that the parent denies. (41) Further, deficits in financial health can have a negative impact on a person’s family, work, and social relationships as the individual moves into adulthood. The potential harm advertising can cause to children's financial health and the negative implications of financial illiteracy will be discussed in more detail below.

Potential for Marketing to Harm Children’s Future Financial Health

Children develop a large proportion of their money habits by age 7, according to a study at Purdue University. (42) If those habits are heavily influenced by advertising messages – without positive financial literacy instruction at home or school – those children are likely to experience money problems as they move into adulthood, problems which can have severe consequences.

Materialism. Materialism has been linked to increased risk of overspending and debt later in life. (10) Further, there are disparities in the effects of materialistic attitudes based on socioeconomic status, with children from lower SES families experiencing greater exposure to advertising, higher levels of materialism, and greater risk of lower self-esteem associated with their materialistic attitudes. (37)

Impulse control. Young children’s developing minds are less capable of controlling impulsive behavior than those of adults. (43) Advertising strategies can have powerful effects on impulse buying, and the personalized targeting and ease of online purchasing can make those effects even stronger. (44)

Peer competition. Recent information indicates that young people are more susceptible to advertising and peer influences than in the past, and that the ubiquity of social media has exacerbated this problem. Desire to keep up with one's peers in terms of image and lifestyle leads to overspending and subsequent financial problems and stress. (45)

Costs of financial illiteracy. Financial illiteracy leads to a host of problems as young people mature into adulthood. First, lack of personal finance knowledge costs money. According to a National Financial Educators Council survey, Americans lost an average of $1,819 in 2022 due to financial illiteracy, which translates into a total over $436 billion lost that year. (46) Common financial mistakes financially illiterate people make include incurring high credit card debt, fees, and interest rates; falling prey to fraud and identity theft; sustaining financial...
institution overdraft fees(49); overspending on vehicles and luxury items(50,51); and even vehicle impoundment.(52)

In 2022 the annual U.S. Trends Report from Financial Health Pulse® indicated that a greater share of Americans were spending more than their income, had insufficient short-term savings, and did not feel confident in their long-term savings than in the previous year.(5) The total combined number of U.S. citizens who were low-income or in poverty as of 2021 was 29.6%. (53) In September-October 2022, one in every four parents reported that there were times in the past year when they could not afford food, housing, or health care.(54)

Money problems lead to stress and related financial and health concerns. A 2020 study found that 90% of Americans feel money has an impact on their stress levels;(55) and 80% of U.S. employers say financial stress lowers worker productivity, for a loss of nearly half a trillion dollars a year.(56) People with poor financial health face physical and mental health issues like lack of sleep, insomnia, inability to think, and emotional disorders.(57) In a 2019 survey, employees with money worries were four times more likely to suffer from depression and 3.4 times more likely to have anxiety and panic attacks.(58)

From a relationship perspective, financial illiteracy is linked with economic hardship, which is associated with disruptive family processes such as harsh parenting and marital distress. (59) Money is the top issue about which couples argue, and a 2019 study found that it was one of the hot issues in marital conflict that are most difficult to address.(60) Money-related conflict is often cited as the reason for divorce.(61)
Current Status of Policy Related to Advertising to Children

Although the media environment children navigate has changed so dramatically in recent years, regulations for advertising to kids have remained largely static since the 1990s. The FCC and FTC are the two federal bodies charged with developing and enforcing policies regarding marketing to children. The FCC has rules in place for advertising on television programs for children under 12, but those rules do not apply to programs for teens or to online video content. The FTC has authority to bring actions against specific companies for deceptive and unfair marketing practices. However, its authority to conduct proceedings against unfair advertising to children was revoked in 1981, and the agency has largely ignored the issue since then.

The Children’s Advertising Review Unit of the Better Business Bureau issues and periodically updates regulations for advertising to children under age 13, but those policies rely on marketers to self-regulate their own practices. Existing policies designed to protect children from online advertising are at best inconsistently followed and at worst blatantly ignored by advertisers. Policy to restrict advertising to children and teenagers across the full range of traditional and digital media is much-needed and long overdue.
Call to Action

Research clearly shows that government policy can positively influence financial health.(5) Based on the evidence presented in this paper, we suggest two policy actions to curb the potential negative consequences of advertising to children. First, we call for a ban on advertising to children under age 8, across all platforms. Second, we propose policies that mandate financial education in K-12 public schools.

Advertising Ban

The American Academy of Pediatricians began recommending legislation restricting advertising to children in 2004,(6) and in 2020 called upon lawmakers to enact policy aimed at protecting kids from the harmful effects of digital advertising and data collection.(65) Their recommendations include a ban on all advertising targeting children under 7, and restrictions on advertising aimed at those under 17.

Banning ads that target children under age 8 will help protect both our children’s current well-being and their future physical, mental, and financial health. By limiting their advertising exposure, we can help ensure that misleading marketing messages do not shape their values, financial sentiments, and financial behaviors as they mature. This policy action can make a powerful difference in children’s lives by helping protect them from the risks of commercialistic and materialistic attitudes and mindsets. In turn, such action would contribute to the health and well-being of the entire nation.
School Financial Education Mandate

Public education is charged with the task of preparing children to become productive members of society. Yet the public school curriculum has changed little over the past 150 years, raising the question: How prepared are today’s youth to meet the challenges of the real world after high school? Financial problems plague people across the country, across all demographics and backgrounds.(66)

Mandating school financial education is a non-partisan issue about which the majority of Americans agree. The National Financial Educators Council conducts an annual survey asking people around the U.S. the question, “Do you think students should take personal finance courses in high school?” In 2021, the vast majority (83.3%) of respondents answered “Definitely yes,” or “Yes.”(67) However, according to the Council for Economic Education, currently only 23 states require high school students to take a course in personal finance in order to graduate.(68)

The proposed solution – widespread financial education – has been proven effective at increasing financial capabilities among youth and young adults.(69–71) Evidence also indicates that well-funded, research-based teacher training may be essential to implementing successful financial education programs.(72) Ensuring that all American children have access to high-quality financial education begins with enacting policy mandating that all states require such education.(68) This paper represents a call to action for our policymakers to answer, one that can ensure the financial futures of our nation and its citizens for the coming decades.
References


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