

# SMALL BUSINESS

## Financial literacy through video games

**A software entrepreneur's startup aims to make personal finance an educational cornerstone for America's teens.** [EMAIL](#) | [PRINT](#) | [SHARE](#) | [RSS](#)

By [Jessica Bruder](#)

May 13, 2009: 5:23 AM ET

### Photos



#### Play it forward

A software entrepreneur hit the road to tout his new venture for building financial literacy among teens through their favorite medium: video games.

[View photos](#)

#### View photos

EL PASO (Fortune Small Business) -- Heading west into a Texas sunset, the rented RV clatters along Interstate 20, rolling past cotton fields, windmills and oil derricks that glint gold in the last of the light. Tom Davidson is at the wheel, doing 80 and fighting fatigue.

The former three-term Maine legislator has spent the past two weeks barnstorming the country: schmoozing with economic development officials and community advocates in hardscrabble Trenton; donning a tuxedo for the National Black Chamber of Commerce's inaugural ball at the French embassy in Washington, D.C.; and spending time in Alabama with families of the Tuskegee Airmen, who served in World War II as America's first black fighter pilots.

Yesterday, Davidson presented commemorative certificates to a dozen high school kids in DeSoto, Texas. Tomorrow he'll meet tribal officials at the Ysleta del Sur Pueblo reservation in El Paso. Back east, Davidson's wife is eight months pregnant with their second child; he jokes that she'll probably divorce him by the time he gets home. There's still a week and more than 1,200 miles to go before he wraps up his whistle-stop tour in Long Beach, Calif.

Davidson, 37, is fond of campaign slang - he calls his road trip "the trail" - but he isn't running for office this time around. Instead, the boyish entrepreneur and two colleagues are meeting with educators, community leaders and students in 13 cities to stump for their startup company, [EverFi](#), a provider of Web-based software that teaches young adults to manage their money.

"When I came out of school, I was saddled with heavy student loans," says Davidson, EverFi's CEO. "I had no clue about credit reports. I found out five years later that my unpaid Book-of-the-Month Club dues dinged my credit 100 points." This story is now part of his patter. "The conversation around financial literacy doesn't exist," he continues. "It's not taught in schools or around kitchen tables."

### Davidson's Tips

"If businesspeople acted more like politicians, I think they'd be much better at business," Tom Davidson, a legislator turned entrepreneur, told *FSB*. Here are a few of his tips for small business owners.

**Surround yourself with self-starters.** "What you learn in the legislature is that there's a certain percentage of people who are making things happen," he says. "And then there's fluff."

**Find constituents (or customers).** They can promote your message in their communities. Davidson recommends asking yourself these questions: Who has the muscle? Who has the relationships? Who isn't toxic?

**Push credit out to the edges.** In other words, don't hog the spotlight for a job well done. Whether you're hammering out a tricky piece of legislation or negotiating a deal, making your collaborators look like rock stars will win you their loyalty...and convince more people to work with you.

Today's students are no wiser than Davidson was. Only 59% of Generation Y members (ages 18 to 29) pay their bills on time every month, reports a Princeton Survey Research Associates International study. And although high school seniors increasingly use credit cards, more than half of them don't know that slow payment triggers higher finance charges, the JumpStart Coalition for Personal Financial Literacy found in a 2008 survey.

Fifteen years have passed since Davidson was trashing his credit score as a Bowdoin College undergrad. After leaving politics in 2000, he helped launch a few tech startups before founding EverFi in 2007. His challenge: Financial literacy training can be a tough sell for American teens.

"This stuff is the most ungodly, boring content on the planet," says Davidson. "We have to make it funny and irreverent, built for kids used to receiving content over the Internet."

EverFi offers a five-hour series of Web tutorials that let students explore real-world settings, from the floor of the New York Stock Exchange to a used-car dealership, while absorbing lessons about saving money, earning interest and managing debt. As students acquire new skills, the software encourages them to play a SimCity-style game in which they control characters' spending habits, reaping the rewards of good choices and suffering the consequences of bad ones.

### **Wooing civic leaders**

EverFi isn't the first business to market financial literacy to young adults. Wells Fargo and other financial services firms offer free online games in which space aliens and other unlikely guides impart financial advice. Junior Achievement, a nonprofit educational organization, sends thousands of volunteers into schools each year to teach personal finance. And since 2005 hip-hop impresario Russell Simmons has organized the annual Get Your Money Right tour, in which rap stars, of all people, lecture kids about budgeting expenses, staying debt-free and not blowing a week's pay on a new set of rims. But EverFi seems to be the first independent software firm devoted to teaching financial smarts to kids.

Since the start of the year, Davidson has pitched EverFi to foundations and other civic-minded institutions, charging \$200 per participating student to bring the software to their communities. He encourages customers to push EverFi software under their own brands. Davidson hopes this tactic will motivate them to take ownership and act as local ambassadors for youth financial literacy. He has already donated dozens of EverFi licenses to spread the word and is starting to make sales. The D.C. Chamber of Commerce Foundation purchased 1,250 licenses to launch the Financial Scholars Program, an educational initiative for the city's youth. PayPal bought 500 licenses for students in San Jose and Timonium, Md., where the company has offices. Davidson hopes to enroll a total of 20,000 students in the EverFi program and generate \$4 million in sales by the end of 2009. He aims to have 50,000 new students using the software in 2010 and is shooting for 100,000 the following year.

There's room for skepticism about Davidson's business model. Allowing customers to private-label his software could limit EverFi's ability to build a visible brand. And creating a stable client base from a large, diverse network of foundations may prove tough. "Where is the foundation pipeline?" asks Alan Gershenfeld, chairman of Games for Change, a nonprofit based in New York City that supports socially responsible video games. "Is it really a scalable model?"

Foundations, much like the rest of us, have less money to spend nowadays. "The people we're selling to have lost 40% of their endowments," Davidson says. But he says the downturn has an upside: "Now everyone understands the value of what we do."

"It's a tricky time for funding a project like this," says Debra Plant, executive director of Building STEPS, a Baltimore nonprofit that steers low-income high school students into science and technology careers. Nevertheless, Plant found room in her budget for 75 EverFi licenses. "These kids need to understand money," she says. "Many of them really do keep their savings in a shoe box."

Davidson must keep expanding if he wants to reach his ultimate goal: making "EverFi Certified" a nationally recognized gold standard that will help students wow college admissions officers and potential employers. But he's starting small. Rather than [chasing venture capital](#), Davidson is bootstrapping. He won't say how much money he has put into EverFi but claims to be running the firm on a shoestring. "We're so ninja about it, we don't even have an office," he says. His only employees are two former college classmates: COO Jon Chapman, who worked in business development at Kaplan, the multibillion-dollar educational services provider, and chief of staff Ray Martinez, also a Kaplan alum. If that title sounds pretentious - a chief of staff with no staff? - you can blame Davidson's political background. "I see this as a campaign," he says earnestly.

After the long haul across Texas, the EverFi RV pulls up at the Ysleta del Sur Pueblo reservation, where the Tigua tribe occupies a dusty plot of land along the El Paso side of the Mexican border. Less than 20 years ago, some families here lived without electricity or running water. That changed when tribal leaders opened the Speaking Rock Casino in 1993; the gaming hall drew some 100,000 visitors a month - and \$60 million in annual revenues.

But in 2002 the Texas attorney general won a federal lawsuit to close the casino. Soon afterward, the Tiguas took another hit: Now-convicted lobbyist Jack Abramoff and his partner Michael Scanlon extracted \$4.2 million from the tribe with an empty promise to lobby Congress on behalf of Speaking Rock. Today the casino's overflow parking lots are empty. Between the slumping economy and the tribe's financial woes, times are tough for the Tiguas. Many tribe members describe relatives with money problems: a sister who blew her savings on cars, a young father struggling to support his family after being injured in an auto accident, a son who moved out of state at age 19 and returned 20 months later, \$5,500 in debt.

## **Building the basics**

Working through U.S. Representative Norma Chavez (D-El Paso), who met Davidson in 1998 during an American Council of Young Political Leaders conference, the EverFi guys are donating software licenses to Tigua high schoolers. One is Alexa Montoya, a skinny 17-year-old junior with Amy Winehouse eyeliner and blond streaks in her coal-black hair. Montoya says she wants a better life. She plans to become a pediatric surgeon. She's saving up for college and hopes that EverFi will prepare her to meet the financial challenges ahead. And maybe it will.

Nine hours away, in DeSoto, Davidson stops to meet a dozen high school students who have just finished the EverFi program. According to their teacher, Natoscha Golightly, a.k.a. Coach Go, the recession has made her students eager to understand money. "They see older people taking the McDonald's jobs that they used to get," Golightly says. "At home they see their parents stressing."

Darion Holiday, a DeSoto High junior, says EverFi helped him understand basic tax forms, including the 1040 and the W-4. When his mother, who works for FedEx, was applying for a second job, he filled out her paperwork. "She was looking at it funny," Holiday recalls, beaming. "She said, 'I don't know what's going on here.' Then when I started talking like a smart person, she realized I could help."

Deon Cuba, 16, is the first student to finish the EverFi program. Lately, he says, he doesn't ask to use his mom's credit card too often. "I know about hidden fees," he says proudly. "Now I ask her questions: 'Is it fixed-rate? What's the APR?' She tells me not to be nosy."

Only seven states require students to take a personal finance class before they graduate, according to the Council for Economic Education. But that may change.

"EverFi could have stumbled into the next \$100 billion industry," muses Ntiedo Etuk, CEO of Tabula Digita, an educational gaming company in New York City whose math software is used in 400 U.S. schools. If the Obama administration opts to focus on financial literacy for the next generation, he says, EverFi is poised to profit. "But if that happens, other developers will be right behind them," Etuk adds, laughing. "I'll be going after it too."

Davidson jokes that if he'd rolled out EverFi sooner, we might have dodged the global economic crisis. Then he turns sober: Teaching Generation Y about finance, he says, "may be the most important thing that we do as a nation to make sure this doesn't happen again."

**Photo gallery: [Follow along on EverFi's road trip](#) ■**

To write a note to the editor about this article,