AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

FINANCIAL LITERACY EDUCATION: WHAT DO STUDENTS NEED TO KNOW TO PLAN FOR THE FUTURE?

HEARING

BEFORE THE

SUBCOMMITTEE ON EDUCATION REFORM

OF THE

COMMITTEE ON EDUCATION
AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

October 28, 2003

Serial No. 108-39

Printed for the use of the Committee on Education and the Workforce

Available via the World Wide Web: http://www.access.gpo.gov/congress/house
or
Committee address: http://edworkforce.house.gov

U.S. GOVERNMENT PRINTING OFFICE

90-144 PDF WASHINGTON : 2004

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON EDUCATION AND THE WORKFORCE

JOHN A. BOEHNER, Ohio, *Chairman*

Thomas E. Petri, Wisconsin, *Vice Chairman*
Cass Ballenger, North Carolina
Peter Hoekstra, Michigan
Howard P. "Buck" McKeon, California
Michael N. Castle, Delaware
Sam Johnson, Texas
James C. Greenwood, Pennsylvania
Charlie Norwood, Georgia
Fred Upton, Michigan
Vernon J. Ehlers, Michigan
Jim DeMint, South Carolina
Johnny Isakson, Georgia
Judy Biggert, Illinois
Todd Russell Platts, Pennsylvania
Patrick J. Tiberi, Ohio
Ric Keller, Florida
Tom Osborne, Nebraska
Joe Wilson, South Carolina
Tom Cole, Oklahoma
Jon C. Porter, Nevada
John Kline, Minnesota
John R. Carter, Texas
Marilyn N. Musgrave, Colorado
Marsha Blackburn, Tennessee
Phil Gingrey, Georgia
Max Burns, Georgia

George Miller, California
Dale E. Kildee, Michigan
Major R. Owens, New York
Donald M. Payne, New Jersey
Robert E. Andrews, New Jersey
Lynn C. Woolsey, California
Rubén Hinojosa, Texas
Carolyn McCarthy, New York
John F. Tierney, Massachusetts
Ron Kind, Wisconsin
Dennis J. Kucinich, Ohio
David Wu, Oregon
Rush D. Holt, New Jersey
Susan A. Davis, California
Betty McCollum, Minnesota
Danny K. Davis, Illinois
Ed Case, Hawaii
Raúl M. Grijalva, Arizona
Denise L. Majette, Georgia
Chris Van Hollen, Maryland
Tim Ryan, Ohio
Timothy H. Bishop, New York

Paula Nowakowski, *Staff Director*
John Lawrence, *Minority Staff Director*

SUBCOMMITTEE ON EDUCATION REFORM

MICHAEL N. CASTLE, Delaware, *Chairman*

Tom Osborne, Nebraska, *Vice Chairman*
James C. Greenwood, Pennsylvania
Fred Upton, Michigan
Vernon J. Ehlers, Michigan
Jim DeMint, South Carolina
Judy Biggert, Illinois
Todd Russell Platts, Pennsylvania
Ric Keller, Florida
Joe Wilson, South Carolina
Marilyn N. Musgrave, Colorado
John A. Boehner, Ohio, *ex officio*

Lynn C. Woolsey, California
Susan A. Davis, California
Danny K. Davis, Illinois
Ed Case, Hawaii
Raúl M. Grijalva, Arizona
Ron Kind, Wisconsin
Dennis J. Kucinich, Ohio
Chris Van Hollen, Maryland
Denise L. Majette, Georgia
George Miller, California, *ex officio*

C O N T E N T S

	Page
Hearing held on October 28, 2003	1
Statement of Members:	
Castle, Hon. Michael N., a Representative in Congress from the State of Delaware	2
Prepared statement of	2
Woolsey, Hon Lynn C., a Representative in Congress from the State of California	3
Statement of Witnesses:	
Duvall, Dr. Robert, President and CEO, National Council on Economic Education	22
Prepared statement of	24
Response to a question submitted for the record	48
Iannicola, Hon. Dan, Jr., Deputy Assistant Secretary for Financial Education, Office of Financial Institutions, U.S. Department of the Treasury	4
Prepared statement of	6
Knell, Gary, President and CEO, Sesame Workshop	17
Prepared statement of	19
Lyons, Dr. Angela, Assistant Professor and Extension Specialist, Department of Agriculture and Consumer Economics, University of Illinois – Urbana/Champaign	27
Prepared statement of	30
Additional statement submitted for the record	49
Strong, Robert, Executive Director, Securities Industry Foundation for Economic Education	32
Prepared statement of	34
Additional materials supplied:	
Bryant, John, Founder, Chairman, and Chief Executive Officer, Operation HOPE, Inc., Statement submitted for the record	50
Caslin, Michael J., III, Chief Executive Officer, National Foundation for Teaching Entrepreneurship	53
Visa U.S.A., Statement submitted for the record	64
Woods, David F., Chief Financial Officer, National Association of Insurance and Financial Advisors and President, Life and Health Insurance Foundation for Education	65

FINANCIAL LITERACY EDUCATION: WHAT DO STUDENTS NEED TO KNOW TO PLAN FOR THE FUTURE?

Tuesday, October 28, 2003
U.S. House of Representatives
Subcommittee on Education Reform
Committee on Education and the Workforce
Washington, DC

The Subcommittee met, pursuant to call, at 2:30p.m., in room 2175, Rayburn House Office Building, Hon. Mike Castle [Chairman of the Subcommittee] presiding.

Present: Representatives Castle, Osborne, Biggert, Wilson, Woolsey, and Majette.

Also Present: Representative Hinojosa.

Staff Present: Kevin Smith, Senior Communications Counselor, Krisann Pearce, Deputy Director of Education and Human Resources Policy; Amanda Farris, Professional Staff Member; Kevin Frank, Professional Staff Member; Liz Wheel, Legislative Assistant; Deborah Samantar, Committee Clerk/Intern Coordinator; Ricardo Martinez, Minority Legislative Associate/Education; Joe Novotny, Minority Legislative Associate/Education; and Lynda Theil, Minority Legislative Associate/Education.

Chairman CASTLE. The quorum being present, the Subcommittee on Education Reform of the Committee on Education and the Workforce will come to order. We are holding this hearing today to hear testimony on financial literacy education, what the students need to know to plan for the future. Under Committee rule 12(b), opening statements are limited to the Chairman and Ranking Minority Member of the Committee.

Therefore, if other members have statements, they will be included in the hearing record. With that, I would ask unanimous consent for the hearing record to remain open 14 days to allow members' statements and other extraneous material referenced during the hearing to be submitted in the official hearing record.

Without objection, so ordered.

Good afternoon.

I would like to welcome our guests, witnesses, and members to today's education reform Subcommittee hearing entitled, "Financial Literacy Education: What Do Students Need to Know to Plan for the Future?".

Thank you very much for being here.

STATEMENT OF HON. MICHAEL N. CASTLE, CHAIRMAN, SUBCOMMITTEE ON EDUCATION REFORM

Now, more than ever, we live in a world that has become increasingly complicated when it comes to personal financial matters. A generation ago, a basic knowledge of balancing a checkbook and maintaining a savings account was adequate.

However, in today's complex world, many Americans are faced with difficult decisions, such as determining what type of loan they need, whether to invest in stocks or bonds, how to best manage credit, and how soon to start planning for family education needs and their retirement.

There are, approximately, 40,000 different credit products available, an intimidating thought for even the most educated consumer. Unfortunately, large numbers of consumers never learn the basics of maintaining their personal finances and may struggle with choices leading to financial freedom. Instead, many live paycheck to paycheck and acquire financial debt. According to the Federal Reserve, outstanding non-secured consumer debt increased over $845 billion over an 11-year span. In 2002, more than a million families filed for bankruptcy.

Today, our Nation's youth are bombarded with a multitude of financial options at an increasingly young age, yet many are ill-equipped to make informed decisions about financial matters. According to a 2001 Teen-age Research Unlimited survey, teenagers spend, rather than save, 98 percent of their money, a total of $172 billion in 2002. One out of every three teenagers has credit cards and even more have an ATM card. Various public and private organizations that develop programs to promote public knowledge of basic finances.

Many are working with elementary and secondary students to provide them with strong money management techniques and how to integrate financial education principles into curricula; for example, my home State of Delaware, MBNA opened the Financial Advisory Service over 10 years ago, which offers professional advice to MBNA employees and their immediate family members. Under the leadership of Tom Dimmel, it has extended the service into the community and into the local school systems through the facilitation of basic credit and money management curriculum to all grade levels in elementary, high schools and colleges throughout the country. It has educated nearly 1,500 students in Delaware and 14,000 students throughout the country since 1995. Their extensively educated advisors teach not only credit information, but especially in the case of students, spend a great deal of time on financial basics like balancing a checkbook and budgeting.

I am looking forward to hearing the witness' testimony.

[The prepared statement of Mr. Castle follows:]

Statement of Chairman Michael N. Castle, Subcommittee on Education Reform, Committee on Education and the Workforce

Good Afternoon. I would like to welcome our guests, witnesses, and members to this afternoon's Education Reform Subcommittee hearing entitled, "Financial Literacy Education: What Do Students Need to Know to Plan For the Future?" Thank you very much for being here.

Now more than ever, we live in a world that has become increasingly complicated when it comes to financial matters. A generation ago, a basic knowledge of bal-

ancing a checkbook and maintaining a savings account was adequate. However, in today's complex world many Americans are faced with difficult decisions such as determining what type of loan they need; whether to invest in stocks or bonds; how to best manage credit; and how soon to start planning for their retirement.

Unfortunately, large numbers of consumers never learn the basics of maintaining their personal finances and do not have the tools necessary to make choices leading to financial freedom. Instead, many live paycheck to paycheck and acquire substantial debt. According to the Federal Reserve, outstanding, non-secured consumer debt increased over $845 billion over an eleven year span. In 2002, more than a million families filed for bankruptcy.

Today, our nation's youth are bombarded with a multitude of financial options at an increasingly young age. Yet many are ill-equipped to make informed decisions about financial matters. According to a 2001 Teenage Research Unlimited survey, teenagers spend rather than save 98 percent of their money, a total of $172 billion in 2002. One out of every three teenagers has credit cards and even more have an ATM card.

Various public and private organizations have developed programs to promote public knowledge of basic finances. Many of these organizations are working with elementary and secondary students to provide them with a strong education in money management and provide teacher training on how to integrate basic financial education principles into curricula.

I am looking forward to hearing the witness' testimony pertaining to the efforts these organizations are making to educate our young people about the basics of personal finance.

With that, I yield to my colleague from California, Mrs. Woolsey for whatever opening statement she may have.

Chairman CASTLE. With that, I yield to my colleague from California, Ms. Woolsey, for whatever opening statement she may have.

STATEMENT OF HON. LYNN C. WOOLSEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. WOOLSEY. Thank you, Mr. Chairman.

I, too, am pleased we are having this hearing on financial literacy because it affects all Americans each and every day. From a seemingly small decision like how much to spend for lunch, to a major life decision like obtaining a mortgage, financial literacy is absolutely crucial.

Yet, it's clear that too many Americans are not financially literate. During the first 2 months of 2003, mortgage foreclosure set a record high. In the first quarter of 2003, household debt service payments were close to 14 percent of the disposable personal income. Personal bankruptcy filings continued to set record levels. While some of this may be due to current economic conditions, much of the financial trouble Americans face today could be lessened or even avoided if we talked financial literacy to school age children.

Children are still in school when they form the financial habits and attitudes that will last throughout their lives, and financial literacy teaches them about basic but important transactions, such as savings, borrowing, and investing. Unfortunately, a recent report by the financial literacy organization, Jump Start, showed that high school seniors scored lower on a financial literacy survey in 2002 than when the first survey was conducted in 1997. It is not surprising then to find out that bankruptcy of 18- to 25-year-olds nearly doubled in less than 10 years.

The real world implications of not teaching our children financial literacy are clear, and it is also clear that our children are the ones who suffer most when they do not have a good understanding of

personal finances. I am glad to see that our panel includes witnesses from their organizations that should be and are on the front lines of improving financial literacy. I look forward, Mr. Chairman, to hearing their testimony.

Thank you for putting this together.

Chairman CASTLE. Thank you, Ms. Woolsey.

We have two panels today. The first panel consists obviously of one person, and the second panel consists of more. We will have the panelists speak and then the members will have 5 minutes in which to ask questions and elicit answers from the panelists. The first panel consists of the Honorable Dan Iannicola, who is a deputy assistant secretary for financial education for the Office of Financial Institutions at the United States Department of Treasury.

Prior to his current position, he served as special counsel to the Assistant Secretary and director of communications in the Department of Education'S Office of Post-Secondary Education.

Additionally, Mr. Iannicola has worked as a counsel for the May Department Stores Company as vice president and regulatory liaison for the May National Banks. Before he begins his testimony, I would like to remind our members that we do have a 5-minute limitation and Mr. Iannicola, with that, you may proceed, sir.

STATEMENT OF HON. DAN IANNICOLA, JR., DEPUTY ASSISTANT SECRETARY FOR FINANCIAL EDUCATION, OFFICE OF FINANCIAL INSTITUTIONS

Mr. IANNICOLA. Thank you.

Good afternoon, Chairman, Counsel, Ranking Member Woolsey, and distinguished members of this Subcommittee.

Thank you for the opportunity to appear before you today to talk about American students' critical need for financial education and what the Department of Treasury is doing to meet that need.

Mr. Chairman, I commend you for focusing attention on this important topic. Let me begin by drawing together a few seemingly random facts that paint a troubling picture. 40 percent of Americans say they live beyond their means. 60 percent of American households have failed to pay their credit card bills each month, and in 2001, more people filed for bankruptcy than graduated college, but what has this got to do with today's hearing?

Plenty. Rising bankruptcy, low savings rates, and frequent misuse of credit are adult problems that can be traced upstream to where some of our schools are failing to prepare their children for their financial futures and children need our help in this area more than ever.

Back when we were kids, a child's financial portfolio consisted of an allowance, earnings from mowing lawns, baby-sitting, and a piggy bank. But today, young people must be familiar with things like credits cards, ATM and variable APR's.

For them, learning basic financial skills is no longer child's play. Consider the following: 28 percent of 12-year-olds did not know that credit cards are a form of borrowing. 40 percent of 12-year-olds did not know that banks charge interest on loans, and more than 20 percent of kids, aged 12 to 19, have their own credit cards or access to their parents' credit cards.

What is the solution?

One, we need to inform schools of what needs to be done. Two, we need to help equip them to do it, and three, recognize those schools that have succeeded. I will take them in order. First we need to spread the word that the best way to introduce financial literacy into schools is to encourage them to integrate financial topics into existing curriculum. This strategy is much more practical than asking schools to create stand-alone classes in financial education.

At the local level, resources are so precious that every decision is ultimately a tradeoff. As the president of a local school board, I know what that is like. If I resurface the parking lot, I cannot fix the leaky roof. If I purchase the new computers, I cannot give the faculty the raise I want to give; and if I have to have a stand-alone class for financial education, I have to do away with something the kids might need to be taught.

It is out of this appreciation for those local challenges that we have the manageable alternative for curriculum education and it is manageable; for instance, a primary schoolteacher who is discussing addition and subtraction can easily teach students how to make change for a dollar. A middle schoolteacher who is telling his class how to figure percentages can do it through a lesson on the compounding of interest, and a teacher showing students how to perform long division can teach them how to figure a monthly payment.

With input from the Department of Education and a number of private groups, Treasury last year published this white paper on that very subject. The paper identified ways financial literacy could be integrated into current curricula. The Treasury's white paper has already been cited by Colorado, Montana and Texas in their State's financial literacy proclamation.

The second part of this solution is equipping students with the materials they need. Numerous private and governmental organizations—excuse me, equipping schools and students with the materials they need. Numerous private and governmental organizations have created and distributed great teaching materials for financial education, many of which are available free of charge. Treasury has added to these resources with its own contributions; for instance, the Bureau of Public Debts Program called "Money Math, Lessons for Life," teaches middle school students about savings and budgeting and has been used by 16,000 students nationwide.

The IRS has a program called "Understanding Taxes," which teaches high school and community college students about the American college system. And the U.S. Mint has an interactive Web site which educates young students about coins and their history.

The final step is to recognize the ones that get it right. This summer, the Department of Treasury honored with a certificate of recognition a program that taught credit card management at historically black colleges and universities, and earlier this month, I got the chance to recognize an Alexandria, Virginia high school for a financial literacy program there. So the three steps of informing, equipping, and recognizing schools is how we get this important job done.

The bottom line on financial education is that it works to help children live better lives as adults. Until more schools become aware of this reality and act upon it, our work is not finished.

[The prepared statement of Mr. Iannicola follows:]

Statement of Dan Iannicola, Jr., Deputy Assistant Secretary for Financial Education, Office of Financial Institutions, U.S. Department of the Treasury

Good afternoon Chairman Castle, Ranking Member Woolsey and distinguished members of the subcommittee. Thank you for this opportunity to appear before you today to talk about the critical need to provide financial education to school aged children as well as what the Department of the Treasury is doing to address this important issue. Mr. Chairman, I commend you for focusing a national spotlight on this critical topic, which is so closely linked to our economic futures—as individuals and as a nation.

THE PROBLEM

Let me begin by drawing together a few seemingly random facts to paint a troubling picture. Forty percent of Americans say they live beyond their means. [1] In 2002 the average American household had $8,900 in credit card debt, up from $3,200 just 10 years earlier. [2] Sixty percent of American households fail to pay their credit card bills in full each month and carry average balances of more than $4,000. [3] The average household pays over five hundred dollars a year in interest charges on credit cards alone. Finally, in 2001, more people filed for bankruptcy than graduated from college. [4]

What has all of this got to do with the subject of today's hearing? These grown up financial problems have everything to do with how we prepare children for economic adulthood and why we need to be talking about financial literacy in schools here today. The downstream, adult problems of rising bankruptcy rates, low saving rates and frequent misuse of credit, can all be traced upstream to how our schools fail to adequately prepare children for their financial futures.

While financial education is very important for adults, it can have the greatest overall life impact on young people. Young people have not yet established bad spending patterns. Therefore, education can mold their habits more effectively than it can for adults. Finally, young people simply have the most years ahead of them to earn, save and invest.

Consequently, young people are a great target audience for financial education. However, that has always been the case. Why is the issue of youth financial education more critical, more pressing today than ever before?

When we were kids, a child's financial portfolio consisted of an allowance, earnings from mowing lawns and babysitting and a piggy bank. Times, however, have changed. Today's young people must be familiar with things like credit cards, ATMs and variable APRs. For America's youth, who spent over $172 billion in a recent year [5], learning basic financial skills is no longer child's play. Consider the following: 28 percent of 12-year-olds did not know that credit cards are a form of borrowing, 40 percent of 12-year-olds did not know that banks charge interest on loans, 28 percent of students with a credit card roll over debt each month and more than 20 percent of kids ages 12 to 19 have their own credit cards or access to parents' credit cards. [6]

SOLUTIONS

Treasury White Paper

Understanding the times in which our kids live and diagnosing the overall financial literacy problem are relatively straightforward exercises. Finding the best remedy however is more complex. That is why the Department of the Treasury last year partnered with the Department of Education to co-host a panel discussion with representatives from groups such as the Jumpstart Coalition, the Black Alliance for Educational Options, the National Council on Economic Education and the National Association of Elementary School Principals. Following the discussion, our office published a white paper based on the group's findings called "Integrating Financial Education Into School Curricula." In the paper we explored the different means by which financial education can be incorporated into other subjects.

One might ask why we advocated integrating financial education into established curricula instead of calling for a separate class devoted to financial literacy. Certainly a dedicated class would seem like the obvious solution. Obvious solutions,

however, are not always the best ones. Speaking as a former school board president, I can tell you that a federal demand for a new stand alone class is a demand that few school districts could easily meet. Schools would have trouble finding the funds, the faculty and the time to teach such a class. Moreover, each school would need to calculate the opportunity cost of scaling back instruction on another discipline that is also likely important to student development.

While some of these concerns from the state and local level may seem mundane in the face of a national financial literacy problem, we should nonetheless listen closely to these local issues. My experience tells me that local educators are frequently aware of critical details that distant policy makers sometimes overlook. At the school district level is where teachers know their students by name and by need. It is where parents become actively engaged in their children's intellectual development. The local level is also where students learn, where lives are changed and where we will ultimately succeed in solving this problem.

Mindful of these challenges at the local level, we explored integrating financial education into established curricula like math and reading as a more achievable goal. This approach allows schools to impart valuable financial skills to students while they continue to learn other core subjects. When schools seamlessly integrate financial education into existing curriculum, students can better see how financial issues are integrated into their lives. Introducing a school to financial education in this way can lead to a plan that is less costly to the school, less disruptive to the curriculum and, therefore, more likely to actually happen.

The question then becomes "how do advocates of financial education get an integrated financial literacy curriculum into schools?" The white paper I mentioned earlier identified five access points for integrating financial education into school curricula.

The first access point is the state educational standards. In a standards-based education system, standards have a significant influence on what is taught in the classroom. Informing the state boards of education, which generally develop and adopt standards, about the importance of including financial education in the standards can help increase the chances that financial concepts are included in math, reading and social studies curricula.

The second access point is through testing. A standards-based education system uses testing to assess whether students are meeting academic standards. Educators generally focus on subject matter that will be tested. Therefore, including financial concepts in tests allows teachers to prioritize financial education topics in the classroom.

The third access point is through textbooks. Publishers of textbooks and other instructional materials can be informed about the value of integrating financial concepts into other subjects, such as math, reading and social studies. Before purchasing instructional materials, states can impose requirements that publishers demonstrate how their materials incorporate financial concepts into other subjects.

The fourth access point involves the use of financial education materials. There are ample financial education resources available on the Internet and directly from public and private groups that produce or compile such materials. Many of these "off-the-shelf" materials are excellent, free of charge and can be incorporated into math, reading and social studies curricula to provide a financial education component to these subjects.

Training educators is the fifth access point. Educator training and professional development requirements provide an opportunity to stress the importance of financial education to those individuals who are directly responsible for conveying such information to students. This strategy takes note of the reality that teachers themselves must first be comfortable with financial education topics before they can effectively instruct their student on such matters.

The white paper, which is available on the Treasury website (www.treas.gov/financialeducation), was released a year ago this month. We hope that it will continue to serve as a source of guidance and that it will influence policymakers, educators and others to begin the long process of incorporating financial education into core curricula. We are gratified that only a year after its publication, the Treasury's white paper has already been cited by Colorado, Montana and Texas in their states' financial literacy proclamations.

Educational Resources

Like many other private organizations and governmental agencies, the Treasury has contributed financial education teaching tools to schools and the public. I would like to highlight four such programs.

First, through its Bureau of Public Debt, the Treasury has distributed, free of charge, more than 150,000 copies of the Money Math: Lessons for Life program. The

Money Math curriculum is used to teach math concepts to middle school children using real-life examples from personal finance. Lessons include teaching children the importance of budgeting, that savings leads to the accumulation of wealth and the relationship between careers and earnings potential. The program has been used in more than 16,000 districts nationwide.

Second, the Treasury's Internal Revenue Service (IRS) has developed an interactive, instructional tax program called "Understanding Taxes" to provide high schools, community colleges and the public with a technology-based financial education instructional tool. Divided into two areas of content - the "How's of Taxes" and the "Why's of Taxes" - the program offers both print and online materials to help students learn more about the history, theory and application of America's tax system and how it impacts them.

Third, the IRS also provides tax guidance for teenagers and young adults through its "TAX Interactive" (TAXi) website. The website includes a collection of tax-related resources to help teachers integrate lessons about taxes into a variety of classroom settings.

Finally, the Treasury's United States Mint helps to promote financial literacy by combining technology and education on a web site that uses coinage as a theme to foster education among children. The United States Mint H.I.P. Pocket Change web site uses games, informational features and animated cartoons to teach young learners about subjects such as social studies, language arts, mathematics and science through the use of coins. The site is also a resource for teachers by offering lesson plans and classroom activities that help teachers instruct about coins and the history that surrounds them.

Development of Standards, Recognizing and Coordinating

To encourage other high quality programs around the country, the Treasury's Office of Financial Education develops standards for financial education programs. Periodically, the Office will recognize an effective financial education program through a visit and presentation of a certificate of recognition. These events not only honor the selected program, but they help raise awareness of the featured program as a model for others to emulate.

The Department of the Treasury also coordinates activities with other federal agencies that have financial education programs, partnering with them as opportunities arise. To make all the financial education resources of the federal government more accessible, the Department has recently launched an on-line directory of major financial education programs, complete with contact information. Through the directory, visitors can locate the federal financial education programs most suitable to their needs.

CONCLUSION

Since I began with the bad news, please allow me to close with the good news. For those young people and adults struggling with saving, spending and credit issues, a better life is possible, and financial education is the way to get there.

The best research tells us that financial education can, and does, make a difference in people's daily lives. Studies show that in states that mandate personal financial education in schools, high school graduates have higher savings rates and higher net worths as a percentage of earnings, when compared to those from other states.[7] The positive effects of financial education carry into adulthood, as borne out by the fact that individuals who have received financial education tend to participate in employer 401(k) plans at a higher rate and with larger contributions than others.[8]

The bottom line on financial education is that it works to help children live better lives as adults. Until more schools acknowledge this reality and act upon it, our work is not finished.

ENDNOTES

[1] Fort Worth Business Press 2002

[2] Patricia Wolff,—Area Lawmaker Wants Students to Learn More about Personal Finance," Oshkosh Northwestern, April 28, 2003

[3] Mary Judice, "Money Matters; Prudent Students can Avoid Big Debt," Times Picayune, April 27, 2003

[4] Patricia Wolff,—Area Lawmaker Wants Students to Learn More about Personal Finance," Oshkosh Northwestern, April 28, 2003

[5] "Check Out These Dollars and Sense," Peoria Journal Star, May 12, 2003

[6] Jennifer Goldblatt, "Kids Turn to Parents to Learn to Manage Money," The News Journal, August 25, 2003

[7] B. Douglas Bernheim, Daniel M. Garrett, and Dean M. Maki, Education and Savings: The Long–Term Effects of High School Financial Curriculum Mandates (Jun. 1997)
[8] Robert Clark, Ann McDermed, Kshama Sawant, and Madeleine d Ambrosio, "Financial Education and Retirement Savings," Federal Reserve Bank Paper, March 2003

Chairman CASTLE. Thank you very much, and I will start the questioning by yielding myself 5 minutes.

Tell me about—I realize you have an education background, as well as the work you are doing now. But tell me about the integrating of financial literacy into the existing curriculum. I tend to agree with you, and every time you talk to educators, they will always tell you they do not have room for anything else, and I respect that, and I think it is crap, but on the other hand, I am not sure that we have perfected the methodology for doing this.

I—and let me preface all of this by saying I think the problem is greater than my opening. I just think it is unbelievable that basically you are responsible for your own investments, probably in terms of your retirement, maybe your kids' college and all kinds of other financial steps you have to go through and the choices are unbelievable.

If you get into mutual funds, not even stocks, there are a variety of choices, so this is a very difficult issue, and I worry—is anyone looking at that methodology of that integration into the existing curriculum, I guess is my question?

Mr. IANNICOLA. No, that is a great question, and there were a lot of chips on the table for everyone. Through the white paper, and let me talk a little bit about that that we got done with the Department of Education and others, we identified five areas that—five access points through which—those who advocate integrating curricula can get to the schools, through which they can make their case.

The first one was State Educational Standards. If we can get a State to put something in their standards, regarding financial education, that obviously gives the school the guidance they need.

Second is through testing, which usually follows on the heels of standards, and if something about financial education is in a test, obviously, it is going to more likely make it into a lesson plan.

Third access point is textbooks. Textbook publishers make important decisions and have tremendous downstream effects, and if we can emphasize to them to put some examples in a math textbook, we are getting into the constituency we need to speak to. The fourth was the use of education materials. I gave a few of the ones the Treasury produces, but that is just a small part of what is out there on the way.

Consequently, whenever I speak to teachers, it is not that they do not want to put things in their classroom. A lot of them just do not know what is there, and they are amazed when they find out it is there and it is free. So promoting financial educational materials is another way.

And the last is training educators. We have a lot of educators who want to do the right thing, but maybe they need to brush up on their own financial education teachers, so that way we get to the kid much more effectively.

Chairman CASTLE. Let me shift gears for a moment, and that is something you didn't talk about too much but is of interest to me,

and that's the cultural aspect of this; I mean, I do not think a lot of kids subscribe to money magazine or watching TV shows about money, but in looking at the media, the culture that is getting to them, is there anything that we can do, obviously, you cannot regulate it, it is not what government should be doing, but is there anything we can be doing to encourage the different cultural outlets for children, to be building some of these things in just as they are in schools?

Have you given any thought to that or is that beyond your purview at this point?

Mr. IANNICOLA. That is beyond our purview, to give those types of goals for culture, but one insight I have that might relate to this: Frequently, the place where financial education can do the most good is with the people who do not know they have options: I have met some kids, a recent trip to Brooklyn, the school was 98 percent free and reduced lunches, and I met one student who, an eighth grader, was adamant that he never wanted to put his money in the bank, and I tried to make my case, but he would have none of it.

I realized why he took that position. One asked me: If my money gets put in the bank and the bank burns down, is my money gone? If it gets robbed, is my money gone; so he didn't know he had a choice. I guess if I thought my money was going to disappear that quickly, I would put it in my mattress, too. So a lot of folks are taking their guidance from movies, but others just don't know there is another way.

Chairman CASTLE. Let me fit in one more question: In your work in Treasury and your work in education, personally and professionally, have you—is thought being given to the low income circumstances of all of this money management, because they, obviously, they have greater credit problems there, there are a lot of things I think we could be fixing, even on the incomes that people presently have, but I think it is different. I think that educational process is different.

Mr. IANNICOLA. I think that's right; I mean, the education you give to kids whose parents have brokers is different from the ones who have case workers, and we need to target education specifically for them.

Basic savings is the main thing we need to get through to those kids and actually, you can make a bigger difference to those kids because their parents aren't giving it to them, they may not be in high school, that is teaching them what they need to know. So we do focus on those projects, we do recognize schools who do good work at any income level, but we certainly can see the difference in the lower income schools that you mentioned.

Chairman CASTLE. Thank you.

I appreciate your answers.

Mr. IANNICOLA. Thank you.

Chairman CASTLE. I will yield 5 minutes to Ms. Woolsey.

Ms. WOOLSEY. Actually, I think the first lesson for high school and college kids who are getting credit cards in the mail is to pick up the scissor and cut through the credit card, lesson one.

Mr. IANNICOLA. OK.

Ms. WOOLSEY. How are we measuring best practices? Do we have to wait for the NAPE tests and results before we know how to truly measure what we are doing?

Mr. IANNICOLA. Right.

Quantitatively, it is difficult to measure these things, unless you have the type of tests I think you cited in your comments.

What we try to do when we look at a program is we have eight standards. One of the qualitative standards actually looks into whether the program has a quantitative standard, so at our level, we are looking for programs that do things, for instance, like target to the cultural issues of their audience, things that have follow-up. If a program has follow-up, where, after the seminar, whatever, kids can go to a Web site or one 800 number or the teacher is going to return or the seminar is going to return. Those are the things that we look at when we recognize a program.

Ms. WOOLSEY. Well, then, my other question would be: How do we make this interesting?

I mean, how do we get kids onto a computer?

Now, one of the thoughts I have is, you know; I mean, I am an old lady, so when I went to school, we learned how to balance a checkbook.

Mr. IANNICOLA. OK.

Ms. WOOLSEY. Some would say I have never learned it, but, nevertheless, I don't get in trouble, so I must balance it eventually, but now you pay your bills on the computer, so I mean, in the computer class, in the math class, it doesn't have to be just totally about financial responsibility, but the math questions can, you know, assimilate all the getting to the same goal.

Mr. IANNICOLA. Agreed, agreed.

Ms. WOOLSEY. Not a whole separate program.

Mr. IANNICOLA. Two answers to that.

One, I think integration is an answer, because you and I, we do not think of financial issues all by themselves. They come naturally seamlessly throughout the day as per your lunch example, so we need to integrate into our curricula lessons so that kids do not know they are learning about financial education, but what do you know, they did, because they learned math, percentages, et cetera; and second I think it is good to show them the money; that is, show them what is at the end of the rainbow.

If you live the type of life you want to live, you will end up with a nicer car, a nicer home, a brighter future, and I think kids need to see that there is figuratively a payoff to all this, not to make things too materialistic, but I think we need to give them a view of the future and how financial education is going to get them a better one.

Ms. WOOLSEY. I agree with you, but I also agree that it is the greater society and it is the business folks and the banks. They have a responsibility, too, to not dangle these credit cards in front of our kids who cannot not use them because it is just too much of a challenge for them.

Thank you.

Mr. IANNICOLA. Thank you.

Chairman CASTLE. Thank you, Ms. Woolsey.

I yield 5 minutes, at this time, to Mrs. Biggert.

Mrs. BIGGERT. Thank you, Mr. Chairman.

I have just a couple questions. You said that there were a lot of resources that are on the Web, but teachers just aren't aware of it, aren't aware of what is available to them.

Mr. IANNICOLA. Absolutely.

Mrs. BIGGERT. Or haven't had any training?

Do you have any recommendations on how we can get this information to them, how to spread the word, so that they know that it is available?

Mr. IANNICOLA. Mm-hmm. Through the work of our office; I mean, we are always working to do more outreach to those groups, and there are many resources throughout the government that are taking similar steps. I think you are going to hear from some panelists who probably do some of the same work, and I think helping them to do their work, supporting them and, believe it or not, simply giving publicity of these issues can have a great effect.

That is one of the reasons why we like to give certificates, not just to open for the individual program, but so that we create a ripple so people know it is there and available to them. So I think it is much more of an awareness issue maybe than an education issue, so I think just getting on the roof tops and getting the word out.

Mrs. BIGGERT. OK. Earlier this year, President Bush signed No Child Left Behind, and one of the innovative assistance programs that has funds available for local school districts to use, and there is 27 categories, and one of those categories is activities to promote consumer economic and personal finance education.

Do you know if those are people who are going after those grants or do you have any access to that?

Mr. IANNICOLA. I do not. Probably that is for the Department of Education. I am aware of that provision as well.

I do not believe it is on that provision. I know they did a grant to the Jump Start coalition. I think that was from a different pool of funds.

Mrs. BIGGERT. Yes, I know that. Do you think that the consumer economic and personal finance education is broad enough? Are we really—you know, there are so many courses that are taught in the schools and in the past have been learning how to write the checkbook or clipping from the newspaper of—they are going to set up a, you know, household and how much they are going to spend for rent, and then for food, and trying to balance or make a budget for, their family budgets, and that kind of thing, but that really doesn't get to a much more in-depth economic vigorous course.

Do you think that this is—these programs are enough to really get into pensions and—.

Mr. IANNICOLA. Right.

Mrs. BIGGERT. And stock market, inflation, what all that means?

Mr. IANNICOLA. Right. Right. No. I think we are hoping, with some of the people we speak to, to get them to crawl first. I agree that is right. It would be great if we could get them to know the ins and outs of how the economy works and the bigger picture, but I guess this is a place where I guess we would counsel selfishness first.

Let's get you to know about your own finances first and then we will hopefully—that will kindle an interest so that you will want to take a bigger picture of the macroeconomy, and our office focuses not just on students, but on a variety of groups, immigrants, people who are nearing retirement, who will be facing sophisticated financial decisions, so I think that is a good goal.

Our emphasis is on the first step.

Mrs. BIGGERT. Thank you.

Thank you, Mr. Chairman.

Chairman CASTLE. Thank you, Mrs. Biggert.

I yield 5 minutes, at this time, to Mr. Hinojosa.

Mr. HINOJOSA. Thank you, Mr. Chairman.

Mr. Iannicola, I want to commend the administration for issuing its white paper entitled, "Integrating Financial Education" into school curricula—.

Mr. IANNICOLA. Thank you, sir.

Mr. HINOJOSA. —this last October, and for Treasury and the Department of Education working together on it. I especially want to acknowledge the role Sheila Bayer played in determining that white paper. She has been very helpful to me and my constituents, especially to the Hispanic community, as I'm sure you will be in your current role.

The white paper notes that there are a tremendous amount of natural literacy resources on the Internet and available through other sources. Obviously, it is impossible for each school district to use all of these resources.

My question is: Would you and Treasury support the creation of a national commission headed by President Bush that will recommend how to integrate the economic and personal finance education into primary secondary and post-secondary curricula?

Mr. IANNICOLA. We are excited about working with anyone on financial education. We have been very enthusiastic about seeing the level of interest. There were a number of pieces of education about financial literacy, and we couldn't be happier about seeing the level of enthusiasm.

With respect to a particular piece of legislation, we really haven't taken a position on that one, but we would look for the overarching principles of having a program that is effective, that is, targeted to the right students, to teach them the right things, and practical, something that can have on the ground results, so those are our general positions.

Mr. HINOJOSA. Let me add to my concerns. The commission envisioned a legislation sponsored by Mrs. Biggert, the CENTS Act, that I cosponsored that will identify and recommend best practices for the teaching of economics and personal finance.

The proposed commission will also recommend how to better coordinate Federal, State, local and private sector efforts to develop financial literacy. This proposed legislation would seem to meet all the goals set forth in your white paper, as well as in your testimony given here today before this Subcommittee, would it not?

Mr. IANNICOLA. Well, without taking a position, since we haven't done that as of yet, I guess I would have to say that we are—there is a lot of room for a lot of good ideas on this.

What I said today I stand behind, that we are in favor of getting the word to kids and helping schools to integrate financial education topics into the curricula. But there are a variety of solutions, and we are eager to look at all of them and again commend those who are contributing to the discussion.

Mr. HINOJOSA. Well, hopefully, you let Mrs. Biggert and me drop down those hurdles, from saying yes, you will work—and if the administration will say yes, we will work with you in your legislation. Because I happen to have lots of young people, young high school graduates, many college graduates, who are very appreciative that somebody is paying attention to the need to try to coordinate the resources that are available out there, because they feel unprepared to be able to make a decision such as buying their first automobile, much less talking about buying a small home.

All of this to say that that is without touching another segment that you mentioned in your last remarks, and that is the immigration unbanked, those folks who are making a big percentage of our work force throughout the 50 States and the fact that they are unbanked makes it a big concern in my district. So I am hoping that you will use all your persuasive skills to get the administration to take a look at this legislation that Mrs. Biggert and I are trying to get the administration to look at and consider, because I think that there is a great need, in listening to the banking community and those who are seeing the importance of this financial literacy throughout the country.

Mr. IANNICOLA. OK, and I guess—I appreciate your thoughts on that; and two points that, right now, we can address without getting into the legislative issue. I am sure you are familiar with the First Accounts Program. That was established recently. There is an $8.4 million that we have awarded in grants, helping folks to get their first accounts, and we are looking forward to investigating that program and seeing exactly how effective that is. But the goal is a good one, as I think you mentioned.

The other point about pulling all the resources together so people know where to go, I think it would be helpful to direct people to our Web site.

The Department of Treasury, Office of Financial Education, we recently put together a financial education resources booklet which contains descriptions of about 25 programs in different organizations across the Federal Government. We kind of consider it the first place to go, a starting point, if you are going to look at all the resources the Federal Government offers. We introduced it in August, and we had about 8,000 hits in the first month. So anyone looking to find out more about them, what all parts of the Federal Government offers in the way of financial education, would be advised to start there.

Mr. HINOJOSA. Finally, tell me: Aren't the first accounts frozen, that one that you just mentioned?

Mr. IANNICOLA. Well, the grants are ongoing. The grants are still being drawn down, and the work continues to the grantee.

Mr. HINOJOSA. So there is money available to apply for?

Mr. IANNICOLA. No. There are people who receive money who are presently spending it on programs, let me be clear.

Mr. HINOJOSA. OK. Thank you.

Mr. IANNICOLA. Sure.

Chairman CASTLE. Thank you, Mr. Hinojosa.

Ms. Majette I yield to for 5 minutes.

Ms. MAJETTE. Thank you, Mr. Chairman; and I thank the witness for being here today.

In your written testimony, you say that the best research and the conclusion—you say that the best research tells us that financial education can and does make a difference in people's daily lives and studies have shown that in States that mandate personal financial education in schools, high school graduates have higher savings rates and higher net worth as a percentage of earnings when compared to those from other States and that the positive effects of the financial education carries into adulthood. But in—well, on page 2 of your testimony, regarding the Treasury white paper, it seems to me that what you are saying is that you are not calling or you are saying, instead of calling for a separate class devoted to financial literacy, you are looking into integrating financial education into established curricula. Is that inconsistent with the conclusion—what you say in the conclusion of what the best research shows or do you have any—.

Mr. IANNICOLA. There is a lot of ways to get there. When we advocate integration, it is not that a separate class will not work. It is that a lot of places cannot do a separate class. I guess I do not have pedagogical resources to say which is better or worse, but if I get 5 minutes with the superintendent, I am going to tell them about integration, not a separate class, because I know one is an achievable goal and one from any district is a dream.

Ms. MAJETTE. And, at this point, what you are suggesting is that the information that is available online is sort of the best resource for or best way of getting this information out?

Mr. IANNICOLA. It is a great resource; and primarily because, again, it is free. And coming from a public school that had hard choices to make, like I am sure all schools do in your districts, that is not an insignificant factor and not insignificantly a lot of the material is very good. So, yes, it is something that they can get easily and get into the classroom, so the Web is a great source.

Ms. MAJETTE. That would be how the instructors would get the information to present to the classes?

Mr. IANNICOLA. That is right. There are lesson plans, curricula, depends on the program, but those types of things are available.

Ms. MAJETTE. All right, and do you see that there is sufficient—you think there would be sufficient funding for implementing of a program that would allow for this kind of education to take place nationally?

Mr. IANNICOLA. Well, I guess I am going to need clarification, in terms of taking place nationally.

Ms. MAJETTE. If each State wanted to implement a program, do you think that there would be funding available or would it be your suggestion that we make funding available at the Federal level for the States to be able to implement those programs?

Mr. IANNICOLA. As I said before, I think this is more of an awareness issue than an educational one; and I think most of the solutions that I mentioned are not high dollar, they are not high-tech, and they are not highly controversial, either. They are about teach-

ers and school districts trying to fit these topics into their curricula and integrate them, and there is really not a high-dollar price tag for most of them. That is why this is so compelling, because this is not a distant thing we cannot reach. This is very achievable. And if more teachers know about it and more school districts become aware and committed, the resources are there. It shouldn't have to be a big budget level at the local level, the Federal level, the State level.

Ms. MAJETTE. Thank you.

I yield back.

Chairman CASTLE. Thank you, Ms. Majette.

Let me thank you.

Mr. IANNICOLA. Thank you very much.

Chairman CASTLE. We are very pleased to have you here.

Obviously, we are very interested in the subject, and we will continue to try to develop this over the next few months, so we hope to be able to stay in touch with you, but we appreciate you being able to be here today.

With that, this panel is concluded; and we will take a very short break while we get the other panelists up to the table.

Mr. IANNICOLA. Thank you, Chairman.

[Recess.]

Chairman CASTLE. We will come to order and resume.

We appreciate the panelists and their swift move to the seats. We will proceed in the same way we did with the first panel, but we will go through some introductions, and some members are going to introduce a couple of the panelists who are here.

The first panelist we have is Mr. Gary Knell, who is the President and Chief Executive Officer of Sesame Workshop. Prior to his current position, he served as a Managing Director of Manager Media International. Mr. Knell has also worked as counsel to the U.S. Senate Judiciary Government Affairs Committee and in California State legislature and in the Governor'S Office.

Welcome.

Dr. Robert Duvall is currently the President and Chief Executive Officer of the National Council on Economic Education where he served since 1995. Previously, he was the President of Pacific University in Oregon. Dr. Duvall has also served on the faculty and the administration of Pitzer College, Rollins College, and the University of Pennsylvania.

I believe that Mrs. Biggert would like to introduce the next witness on our panel today, and I yield to the gentlewoman from Illinois.

Mrs. BIGGERT. Thank you. Thank you, Mr. Chairman.

I am very pleased to welcome Dr. Angela Lyons. She is currently an Assistant Professor and Extension Specialist for the Department of Agriculture and Consumer Economics at the University of Illinois, Urbana/Champaign. Previously she served as Supplemental Instruction Program Coordinator at the Department of Economics at the University of Texas at Austin; and Dr. Lyons has conducted research on numerous economic topics, including credit access and household repayment problems, liquidity constraints and household credit.

Very happy that she is here today.

Chairman CASTLE. Thank you.

I would like to welcome the gentleman from Texas, Mr. Hinojosa, to the Subcommittee. He would like to introduce our last witness, and I recognize him for that purpose.

Mr. HINOJOSA. Thank you, Chairman Castle, and thank you Ranking Member Woolsey.

I would like to thank you for holding this extremely important hearing, but I also want to thank you for inviting me to sit on this Subcommittee today and to participate in this hearing.

It is my honor to introduce you to Robert Strong, Vice President and Executive Director of the Securities Industry Foundation for Economic Education, a non-profit foundation affiliated with the Securities Industry Association, known as the SIA. He is here to explain the stock market game, which allows students in grades 4 through 12 to learn the fundamentals of investing in the stock market by playing a game using a hypothetical but substantial sum of money.

Mr. Strong will provide more details about the game in his oral remarks, but I want to take this opportunity to thank him for coming to testify on such a fun and important financial literacy tool, especially on such short notice as I gave him.

Several schools in my district participate in this game, using newspapers provided by the Monitor, the largest newspaper in my congressional district.

Thank you, Mr. Chairman.

Chairman CASTLE. Thank you, Mr. Hinojosa, for the introduction of Mr. Strong. I was interested in hearing what you had to say about him, since I know Mr. Strong well. He is a good friend from Delaware. You did very well, sir. We congratulate and welcome him here.

The only change from the first panel is that each of you will testify before we ask questions. Again, you have 5 minutes.

Mr. Knell, I think you have a presentation?

We will try to work that in and give you some extra time if needed. You will each have 5 minutes, and then we will have questions and answers from the panel.

We will start with you, Mr. Knell.

STATEMENT OF GARY KNELL, PRESIDENT AND CEO, SESAME WORKSHOP, NEW YORK, NEW YORK

Mr. KNELL. Thank you, Mr. Chairman, Ranking Member Woolsey and members of the Subcommittee.

I am here to tell you that it is never too early to start teaching our kids about this important issue of financial literacy. Elmo is in fact up in New York today. I know some of you are disappointed that he is not here today, but he had too many questions in Mr. Hooper's store, and he is extremely busy, trying to mail some things in the postage shop and figuring how much things cost to make it to the Committee here today.

Sesame Workshop is a non-profit educational organization whose whole goal is to use media to help children reach their highest potential, and this particular issue you may be wondering is why in the world is Sesame Street involved with the whole area of financial literacy. It is never too early to start on this issue, because our

world is changing so fast and, as you pointed out earlier, as it changes, grown-ups are realizing that they need to take more responsibility for their finances and plan carefully and earlier for things like their kids' education or purchasing a car or a house or retirement, other meaningful life events. Accomplishing that requires making smart financial decisions which, in turn, require basic financial skills and an understanding of earnings, spending, savings and investing.

More and more Americans we are told are having trouble managing their money. You know the statistics. Half of all Americans live paycheck to paycheck. Bankruptcies are at an all-time high, with a 50 percent increase of people under 25. Credit card debt has grown, with 45 percent of college students already in debt. Having a senior in high school myself, I am getting ready for the onslaught of credit card applications as well.

Too many Americans are underestimating the resources they will need upon retirement. A recent survey revealed that teens were spending 98 percent of their money, rather than saving it. Much of this can be attributed to a lack of financial literacy. While only 7 percent of parents say that their child understands financial matters well, nearly 9 out of 10 parents recently surveyed said that it was important that children understand the basics of money and finance.

The question is, for us, when should these building blocks for financial literacy be introduced? Believe it or not, we do think it is never too early. Well, maybe before the age of three, it is a little early, but from 3 years on you can start.

For instance, we know, in basic education, pre-school education, a University of Kansas longitudinal study very famous a few years ago showed teenagers who actually watched Sesame Street and other educational programs did better in high school. They read more books for pleasure. They had higher levels of motivation. These things do seem in this media age to stick with children. We think we can use the same model of success and replicate the same results with financial literacy and life skills.

So at age three, we can teach things about an idea that objects have different values or that grown-ups actually engage in different jobs. At age four, we can teach the value of coins or money needs to be exchanged for objects. Or at age five the idea that people work to make money and save money can be introduced to the very young children in our society.

With this in mind, we launched a program called—an outreach program called Talking Cents, C-E-N-T-S, funded by Merrill Lynch and as part of their Investing Pays Off initiative. The program offers age-appropriate information and resources to help parents and other adult caregivers reach out to other young children age three to five in fun and engaging ways. The content of the program is based on value, responsibility, resilience, savings, and money recognition.

We created—and I think you have this with you—a 16-page outreach edition of Sesame Street magazine—this is made for parents—just called Talking Cents, 10 playful ways to invest in your child's future. It is in English and in Spanish. The publication is filled with tips, activities and suggestions to encourage children to

begin to learn life skills such as planning, the idea of persistence and patience. Two hundred thousand of these have been—are being distributed, with 20,000 posters being distributed through the National Association for Child Care Research and referral agencies and some Head Start programs.

Merrill is also going to distribute the publication through their employee volunteer program, and we have created three educational television and video spots which reinforce the content messages of Sesame Street muppets, like the Count and Big Bird and Elmo and Telly and Cookie Monster, who I know some of you are fans of, I am sure.

Online interactive stories kids can do with their parents at Sesame Street dot com. Children can help Elmo and Zoe create a lemonade stand, trying to sort out ways to make lemonade and counting coins. Right now, in the first month, 60,000 kids helped Zoe and Elmo make lemonade.

There are also creative coloring pages and other games kids can explore. They are designed to transform children's everyday experiences into life lessons as critical as learning their ABCs or one, two, threes.

I brought, Mr. Chairman, a very short video. We are going to show you just one of these spots to give you an idea of what is being distributed, and it has Cookie Monster teaching financial literacy.

[video shown.]

Mr. KNELL. Sorry about the bad pun.

The program is designed to allow parents and caregivers to get useful information on simple strategies which will help kids understand some of the basic methods in forming good financial habits as they grow up and become financially responsible adults. Simple everyday moments, such as having children understand the value of things, the ways people work to make money, guiding children to overcome challenges and dealing with setback, encouraging them to wait for something they want immediately, understanding the relationship between the value of money and actual money by sorting and matching are a few of the many areas focused on in this program.

As our economy has expanded over the decades, our need to create a financially literate America is more important than ever. Big Bird, Cookie Monster and Elmo have taught generations of Americans many lessons; and we are thrilled to expand their muppet repertoire to help address this critical need in our country.

Thank you very much.

Chairman CASTLE. Thank you.

[The prepared statement of Mr. Knell follows:]

Statement of Gary Knell, President and CEO, Sesame Workshop

The need for financial education is frequently in the forefront nowadays, often coupled with the harrowing statistics of Americans' lack of knowledge about basic personal economics. For example, during the first quarter of 2003, more Americans filed for bankruptcy than any other time in history (American Bankruptcy Institute, 2003). Similarly, credit card debt has also increased to new highs. At the same time, 1 in 3 American teenagers carry credit cards as well as ATM cards (Tucker, 2003). And, in a national survey of 4,024 high school seniors, over 68% received failing scores on their knowledge of basic financial literacy facts. This is a sharp increase

from results in 2000 whereby only 59% failed (Jump$tart Coalition for Personal Financial Literacy, 2002).

These are just a few of the many examples recognizing the limited knowledge many young or older adults have in making fiscally sound decisions in their lives. As a result, many initiatives are now addressing the need to provide Americans with better knowledge and skills on planning for their financial security. Research does indicate that individuals, younger or older, and with diversity in incomes and educational levels, benefit from financial education strategies, especially as their personal and economic circumstances change ((National Endowment for Financial Education, 2002). There is little data available however, that indicates where the "foundation" or the "building blocks" for financial literacy actually begin.

Some interesting citations shed some light on this question. In a recent speech by Chairman Alan Greenspan during the annual Jump$tart Coalition conference (2003), he stated, "The importance of basic financial skills underscores the need to begin the learning process as early as possible." Likewise, in a symposium convened by the National Endowment for Financial Education (2002) and resulting in the white paper, Financial Literacy in America: Individual Choices, National Consequences, one of the major recommendations was to view financial education within the scope of a "lifelong process" that must begin early in life through experiences that build on everyday activities or "teachable moments." Finally, in a national survey of students ages 16 to 22, 94% identified their parents as their primary source of financial education (American Savings Education Council, Employee Benefit Research Institution, and Matthew Greenwald & Associates, 1999).

Remarkably, within child development there is little debate about the critical role parents play as their children's first and most important teachers. From the moment they hold their newborns in their arms, parents are setting the stage for their children's future growth and development. They guide them in their first steps, their first words, their first friendships, and most of all, they help promote children's innate curiosity for learning within safe and nurturing environments. Parents firmly believe that the life skills they foster during children's early years will help them grow and compete in the future (The Child Mental Health Foundations and Agencies Network, 2001). In fact, Nuveen Investments conducted a survey with parents of elementary school children in Chicago and over 86% of parents indicated it was important that children understand the basics of money and finance (Nuveen Investments, 2000). Additionally, in a national study released by Public Agenda (2003) analyzing essential character values important for children's success later in life, over 70% of parents felt saving money and spending it carefully was "absolutely essential.

The above data was instrumental in Sesame Workshop's response to this obvious need and in keeping with its mission to help children learn and grow and reach their highest potential. Sesame Workshop, a not-for-profit educational organization, and Merrill Lynch, as part of the Investing Pays Off have come together to bring a financial education initiative, Talking Cents, that offers multiple media information and resources to help parents and other adult caregivers reach out to young children ages 3 to 5 years in fun and exciting ways. These educational resources are designed to transform children's everyday experiences into life lessons that will help them explore the basics of finance and business. A little time spent in the early years will certainly pay off down the road in helping preschoolers establish the "foundation" or "building blocks" that can help them succeed as financially literate citizens.

The Talking Cents resources include:

- Educational Spots for Employees/volunteers (non-broadcast) a collection of three video segments with familiar Sesame Street characters—The Count, Elmo, Big Bird, Telly and Cookie Monster—demonstrating three strategies, responsibility, patience, and planning, all important life skills contributing to children's growth and future success.
- Special Issue of Sesame Street Magazine for parents—provides ten important concepts such as understanding the basic value of possessions, how money is earned, ideas on saving, and the concept of giving to others along with suggestions and activities that can provide a foundation of finance basics for preschoolers during their everyday routines.
- A Sesame Street online site, Sesame Savings, with appealing and fun activities for preschoolers that highlight simple finance basics, coloring pages, and information for parents and other caregivers. An especially interactive component is the live story The Lemonade Stand whereby preschoolers can help their familiar Sesame Street friends, Elmo and Zoe, set up a lemonade stand business.

To date, the initiative has been rolled out in 10 major locations including New York, Los Angeles, San Francisco, Miami, Chicago, Boston, Dallas, Washington DC,

Atlanta and parts of New Jersey with a particular focus on underserved and minority communities. Over 89,500 Sesame Street magazines and other resources, such as posters, were distributed through the National Association for Child Care Resource and Referral Agencies, Merrill Lynch employees and events during September 2003.

In the design of this initiative, great care was taken to ensure that the information was both developmentally and age-appropriate for preschool children. Furthermore, the information acknowledges the critical role parents and other important caregivers play in fostering early learning. The information and activities are meant to build on how young children typically learn about simple finance basics, mostly from merely observing adults engaging in daily activities such as using or saving money, paying for items, going to the bank, using an ATM, or making purchases.

Adults are often surprised that these tasks are the first introductions to financial education for young children. The program includes tips for parents and other adult caregivers that gently guide them to use these opportunities as "teachable moments" for finance basics. For example:

- By exposing children to how and where people work and how money is used to take care of family, community and the world, children are introduced to an understanding of the value of money, prices, and how people earn a living. This helps children gain a stronger work ethic and a sense of responsibility early on in life.
- By helping children to understand that all things have value, not only their possessions but those belonging to others as well, it helps them have a better understanding of not being frivolous with their money or possessions as well as those of others.
- By guiding children to overcome minor setbacks or work along with others, it can help them develop problem-solving skills, practice persistence and most of all, become more resilient adults.
- By encouraging certain instances whereby children can learn to wait for something or put off getting what they want immediately, it can help them have a better understanding of setting goals and patiently working towards them or even saving for the future.
- By engaging in experiences whereby children can gain a sense of a relationship between the value of money and actual money by sorting, matching and learning to distinguish between different coins and their values, it can lead to an understanding of the value of money in general and a stronger economic sense as they get older.

These activities and general information are important ways to establish a foundation for young children in the way they learn throughout their early years. Primarily this approach continues to support parents as their children's most important teachers within the framework of naturalistic learning—the opportunities that present themselves during everyday routines or "teachable moments." The program builds on experiences that strengthen basic life skills linked to financial literacy, thereby providing a foundation for what is a "lifelong process."

Some very preliminary data is indicating the positive potential for such an approach. Included within each Sesame Street magazine is a reply card requesting the user to respond to whether or not the information contained in the magazine was helpful, and if the activities they planned to engage in was a result of that information. Of 73 responses to date, 87% indicated the information was helpful in explaining "money matters" to children in the areas of saving, spending, earning, money and value and they requested additional information on this subject. Approximately 65% of respondents indicated that they would encourage their preschooler to save his/her money to help pay for things he/she wants later; 63% indicated that they would teach young children that different objects have different values; and 57% indicated they would teach children the value of "delayed gratification" based on these resources. Although the data is extremely limited it does begin to demonstrate the impact such resources can have in the lives of young children and families. Sesame Workshop believes this is only the beginning and the Workshop seeks to lead the way in further guiding both adults and young children on finance basics (used previously in the testimony) as it has in so many other areas of young children's education.

References

American Bankruptcy Institute (2003). Total Bankruptcy Filings and Non–Business Filings Break Records. Press Release/Rali Mileva.

American Education Council, Employee Benefit Research Institution and Matthew Greenwald & Associates (1999). Youth and Money Survey.

Jump$tart Coalition for Personal Financial Literacy (2002). 2002 Personal Financial Survey of High School Seniors.
Jump$tart Coalition for Personal Financial Literacy (2003). Remarks by Chairman Alan Greenspan. Jump$tart Coalition Annual Meeting, April 3, 2003.
National Endowment for Financial Literacy (2002). White Paper—Financial Literacy in America: Individual Choices, National Consequences.
Nuveen Investments (2000). Kid$ense, Financial Education in Chicago Survey.
Public Agenda (2003). Mind the Gap: Parents' Perspectives.
The Child Mental Health Foundations and Agencies Network (2001). A Good Beginning: Sending America's Children to School with Social and Emotional Competence They Need to Succeed.
Tucker, J.A. (2003). Youth Financial Literacy Statistics. Louisiana Cooperative Extension Service, Louisiana State University Agricultural Center.

Chairman CASTLE. Now, Dr. Duvall, I want to know what you are going to do to top the Cookie Monster film clip.

Dr. DUVALL. For those who are disappointed, I have to add to that disappointment. They are not going to see the real Robert Duvall, either.

Chairman CASTLE. The ranking member's already complaining about that a little bit.

STATEMENT OF ROBERT DUVALL, PRESIDENT AND CEO, NATIONAL COUNCIL ON ECONOMIC EDUCATION, NEW YORK, NEW YORK

Dr. DUVALL. Taking the title of one of his movies, I see myself as the apostle for financial literacy. So Chairman Castle and Ranking Member Woolsey and members of the Subcommittee on Education Reform, a subject dear to my heart, I want to thank you for inviting me to testify today on the timely, crucial and vital issue of improving financial literacy through education.

I have submitted written testimony to the Subcommittee. Let me briefly summarize that statement, and I would be happy in due course to take some questions.

The National Council on Economic Education, NCEE, is a leading non-profit, non-partisan organization directed by leaders from business and education that works through a unique network of State councils that can relate to the circumstances and standards of the individual States and university centers, 230 of those across the country, where we focus on teacher training, that is, professional development for teachers.

Our mission is to help young people learn to think, choose, and function successfully in a changing and challenging global economy, to develop the real-world, practical decisionmaking skills they will need as consumers, savers and investors, productive members of the workforce and responsible, ethical citizens.

The National Council on Economic Education, NCEE, believes that the best way to make a real difference in the lives of young people and indeed of all Americans is to get to them effectively while they are in school by teaching the teachers how to make economics and personal finance come alive in the classroom and then to equip those teachers, even at their earliest grade levels, with excellent standards-based materials and resources to do that work with good and measurable effect.

Our core program is called EconomicsAmerica for the Nation's schools. Last year, NCEE, through our network of affiliated State

councils and university centers, trained over 120,000 teachers who, in turn, get into the heads and hands and hearts of over 7 million of our young people in school. But much more needs to be done.

NCEE also conducts EconomicsInternational, an international economics teacher training program, which carries our market principles to the world. Congress has provided funding for EconomicsInternational through the Cooperative Economic Exchange Program, CEEP, which has been included in the Labor HHS appropriations bill over the last several years. This program has been a tremendous success story in international education at home and abroad, serving 20 countries and reaching well over a million students annually, as well as enriching the classrooms of this country with publications and resources. So NCEE is grateful for the continuing support for this important program.

The need to strengthen, expand, and enhance effective education in economics and finance in our Nation's schools has never been more apparent. We have already heard today a number of statistics and figures, starting with your introduction, Mr. Chairman, that show us the critical nature of the need and the call to action. We must prepare our students with the basics of economic and financial literacy so that they can succeed. This literacy, combined with reading and mathematics, is the key to home ownership, managing credit, financing higher education, saving for retirement.

We know or we are finding out what happens when individuals leave school and begin their adult lives without economic and financial literacy. Savings are neglected. An estimated 30 percent of Americans have not saved anything for retirement. Credit card use leads to unmanageable debt and even personal bankruptcy. People are maxing out their credit cards at younger and younger ages. Consumers get into financial trouble. Individuals do not make reasoned purchasing decisions because they do not calculate the real cost of products and services.

For education reform, we must see that our elementary and secondary schools do integrate standards-based economic and financial education into the core curriculum. NCEE is committed, with a growing number of partner organizations, foundations and associations, to accomplishing this goal, with a first-ever NAEP Assessment of Economics in 2006 as a key benchmark.

For example, NCEE, working with the National Council of Teachers of Mathematics, has just completed and rolled out a comprehensive curriculum for grades 3 through 12 in Econ and Math: Connections for Life.

This is a teaching learning tool with great potential for getting financial literacy into mathematics. In turn, our university centers are running workshops across the country at the different grade levels for math teachers to be able to incorporate and integrate economics into the mathematics; and our Choices and Changes Program has proven to be the best teaching tool in the Nation to encourage inner city and at risk youth to stay in school. It develops an economic way of thinking.

One of NCEE's outstanding products is Financial Fitness for Life, a collection of interactive print and electronic economic and financial literacy teaching materials. It provides standards-based materials for grades K to 2, 3 to 5, 6 to 8, and 9 to 12, and a Web

site and a workbook for parents, How to Talk to Your Kids About Money. I wish that had been available when mine were growing up.

These prizewinning, standards-based, comprehensive, fully integrated teaching and learning materials are also being translated into Spanish. Financial Fitness for Life teaches students how to make sound financial decisions involving earning and spending, saving, managing credit and investing.

We know that we can make a difference in the lives of young people while they are in school. I do not want to pass up this opportunity, therefore, without making some suggestions regarding legislation to enhancing and improving financial literacy.

I commend to you a bill that has been referred to the Education and Workforce Committee, H.R. 2990, which would establish a commission to educate our Nation's teachers and students on financial literacy. This bill, which was referred to earlier and introduced by Representatives Biggert and Hinojosa, would set up a bipartisan commission which would include leading educators and academics as well as representatives of the financial services industry, economic and financial services organizations and Federal and State government agencies.

Establishing such a commission, I believe, would give us all—policymakers, advocates, service providers and educators—a clearer picture of what is being done, what works, what doesn't, and what needs to be done to ensure that all of our students are well educated in economics and enter the real world financially literate.

Dr. DUVALL. I am acquainted with a number of other current bills addressing the financial literacy issue. They are all to the good. These initiatives could well become significant elements in a comprehensive campaign to improve financial literacy in the United States.

From the perspective of the NCEE, it is vital that any legislation include basic principles of economics, not simply personal finance narrowly defined. When handling a credit card it is very useful, I would say essential, to understand basic concepts like opportunity cost, supply and demand, compound interest and scarcity.

Enhancing elementary and secondary education in economics provides the grounding necessary for a lifetime of good financial decisionmaking. Basic economics taught K-12 is the irreplaceable foundation to such a lifelong learning process. Just as basic math is an essential first step in learning algebra and geometry, learning basic economics provides the essential building blocks to becoming financially literate. And a better educated group of individuals making better individual financial decisions will add up to a more prosperous future for this country.

So thank you again for allowing me to testify today.

Chairman CASTLE. Thank you, Dr. Duvall. We appreciate your testimony.

[The prepared statement of Dr. Duvall follows:]

Statement of Robert F. Duvall, Ph.D., President and Chief Executive Officer, National Council on Economic Education

Chairman Castle, Ranking Member Woolsey, and Members of the Subcommittee on Education Reform—a subject dear to my heart!—thank you for inviting me to

testify today on the timely, critical, and vital issue of improving financial literacy through effective economic education.

Who We Are and What We Do

The National Council on Economic Education (NCEE), is a unique nonprofit, nonpartisan partnership directed by leaders from education and business, with the purpose of helping young people learn to think, choose and function successfully in a changing and challenging global economy.

NCEE was founded after the Second World War, by leaders in business and education, who saw the GI's pouring back into the workforce, and a growing number of high school graduates entering the workforce, and who realized that many of these young people did not have a clue about how the free market economic system that they were entering, worked.

Something needed to be done about the issue then; and that mandate is before us today.

Fortunately, we've learned some things, both about the issue and how to address it. One is that the best way to make a real difference in the lives of young people—and, indeed, of all Americans—is to teach the teachers how to make economics and personal financial decision-making skills come alive in the classroom, and to equip those teachers, even at the earliest grade levels, with excellent materials and resources to carry out that worthy work with good—and measurable—effect.

NCEE today is the premier source of teacher training and teaching materials used to instill an understanding of basic, practical and applied economic principles for students in kindergarten through 12th grade.

Our core program is EconomicsAmerica—for the nation's schools.

NCEE also conducts EconomicsInternational, an international economics teacher-training program, which carries our market principles to the world. Congress has provided funding for EconomicsInternational through the Cooperative Economic Exchange Program (CEEP), which has been included in the Labor, HHS Appropriations bill over the last several years. This program has been a tremendous success story in international outreach and education, serving 20 foreign countries and reaching well over one million students annually. NCEE is grateful for the continuing support for this important program.

In the U.S., the NCEE operates through a nationwide Network of state Councils, which can relate to the standards, requirements, and circumstances of each state, and 230 university-based Centers for economic education. This Network, which delivers NCEE's comprehensive EconomicsAmerica program, makes NCEE the nation's leader in providing professional development and training for K–12 teachers in economic and financial education.

In addition to teacher training, NCEE publishes and distributes books, electronic and interactive materials, teacher strategies and resources for classroom use. NCEE's materials are the state-of-the-art in the drive to improve economic and financial literacy.

Each year, NCEE, through our Network of affiliated state Councils and university Centers, trains over 120,000 teachers, who in turn get into the heads and hands and hearts of over 7 million of our children in school. But more needs to be done!

Economic and Financial Literacy

The need to strengthen, expand and enhance education in economics and personal finance in our nation's schools has never been more apparent. We must prepare our students with the basics of economic and financial literacy so that they can succeed in life. This literacy, together with reading and mathematics, is key to home ownership, managing credit, financing higher education, saving for retirement, and citizenship.

What happens when individuals leave school and begin their adult lives without a basic understanding of economics?

- Savings are neglected. An estimated 30% of Americans have not saved anything for retirement.
- Credit card use leads to unmanageable debt and bankruptcy. Individuals are maxing out their credit cards at younger and younger ages.
- Individuals do not make reasoned purchasing decisions because they do not calculate the real cost of products and services.

In conjunction with the launch of its current Campaign for Economic Literacy, NCEE commissioned the independent Lou Harris organization to conduct a poll on Americans' understanding of economics and personal finance. The poll surveyed a cross-section of adults and high school students, asking a series of questions on basic economic concepts. The results revealed a profound lack of understanding of these concepts:

- Nearly two-thirds of American adults and students didn't know that in times of inflation money loses its value.
- Half of the adults and almost two-thirds of the students didn't know that the stock market provides a venue for ordinary people to buy stock.
- One quarter confused "budget deficit" with "national debt."
- Only one third understood that active competition in the marketplace lowers prices and improves quality.

In order to address such gaps in knowledge of economics and finance, our elementary and secondary schools must integrate standards-based economic education into their curricula. NCEE, through its EconomicsAmerica program and network, and with other partners, is striving to accomplish this goal—with the first-ever NAEP Assessment of Economics in 2006 as a benchmark.

By teaching the teachers, NCEE helps equip educators to effectively teach economics as a stand-alone subject in high school and to weave economic concepts into the curriculum in other subjects, K–12. Our network of councils and centers assists more than 3,600 school districts across the country in developing and delivering economic education. It is this ability to work directly with teachers to integrate economics and financial education into the curriculum that differentiates and distinguishes the NCEE.

For example, NCEE, working with the National Council of Teachers of Mathematics, has just completed and rolled out a comprehensive curriculum, grades 3–12, in Econ and Math: Connections for Life.

And our Choices and Changes has proven to be the best teaching tool in the nation to encourage inner-city and at-risk young people to stay in school. It develops an "economic way of thinking.

One of NCEE's outstanding products is Financial Fitness for Life, a collection of interactive print and electronic economic and financial literacy teaching materials. It provides standards-based materials for grades K–2, 3–5, 6–8 and 9–12, and a website, and workbooks for parents: "How To Talk to Your Kids About Money!" These prize-winning, comprehensive, fully integrated teaching and learning tools are also being translated into Spanish.

Financial Fitness for Life teaches students how to make sound financial decisions involving earning and spending, saving, managing credit, and investing.

Financial Fitness for Life is one of many educational products and programs developed and disseminated by the NCEE that make learning about economics and finance both practical and experiential.

Another program for fostering education reform that builds financial literacy, which NCEE conducts, sponsored by the Nasdaq Educational Foundation, is the National Teaching Awards. These exceptional, highly visible awards are presented every year to teachers in grades 6–12 who have developed creative and effective methods of bringing economic education into the classroom.

What Can Congress Do?

I do not want to pass up this opportunity without making some suggestions regarding legislation to enhance and improve economic and financial literacy education.

I would commend to you a bill that has been referred to the Education and Workforce Committee, H.R. 2990, which would establish a "Commission to Educate our Nation's Teachers and Students on Financial Literacy." This bill, which was introduced by Representatives Biggert and Hinojosa, would set up a bipartisan commission, that would include leading educators and academics, as well as representatives of the financial services industry, economic and financial literacy organizations, and federal and state governments.

Establishing such a commission would give us all—policymakers, advocates, and educators—a clear picture of what is being done, what works, what doesn't, and what needs to be done to ensure that all our students are well educated in economics and enter the "real world" financially literate.

The commission would accomplish this by focusing on such crucial questions as:

- How can economics and finance education be best incorporated in the K–12 curriculum?
- What are the best practices in economics and finance education today?
- How can the varied and numerous existing federal and private sector initiatives be better coordinated?
- How can public-private partnerships be used to improve economics and finance education?

By establishing a bipartisan entity tasked to answer these questions, with a tight but sufficient report deadline, H.R. 2990 ensures that this commission will make a real difference on this vital issue.

NCEE strongly supports timely committee hearings and congressional action on H.R. 2990.

I am acquainted with a number of other current bills addressing the financial literacy issue. They are all to the good! These initiatives have a great deal of merit. For example, S. 1470, the "Financial Literacy and Education Coordinating Act of 2003," introduced by Senator Sarbanes, would inventory and coordinate the numerous federal efforts to promote financial literacy. Congressman Dreier recently introduced a bill—H.R. 3924, "The Financial Literacy Enhancement Act —to implement a multimedia campaign to promote awareness of the financial literacy issue. If enacted, such complementary proposals would be significant elements in a comprehensive campaign to improve financial literacy in the U.S.

From NCEE's perspective, it is critical that Congress include in any financial literacy legislation the core concepts embodied in H.R. 2990. First, such legislation should include a comprehensive review of government and private sector efforts to promote economic and financial literacy education. It is crucial to include the private sector because they are important partners in the economic and financial literacy effort.

Second, it is vital that any legislation include basic economics, not simply personal finance, narrowly defined. When handling a credit card, it's very useful—I would say essential—to understand basic concepts like "opportunity cost" and "supply and demand" and "compound interest.

Enhancing elementary and secondary education in economics provides the grounding necessary for a lifetime of learning and financial decision-making. Basic economics, taught in grades K–12, is the irreplaceable foundation to this lifelong learning process. Just as basic math is an essential first step in learning algebra and geometry, learning basic economics is the essential first step to becoming financially literate.

Conclusion

I am very pleased that the Subcommittee is focusing on financial literacy education. Effectively teaching economics and finance is not only vital to an individual's success and well-being, but it is crucial to ensuring the success of our national economy.

Better educated individuals making better individual financial decisions will add up to a more prosperous future for the entire country.

Thank you again for inviting me to testify today, and I will be happy to answer any questions that you have.

Chairman CASTLE. Dr. Lyons, the ball is in your court.

STATEMENT OF ANGELA LYONS, ASSISTANT PROFESSOR AND EXTENSION SPECIALIST, DEPARTMENT OF AGRICULTURE AND CONSUMER ECONOMICS, UNIVERSITY OF ILLINOIS - URBANA/CHAMPAIGN, URBANA, ILLINOIS

Dr. LYONS. Mr. Chairman and members of the Committee, I appreciate the opportunity to share with you today some of my research findings as well as my thoughts on what I believe students need to know to plan for their financial futures. I recognize that the primary focus of the Committee is to develop a better understanding of the financial education needs of students in grades K-12; however, in order to develop effective financial education initiatives and programs for students in K-12, it is critical that we develop a better understanding of what exactly it is that we are trying to prevent.

That has been my focus. Over the last 3 years, I have been working to develop a number of research-based programs that focus on promoting and providing financial education to high school and college students, their parents. I have also conducted a number of studies related to credit usage and financial education needs of college students.

The most recent study was conducted this past spring. An online survey was launched to investigate the credit usage and financial education needs of college students in the Midwest. Over 150,000 students on 10 college campuses were invited to participate, and over 30,000 responded.

So where are students at today? The findings from my research indicate that there are a growing number of students who are financially at risk, especially with respect to the misuse and mismanagement of credit. Prior research had not been able to clearly identify who these students are. However, my research shows that there are identifiable groups on college campuses that are more at risk than others for experiencing financial difficulties.

Financially at-risk students are more likely than others to be financially independent from their parents, to receive need-based financial assistance, to borrow more in general, to have acquired their first credit card before arriving on campus, and to have acquired a credit card at a campus table, retail store, or over the phone rather than from their parents. These students are also more likely to have lower grade point averages and to be working more hours. With respect to demographics they are more likely to be female, African American, and/or Hispanic.

So what are some of the consequences of financial mismanagement? With respect to their ability to complete their college degree, over 33 percent of financially at-risk students reported having to reduce their course credit hours or drop out for a semester due to their financial situation. With respect to the impact on their health, over 50 percent of financially at-risk students reported experiencing some type of physical and/or mental discomfort as a result of their financial situation compared to approximately 33 percent of the overall sample of students.

In this same study students were also asked about how important and how well they understood the topic of personal finance and budgeting. Approximately 87 percent of financially at-risk students indicated that they believed the topic of personal finance and budgeting was important. However, only 58 percent reported that they felt that they had an understanding of the topic. These findings held true for a number of other financial topics including credit cards and terms, savings and investing, and planning for retirement.

Interestingly, students who have taken a personal finance course are significantly less likely to be financially at risk as are those who have sought out or are willing to seek out financial information from their parents rather than friends or the media.

So what do students need to know? Following this online study that I conducted in the spring, I held two advisory sessions to further investigate the financial education needs of students between the ages of 17 and 24. One of the meetings was held in the State of Illinois, and the other was via teleconference with national researchers, educators and financial professionals who have been identified as leading experts in the area of financial education for youth.

Within my written testimony I indicate primarily five key areas that the experts identified that were needed to become a responsible financial manager. I am going to focus on a couple of those

key points. One is that students need to understand the bigger picture with respect to financial management, and specifically the value in being financially responsible. When I talk to students, I can talk about this topic for hours and hours and hours, and it just goes right by them, but when I start bringing up stories about how some of your fellow students did not get jobs because credit checks were run on them and employers didn't hire them, the lights start going off. And so when we can start applying this to what is in it for them and what is the value, that is where I think the key is.

Also, in discussion with both the experts and the students, a significant number of comments were made in regards to the disconnect between parents and their children when it comes to talking about finances. There is this belief that students will get information through observation or osmosis, but it doesn't happen. We talk to our children about sex, drugs, and rock and roll, but we don't talk to them about money.

Also in regards to this I found that students are not provided with enough opportunities to be financially engaged. To obtain a driver's license a student typically has to take a driver's education course. They need to get some practical experience on the road, and then they have got to take a test. Yet with little instruction or guidance, students can obtain a credit card, a checking account or a mutual fund. Practical experience can be critical to setting a student on a successful path to financial independence.

With this, I would like to put forth three areas where I feel there is an opportunity for the Committee to help support and further financial education for students. First, resources are needed to support the development of financial education programs that specifically target students who are financially at risk. These students typically come from demographic groups that have historically been constrained by the credit markets and who have had limited access to the financial markets, namely minority and ethnic groups, women and students from families with limited resources. There is evidence from my research that financial education reduces the likelihood of being financially at risk. There is further evidence that these financially at-risk groups have specific financial education needs with respect to programs and services. A one-size-fits-all financial education program may not be effective for all students.

Second, there is a need for educational outreach that targets both students and parents. Good financial habits last a lifetime. Communicating about financial responsibility is one of the first steps parents can take to help students develop long-term financial security. However, many parents are also struggling with a number of financial challenges. A substantial number are overextended with debt and struggling with how they are going to pay for their students' college education. Some also invested too aggressively in the market and now are having to postpone retirement due to market fluctuations. Effective financial education for students needs to address both the financial education needs of the students and the parents.

Finally, greater effort is needed at the national level to bring awareness to the fact that financial education is just as important as reading and arithmetic. My research shows that only 27 percent

of college students have taken a personal finance course. However, over 75 percent of college students indicate that they would register for a financial education course if offered, an indication that while the majority of students have not taken a personal finance course, they recognize the value and importance of financial education.

The bottom line is we have a good understanding of what students need to know. The question now is how do we effectively incorporate financial education into the classroom. This is the challenge, and we have got to make it a priority or it is not going to happen. Thank you.

Chairman CASTLE. Thank you, Dr. Lyons. We appreciate it.

[The prepared statement of Dr. Lyons follows:]

Statement of Dr. Angela C. Lyons, Assistant Professor, Department of Agricultural and Consumer Economics, University of Illinois at Urbana–Champaign

Introduction

Good afternoon Mr. Chairman and members of the Committee. My name is Angela Lyons. I am an Assistant Professor of economics in the Department of Agricultural and Consumer Economics at the University of Illinois at Urbana–Champaign. I am also an Extension Specialist for University of Illinois Extension and the Co–Director for the University of Illinois Center for Economic Education.

I appreciate the opportunity to share with you today some of my research findings as well as my thoughts on what I believe students need to know to plan for their financial futures. I recognize that the primary focus of the committee is to develop a better understanding of the financial education needs of students in grades K–12. However, in order to develop effective financial education initiatives and programs for students in K–12, it is critical that we develop a better understanding of what exactly it is that we are trying to prevent.

Over the last three years, I have been working to develop a number of research-based programs that focus on promoting and providing financial education to high school and college students in the state of Illinois and nationally. The main objective of these programs has been to identify and target "financially at-risk" students and their parents and provide them with the skills and tools necessary to become responsible financial consumers.

To support the development of these resources, I have conducted a number of studies related to the credit usage and financial education needs of college students. The most recent study was conducted this past Spring. An online survey was launched to investigate the credit usage and financial education needs of college students in the Midwest. Over 150,000 students on ten college campuses were invited to participate in the study and over 30,000 students responded.

Results—Where are Students At Today?

The findings from my research indicate that while the majority of students are financially responsible, there are a growing number of students who are financially at-risk, especially with respect to the misuse and mismanagement of credit. Prior research has not been able to clearly identify who these students are. However, my research shows that there are identifiable groups on college campuses that are more at risk than others for experiencing financial difficulties. These "at-risk" groups have specific needs for financial education programs. Addressing these needs insures that they are not at a financial disadvantage after graduation and are able to make informed financial decisions.

The results from my research specifically indicate that financially at-risk students are more likely than others to be financially independent from their parents, to receive need-based financial assistance, to borrow more in general, to have acquired their first credit card before arriving on campus, and to have acquired a credit card at a campus table, retail store, or over the phone rather than from their parents. These students are also more likely to have lower grade point averages and to be working more hours. With respect to demographics, they are more likely to be female, black, and/or Hispanic.

The findings from this research further provide insight into a few of the consequences of financial mismanagement. For example, with respect to their ability to complete their college degree, over 33% of financially at-risk students reported

having to reduce their course credit hours or drop out for a semester due to their financial situation. With respect to the impact on their health, over 50% of financially at-risk students reported experiencing some type of physical and/or mental discomfort as a result of their financial situation compared to approximately 33% of the overall sample of students.

In this same study, students were asked about how important and how well they understood the topics of "personal finance and budgeting" and "credit cards and terms." Approximately 87% of financially at-risk students indicated that they believed the topic of "personal finance and budgeting" was important; however, only 58% reported that they felt they had an understanding of the topic. The findings are similar with respect to the topic of "credit cards and terms 74% believed the topic was important while only 61% felt they understood the topic. Students were also asked about "saving and investing" and "planning for retirement." For these topics there was an even greater disparity between the percentage gaps between the level of importance and level of understanding.

The findings from this research further reveal that there are differences in the level of financial education of financially at-risk students as well as differences in their preferences for how they would like to receive financial education. Students who have taken a personal finance course are significantly less likely to be financially at-risk as are those who have sought out or are willing to seek out financial information from their parents rather than friends or the media. In general, at-risk students are more likely to seek out financial information than students who are not at risk.

What Do Students Need to Know?

Given these general findings, what do students need to know? Following the online study, I held two advisory sessions to further investigate the financial education needs of students between the ages of 17 and 24. One meeting was held in Illinois and the other was held via teleconference with national researchers, educators, and financial professionals who had been identified as leading experts in the area of financial education for youth. Discussion focused on what students needed to know to use and manage their finances responsibly.

The experts agreed that every student needed to know primarily five key financial areas to become a responsible financial manager.

1. Students need to understand the power of their choices and be able to set financial goals.
2. Students need to be able to develop a budget and know their spending limits especially with respect to credit.
3. Students need to understand the basics of credit management and the relationship between credit and savings.
4. Students need to know how to establish a good credit history, check their credit report and protect themselves against identify theft.
5. Students need to understand the "bigger picture" with respect to financial management and the value in being financially responsible.

In discussions with both the experts and the students, a significant number of comments were made in regards to the disconnect between parents and their children when it comes to talking about finances. There is the belief that students will get information through observation or osmosis, but that doesn't happen. We talk to our children about "sex, drugs, and rock 'n roll," but we don't talk to them about money.

I have also found that students are not provided with enough opportunities to be financially engaged. To obtain a driver's license, a student typically has to take a driver's education course, get some practical experience on the road, and then take a test. Yet, with little instruction or guidance, students can obtain a credit card, checking account, or mutual fund. Practical experience can be critical to setting a student on a successful path to financial independence.

How Do We Provide Financial Education? Recommendations

The recent economic slowdown and the rise in the number of bankruptcies for those under the age of 25 have generated concern that students are financially ill-prepared to face today's complex financial marketplace. Proposed legislation to privatize Social Security has intensified these concerns. It is clear that students are facing a significant number of financial challenges. Now, more than ever, there is a need for financial education.

The findings presented in this testimony have implications for educational outreach and policy for students nationally. I would like to put forth three areas where I feel there is opportunity for the committee to help support and further financial education for students at the national level.

First, resources are needed to support the development of financial education programs that specifically target students who are financially at-risk. These students typically come from demographic groups that have historically been constrained by the credit markets and who have had limited access to the financial markets (i.e. minority and ethnic groups, women, and students from families with limited resources). There is evidence from my research that financial education reduces the likelihood of being financially at-risk. There is further evidence that these financially at-risk groups have specific financial education needs with respect to programs and services. Thus, a "one size fits all" financial education program may not be effective for all students.

School administrators, educators, and policy makers need to identify which students are most likely to be at financial risk and which students may have specific financial education needs. This information can be used to provide appropriate financial interventions and to prevent these students from being at a financial disadvantage when they graduate. Also, resources can be better allocated to develop programs and services that specifically target those students who need them most. These resources can better help students to build financial knowledge, make informed financial decisions, use financial services responsibly, and development a sense of financial independence.

Second, there is a need for educational outreach that targets both students and parents. Good financial habits last a lifetime. One of the most important and practical discussions parents can have with their student is about how to manage money and use credit wisely. Communicating with students about financial responsibility is one of the first steps to helping them develop long-term financial security. However, parents are also struggling with a number of financial challenges. A substantial number are overextended with debt and struggling with how they are going to pay for their student's college education. Some also invested too aggressively in the market and now are having to postpone retirement due to market fluctuations. Thus, effective financial education for students needs to address both the financial education needs of the students and their parents.

Finally, greater effort is needed at the national level to bring awareness to the fact that financial education is just as important as reading and arithmetic. My research shows that only 27% of college students have taken a personal finance course. However, over 75% of college students indicate that they would register for a financial education course if offered an indication that while the majority of students have not taken a personal finance course, they recognize the value and importance of financial education. In the end, I believe that we have a good understanding of what students need to know. The question now is how do we effectively incorporate financial education in the classroom? This is the challenge.

I thank you for the opportunity to appear today and would be happy to answer questions.

Chairman CASTLE. And, Mr. Strong, you are the clean-up hitter today.

STATEMENT OF ROBERT STRONG, EXECUTIVE DIRECTOR, SECURITIES INDUSTRY FOUNDATION FOR ECONOMIC EDUCATION, NEW YORK, NEW YORK

Mr. STRONG. Chairman Castle, Ranking Member Woolsey and members of the Subcommittee, I am Robert Strong, vice president and executive director of the Securities Industry Foundation for Economic Education, and I appreciate the opportunity to testify on this very important topic. We support and applaud your efforts to improve Americans' financial literacy as well as the recent initiatives undertaken by the administration.

Unprecedented education reform has swept across America over the past decade as parents, teachers, legislators and business leaders strive to improve instruction and curricula to help students learn. These efforts have resulted in new education standards, new performance indicators, and rigorous standardized testing that in most States will determine whether or not a student will be promoted or allowed to graduate. We fully recognize that classroom

time is at a premium and that, above all, we must ensure that students learn, achieve and gain the relevant skills to succeed in life.

America's strength lies in the cumulative knowledge of its citizens, and that knowledge must include a basic and thorough understanding of the economy and the role of the capital markets. Additionally, we must find ways to instruct our children, America's future, on how to manage their finances in the short term and save and invest for the long term.

More than 25 years ago, a group of securities industry executives formed a nonprofit foundation affiliated with the Securities Industry Association to foster a better understanding of the American economic system and the role of the securities industry within that system. The cornerstone of this foundation is the Stock Market Game program, a simulation in which students in grades 4 through 12 learn the fundamentals of investing through a hands-on experience, investing a hypothetical $100,000 in real securities. Teachers receive grade-level-specific curriculum guides, lesson plans, and newsletters to incorporate into their activities.

Since the program began in 1977, with 1,600 students selecting from around 2,400 listed companies, it has grown to more than 500,000 students a year picking stocks from more than 7,500 companies on the New York Stock Exchange, NASDAQ and AMEX.

SMG has been correlated to the national standards in mathematics, economics, and business and marketing, as well as to most States' individual standards of learning. The Stock Market Game is not an add-on. Indeed we worked with teachers, administrators and parents throughout the country to develop an intensive standards-based curriculum that can be easily assimilated and fully integrated into teachers' regular lesson plans.

We are very proud of the fact that each school year we have approximately 25,000 teachers that use the Stock Market Game and value the program as one that contributes to student achievement in a fun, interesting way, and we are proud that our efforts to reach out to traditionally underserved populations have been enormously successful.

The true value of the Stock Market Game is its ability to capture the interest of students and teachers as the economy comes alive. Events that occur in faraway places or neighboring States, cities or towns take on a new meaning as students begin to understand how a decision at Daimler-Chrysler in Michigan may affect workers and their families in Newark, Delaware.

The skills and knowledge that SMG students acquire are more relevant today than ever. In 1977, only 15 percent of the population owned equities. By 2002, that number had jumped to nearly 50 percent of households, or roughly 95 million people owning equities, according to the SIA/ICI Equity Ownership in America report.

Investors continue to tell us in our annual investors survey that they do not feel knowledgeable enough about investing, and that they want our industry's help in educating them. I am pleased to share with the Subcommittee that beginning November 6, SIA will launch an adult version of the Stock Market Game on its investor Website SIA Investor. SIA Investor Challenge will allow adults and families to research a company, buy and sell stocks, and build and monitor their portfolio just as students of the Stock Market Game

do in school. The SIA Investor Website also provides answers to real-life financial questions and features industry experts addressing a wide range of personal financial topics. Barron's recently awarded the site honorable mention in its ratings of investor education Websites for the second consecutive year, and I encourage you to take a look at this highly rated, informative site at siainvestor.org.

We believe that much in the same way that compound interest brings great returns over time, so, too, does establishing quality educational programs that provide a solid return for our children. Thank you for your efforts to advance the goal of improving Americans' financial literacy, and we look forward to working with you to achieve this essential mission.

Chairman CASTLE. Thank you, Mr. Strong.

[The prepared statement of Mr. Strong follows:]

Statement of Robert Strong, Vice President and Executive Director, Securities Industry Foundation for Economic Education

Chairman Castle, Ranking Member Woolsey and members of the subcommittee, I am Robert Strong, Vice President and Executive Director of the Securities Industry Foundation for Economic Education,[1] and I appreciate the opportunity to testify on this very important topic. We support and applaud your efforts to improve Americans' financial literacy, as well as the recent initiatives undertaken by the Administration.

Unprecedented education reform has swept across America over the past decade as parents, teachers, legislators, and business leaders strive to improve instruction and curricula to help students learn. These efforts have resulted in new education standards, new performance indicators, and rigorous standardized testing that in most states will determine whether or not a student will be promoted or allowed to graduate. We fully recognize that classroom time is at a premium and that, above all, we must ensure that students learn, achieve, and gain the relevant skills to succeed in life.

America's strength lies in the cumulative knowledge of its citizens. And that knowledge must include a basic and thorough understanding of the economy and the role of the capital markets. Additionally, we must find ways to instruct our children—America's future—on how to manage their finances in the short-term and save and invest for the long-term.

More than 25 years ago, a group of securities industry executives had a vision: that individuals throughout the United States would understand the fundamentals of investing in the capital markets and improve the management of their financial affairs. Their idea took form as a non-profit foundation affiliated with the Securities Industry Association, the purpose of which would be to foster a better understanding of the American economic system and the role of the securities industry within the system. The cornerstone of this foundation would be the Stock Market Game", a simulation in which students in grades four through 12 would learn the fundamentals of investing through a hands-on experience investing a hypothetical $100,000 in real securities. Teachers would receive grade-level specific curriculum guides, lesson plans, and weekly newsletters to incorporate into their classroom activities.

Since the game began in 1977 with 1,600 students selecting from around 2,400 listed companies, it has grown to more than 500,000 students a year picking stocks

[1] The Securities Industry Foundation for Economic Education (SIFEE), an affiliate of the Securities Industry Association, was established in 1976 to promote economic education and financial literacy among children and adults. The Securities Industry Association, established in 1972 through the merger of the Association of Stock Exchange Firms and the Investment Bankers Association, brings together the shared interests of more than 600 securities firms to accomplish common goals. SIA member-firms (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. According to the Bureau of Labor Statistics, the U.S. securities industry employs nearly 800,000 individuals. Industry personnel manage the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2002, the industry generated $222 billion in domestic revenue and $356 billion in global revenues. (More information about SIA is available on its home page: www.sia.com.)

from more than 7,500 companies on the New York Stock Exchange, NASDAQ and the AMEX.

SMG has been correlated to the national standards in mathematics, economics, and business and marketing, as well as to each state's individual standards of learning. The Stock Market Game" is not an add-on; indeed, we worked with teachers, administrators, and parents throughout the country to develop an intensive standards-based curriculum that can be easily assimilated and fully integrated into a teacher's regular lesson plans.

We are very proud of the fact that each school year we have approximately 25,000 teachers that use the Stock Market Game" and value the program as one that contributes to student achievement in a fun, interesting way. And we are proud that our efforts to reach out to traditionally underserved populations have been enormously successful.

The true value of the Stock Market Game" is its ability to capture the interest of students and teachers as the economy comes alive. Events that occur in far-away places or neighboring states, cities, or towns take on a new meaning as students begin to understand how a decision at Daimler–Chrysler in Michigan may affect workers and their families in Newark, Delaware. Students begin to understand economic relationships between government, businesses, and individuals.

The skills and knowledge that SMG students acquire are more relevant today than ever. In 1977, only 15 percent of the population owned equities. By 2002 that number had jumped to nearly 50 percent of households, or roughly 95 million people owning equities (either directly or indirectly) according to the Securities Industry Association//Investment Company Institute Equity Ownership in America report.

I am pleased to share with the subcommittee that beginning November 6, SIA will launch an adult version of the Stock Market Game" on its investor Web site: SIA Investor. SIA Investor Challenge will allow adults and families to research a company, buy and sell stocks, and build and monitor a portfolio just as students of the Stock Market Game" do in school.

The SIA Investor Web site also provides answers to real-life financial questions and features industry experts addressing a wide range of personal finance topics. Barron's recently awarded the site honorable mention (3.5 out of a possible four stars) in its ratings of investor education Web sites for the second consecutive year. The site was praised for its "lengthy, thorough dictionary" and how "experts bring educational tools to investors" on the site. I encourage you to take a look at this award-winning, informative site at www.siainvestor.org.

In addition, SIA produces Your Guide to Understanding Investing, a comprehensive handbook for new and experienced investors, as well as a series of educational brochures available in print or online.

Thank you for your efforts to advance the goal of improving Americans' financial literacy. We believe that in much the same way that compound interest brings great returns over time, so too does establishing quality educational programs that provide a solid return for our children. We look forward to working with you on the essential mission of improving financial literacy for all Americans.

Chairman CASTLE. We will go to the question and answer phase now, and I will yield 5 minutes to myself. I am going to, I think, ask one question and ask you each to try to answer it, which means you each have about a minute or maybe less by the time I get through talking; so be thinking about a fairly rapid answer.

All of you, particularly when we started to look at the film clip, but you all talked about age factors in this, and I asked the question earlier of the earlier witness about this. At what age is it most effective to start the educational process? And to me the educational process has become infinitely more complicated, and obviously you don't educate everybody at age 3. It is a matter of evolution. But indeed in the Sesame Workshop has there been a realization that this is truly working?

For example, Dr. Duvall, you talked about a program that was grades 3 through 12, as I recall, and, by the way, we can talk about it earlier than kindergarten, even though that is the jurisdiction of our Subcommittee. I am interested if that has changed. Your operation has been going on for some time now. With all the new

changes in the economy, has that changed? And I am very interested also as an add-on, as you go through all this and educate these young people in the various ways you all spoke about, does this make a connection to their economic goals? When they begin to understand this, do their economic goals begin to become more realistic? Do the 12-years-olds realize that maybe they aren't going to be ballplayers and they are going to have to do something else? Are we educating them not just in terms of what to do with their money, but in terms of how to make money?

Let us start with Mr. Knell.

Mr. KNELL. I think, Mr. Chairman, you need an educational program that tracks different age groups. I mean, there are appropriate things to talk to preschoolers about that a 10-year-old will have no interest in it and vice versa. We believe at the Workshop that there needs to be a much better nexus between formal and informal education with the underlying belief that children do not learn only between 9 o'clock and 3 o'clock. When Mom takes that preschooler to the grocery store, that is an enormous learning experience, and there are probably ways to begin to build in a better direct educational experience for that preschooler, even making a day-to-day life experience like that more relevant to financial education. There are things that grocery stores could do to make them more kid-friendly to understand those things, et cetera.

So it is about a partnership between the informal community on television and in retail with more formal school settings.

Chairman CASTLE. And I meant to mention that in my question, but I didn't. I talked about that earlier. I believe the media-cultural connection is an extraordinary connection in all of this. Frankly, I am glad you brought that up.

Dr. Duvall?

Dr. DUVALL. Yes. We know that after 60 years of experience, that you can teach young people. Our focus is on kindergarten through 12th grade, and we know that young people in kindergarten, first and second grade can learn some basics about saving, borrowing, lunch money and paying it back through games, interactive activities that begin to deepen their experience.

One of the problems we face in our schooling, I think, is that it is piecemeal, and one of our hopes is that through the attention that this Committee and others are addressing to the issue, we will begin to see in this country more of a focus on an incremental approach to financial education.

Chairman CASTLE. Thank you, Dr. Duvall.

Dr. Lyons, what does your research show you about all this?

Dr. LYONS. My research is primarily focused on college students, but I am familiar with the research that Dr. Duvall is talking about, and I completely agree. I think to just add a little bit to what he said is the fact that we need to be thinking about if we are talking about the younger kids, who are they having the contact with? The teachers and parents. And I know a lot of times what I hear from the teachers is that I don't feel comfortable incorporating this stuff in because I don't have a grasp of how to do it. I have got to think more about my lesson plans.

I think if more readily available materials can be there for them to easily incorporate things in—and also I am very aware that the

national council holds parent workshops in conjunction with their student curriculums, and I have been very involved and had contact with the University of Illinois/Chicago, their center up there. They have been incredibly effective with their parent workshops, tying that in with the students and the teacher workshops as well.

Chairman CASTLE. Thank you.

Bob, as I recall, the Stock Market Game is grades 4 through 12, but do you see a difference in the way you have to approach this in fourth grade versus later years or in terms of the way the kids absorb?

Mr. STRONG. I think, yes. It is a difficult subject for most Americans, much less students, but it is an interesting subject, and the language at the 4th grade is the same as the language for a 12th-grader or an adult. And the language of investing and the language of saving and the language of understanding personal responsibility, financial responsibility, is constant. And I think what we have tried to do is build through the core academics that lesson so it is a long-term sustainable initiative that you can build on over the years.

In the earlier grades, using the Stock Market Game, there are many options. You could buy on margin, you could short-sell, you can buy long, you can earn interest on cash balances. You don't have to buy any stocks. But the trick is that the kids understand that and they begin to understand that the money begins to work for them. So through the teacher training that we do and the workshops that we do for the earlier grades, we limit the lessons, and we help the teachers understand what it is they can teach to the standard and identify the indicator of success in that individual State's standards of learning. So, you know, it's more of a ramp-up approach to building a nice solid foundation for understanding what it means to save and invest long term.

Chairman CASTLE. Thank you. I thank all of you.

I turn to Ms. Woolsey for 5 minutes.

Ms. WOOLSEY. Thank you, Mr. Chairman. Thank you, Mr. Knell, for not bringing Elmo. I couldn't sit here with my 3-1/2-year-old grandson in California if he were in this room and my grandson wasn't. It would have been impossible.

I keep thinking of the 1970's and recycling. I mean, that is when my kids all went to school. They brought the lesson of recycling home to our family, and believe me, they are all in their late thirties and early forties, all four of them, and they know to recycle. It was inbred in them. Of course, we are from California, Sonoma County, I give you all of that.

But this is what we want to do with what we are talking about today. In fact, these kids can go home and actually pass on some of their learning experience to their parents, who want to ignore it because there is so much that they are dealing with. But I have one question for all of you, and it is looking at wanting to prepare our kids and make sure that we are successful in getting them where they need to be, can we do it by integrating, or do we need to insist on a dedicated program? I mean, it would be at different levels throughout the curriculum, but can we do it piecemeal, or must it be done by dedicating the real time and making it a priority?

So starting with you, Mr. Knell.

Mr. KNELL. Well, I think obviously we are dealing with preschoolers, so it is probably less of a specific program, but it certainly could be integrated as part of a basic whole child preschool education.

And I just want to reemphasize the power of media in educating kids. And there was a big event this morning that the Kaiser Family Foundation released a major study about media usage for very young children, we are talking about zero to 6-year-olds, and you will be astounded at the results out in America. The media has become ubiquitous in this country and being able to use it in such a way as a teaching tool—parents actually view educational television as a very important part of raising preschoolers today. It is just second to books in terms of educational value.

We need to harness the power of television and other things to include financial literacy as one of those things, again, not teaching how Elmo can sell derivatives, but in teaching basic values about patience, like Cookie Monster showed and responsibility and things like that. So beginning to work those things into a basic preschool curriculum I think is something that we could do, and then I will hand it off to my colleagues to talk about kids in school.

Dr. DUVALL. I think we need to work to have both the opportunity to have stand-alone courses in economics and personal finance, but where that is not possible or even complementary to those stand-alone courses, to be able to infuse it into other disciplines.

The fact of the matter is, as was earlier stated in testimony, there are many schools and school districts where talking about an add-on is just impossible. So we are not going to make very much progress if we try to do that. On the other hand, our studies at the NCEE have shown that students who take advanced placement economics, particularly students in inner-city schools and underserved populations who take advanced placement economics, get into better colleges and get better jobs. So we want to be able to multiply that, but also at the same time to be able to infuse it into mathematics, language arts so that some business economics and the principles of good financial management of your resources are being taught.

Dr. LYONS. I think integration at the very minimum is great. I would like to see us go for the full curriculum, and I think where I am coming from as a researcher is I see these numerous programs and narratives out there, and we see studies like the jump-start study that says, OK, we have got all this stuff out there, but yet they are still really doing poorly on these tests. Why is this? And in many of the schools, at least in the State of Illinois, I mean, we have got a pretty good integration going on because we have got a State mandate for consumer education.

So I guess where I am coming from is maybe before we can address that issue, taking a step back and saying, why is it that what we have got now is not working, because they are still doing poorly on these tests?

Mr. STRONG. I think it would be great if there were stand-alone courses, but I think given the restraints and the demands on the classroom teacher to work to help each student meet or exceed the

standard that is evidenced by a State test begs us to consider other ways to teach the same core content in a unique, fun and interesting way.

I think historically the Stock Market Game was used in the social studies strand in economics, civics for seniors or something like that, but we are finding our largest growing group of teachers that are now using the Stock Market Game program are math teachers because of the mathematical concepts that the students now have to—they have to calculate, compute, project. They are doing an awful lot of different things, and by the Foundation correlating the game to the standards both at the State and national level, and being able to demonstrate for the teacher how easily this can be incorporated into their core lesson planning by demonstrating the indicator of success that each individual State has identified as what each student must know, we find that that works, and for us it is a very exciting prospect. And I think that, you know, the time constraints and the demands on student achievement are what is going to dictate this conversation, but the financial literacy discussion is paramount.

Ms. WOOLSEY. Mr. Chairman, can I ask Mr. Strong just a really short question?

Chairman CASTLE. Sure.

Ms. WOOLSEY. I am assuming that your company doesn't donate this game to schools. How do you get it in the budget?

Mr. STRONG. In many places the game is made available at no charge. In some cases my partner Bob Duvall here, we are affiliated with many of the councils, the State Council on Economic Education and Centers for Economic Education, and the game is managed by their staff at the local level, and there is a charge. But we also work with local firms around the country to sponsor the program, and we also work with State regulators as well.

Ms. WOOLSEY. Thank you very much.

Mr. STRONG. You are welcome.

Chairman CASTLE. Thank you, Ms. Woolsey.

The Chair yields 5 minutes to Mrs. Biggert.

Mrs. BIGGERT. Thank you, Mr. Chairman.

Mr. Knell, I just wanted to say thank you for all that you did for my children who grew up on Sesame Street and loved every minute of it. And I also learned from Sesame Street. The first year of Head Start I was a volunteer in the program one summer, and I was in Chicago at Hull House in a Hispanic community, and I spoke French and read Latin, but had no idea about Spanish. So I would rush home after being a day at the center and turn on Sesame Street so that I could learn to count and use the few words of Spanish so that I could communicate with the students. So I have some feeling that maybe counting was some financial literacy that I was able to impart to them. But I appreciate all you did.

Dr. Duvall, Dr. Lyons mentioned your parents' workshop, and I know you have a workbook for parents. Could you expand on—a little bit on that and how parents gain access to that and how it is used?

Dr. DUVALL. As others have testified, we are seeing more and more in our work the importance of connecting what happens to the students in school with what they take home and what hap-

pens at home. One of our studies showed that the place most young people go to for financial advice through their college years is their parents. The question is what kind of advice are the parents giving the students, their children? On the other hand, in school one of the challenges we face is that there are not enough teachers who themselves are comfortable talking about economics and personal finance. There is a standing joke in our national network that a lot of high school economics teachers have the same first name: Coach. They are people who have been drafted into doing an economics course, and they come to our centers for help in doing that well.

But the connection between school and home is very important so we are trying to add that dimension to all of our materials, to have take-home materials that they can share with their parents and in doing that electronically, too. There are some excellent Websites that we have helped to develop with corporate sponsorship like It All Adds Up and The Mint, which can be used by parents to talk with their children about money matters.

Mrs. BIGGERT. But how does this get out? If teachers are trained, they don't know to tell the children—do you distribute the materials to the school, and then they take it home?

Dr. DUVALL. Yes. It is distributed through the schools, through the teachers as take-home materials. But we also are working all the time to get the word out, the advocacy role, to let parents and school districts and teachers know what is available. There is such a wealth of materials available that one of the challenges is being able to help people sort it out and know how to use it. But increasingly as we are able, through our national network and other means, to get the word out about these Websites that can be helpful and about the educational programs that are available, we are finding that the calls are increasing from parents, what have you got for us, and that we are able to give a good answer.

Mrs. BIGGERT. I would suppose so that many of these parents could probably use it to be the most helpful don't have access or don't have computers yet, although we think that most people are involved.

Dr. DUVALL. That is why the core of our work is still the print publications.

Mrs. BIGGERT. Mr. Knell, you had talked in your testimony that you used the network of child care resource and referral agencies to help distribute your financial literacy materials to the underserved communities. Was this an effective method of distributing them?

Mr. KNELL. It is actually being rolled out as we speak. It started in September. We are going to go back and do some testing as we like to do. Again, these are parent-directed materials; so we want to make sure that parents are the ones who are gaining from this knowledge. It is more of an awareness that you can have a big impact as a parent or a child care provider in a group setting or as an individual. So we will be going and testing those, and we will be happy to report back to the Committee how that turned out.

Mrs. BIGGERT. It would be interesting to have your results.

Dr. Lyons or Mr. Strong, do you have anything other to add on the awareness or how we get the word out as far as financial literacy?

Dr. LYONS. I think it just comes down to the fact that we really do need more national awareness on this. Even at the State level, I mean, it is hard to push things in the classroom, but if there is national backing on this, that really helps. And I think also—I think—you know, I mentioned this before, but we have got so many programs and initiatives out there. Let us take stock of what we have got and evaluate it, what is working and what is not working. I don't think we have a good grasp on that yet. And then let us take that to the national level and say, here are the success stories, let us run with this and do this.

Mrs. BIGGERT. Thank you.

Mr. Strong?

Mr. STRONG. I think that is true. We work with the councils, and we work with many newspaper and education programs throughout the country, and we do advertising and print mailings. We attend many of the conferences, national Council of Teachers of Mathematics, social studies. We work with a lot of vocational student organizations like DECA, and Future Business Leaders of America, and professional teacher groups to sort of demystify what financial literacy is, and the way we can demystify that is by showing them that they can teach it, and they can also learn by doing some of those things. And I think that is one way to do it for sure, and I think Dr. Lyons touched on something a minute ago about finding some champions.

In Chicago we have a wonderful champion for the Stock Market Game. We have a young man. His name is Martin Cabrera, who played the game 20 years ago at a high school in the south side. He lost his father when he was 12, and he was hooked onto the Stock Market Game from a teacher. We met Martin when I was in Chicago for a dinner at the Illinois Council on Economic Education dinner, and the bottom line is that Martin, through his participation in the Stock Market Game, now owns Cabrera Capital Management in Chicago, and there isn't a week that goes by that I don't have Martin calling me to do something in Chicago or somewhere else.

Those sort of—I will call them heroes, they recognize the value of the game. They recognize the value of the alternative learning, while still the teachers recognize the value of taking something that is such a necessary life skill and finding a way to fit it into the core content area. And that is where I think we are the most proud is that we do everything we can to support the teacher, and if we can help the teacher understand the material through teacher training and workshops and online tutorials, et cetera, then we win, and then the kids win.

Mrs. BIGGERT. Thank you.

Thank you, Mr. Chairman.

Chairman CASTLE. Thank you, Mrs. Biggert.

Mr. Hinojosa is recognized for 5 minutes.

Mr. HINOJOSA. Thank you, Mr. Chairman.

Mr. Knell, my two youngest daughters, one 7 and one 10, love Sesame Street, and I took them on our family vacation this last August in the summer to Mexico, and neither had been practicing Spanish; so this was an opportunity for them to take a few classes. And so we would ride a bus from where we were staying to the

school, and I made the youngest one, the 7-year-old, the cashier and be responsible every morning for coming up with enough currency to pay the bus driver for the whole family. And in 2 weeks she became an expert in speaking to the bus driver and controlling the money part as a cashier. So it is amazing how much children can learn even at the age of 7.

So just 2 weeks ago there was a function in front of our home, a garage sale that they called it, for the block party, and she set up a booth, and she sold doughnuts, Cokes, and coffee, and made $32 in about 4 hours, and it was amazing how she could handle the change and everything that was going on. So there is no doubt that your programs are working.

And to you, Dr. Lyons, I think that you are addressing a group that is of great interest to me, and that is the college students, high school graduates and college, because that is where I am getting so much feedback that they want help, they want the education.

Dr. LYONS. I think it is an issue of remedial versus prevention, and with the college students it is the prevention.

Mr. HINOJOSA. I agree.

And for you, Mr. Strong, I am going to ask you a question because I think that the Stock Market Game that you described is one that is being played in my congressional district by some of the schools with the help of the newspaper the Monitor that is in this area, and all the students who play the game and compete with teams from other schools are enjoying themselves.

So tell us how does the program operate; No. 2, how does the Stock Market Game fit in with the curriculum being taught today? And the last question is how does the Stock Market Game fit in with overall student achievement?

Mr. STRONG. Thank you, Congressman.

The way the game operates, and we work with teachers around the country in school districts, there is an 8- to 15-week window that students can participate, and depending on the school district or block scheduling, we can adapt to that local school district's needs. And the kids operate in teams of three to five, teachers—it is suggested that they pick different levels of student achievement for the kids and develop these teams. And the students receive a portfolio with a hypothetical value of $100,000, and they are tasked with developing—doing research and developing companies that they may like to invest in.

For example, in Wilmington, Delaware, a few years ago we did a program with the Stock Market Game at Wilmington High School, and the students were required to pick three companies from the State of Delaware out of their portfolio because they have to pick a minimum of five stocks. We want them to build basically a mini mutual fund, and we want them to understand risk and diversification and the value of long-term savings and investing. Those are the core concepts right there, and the way we do that is through the core academics, but as they are developing this portfolio, we are trying to give them an understanding and a taste for what goes on in their community.

So, for example, one thing we know anecdotally and we hear this around the country is that students will go home and talk over the

dinner table about their stocks, and parents will tell us, my son came home and asked me, Daddy, you and your 401(k) or you and your 403(b). And that is an exciting conversation. We hear that from brokers, and we hear that from teachers as well.

So over the course of 3 weeks, they compete, and they are competing against other schools, same grade in a specific geographic region, and at the end of the 8 weeks or 15 weeks, there is a winner, and there is a winner based on the value of the portfolio. But I will strongly suggest that the students' portfolio that has the least value, they win just as well. The opportunities that they are offered, speakers in the classroom from member firms' brokers where possible, trips to exchanges like the New York Stock Exchange or Cincinnati, or trips to Federal Reserve banks. So we work with a lot of different groups to reinforce all the components that comprise the economy, and the capital markets are one big piece of that.

Mr. HINOJOSA. I like that competition and the fact that there will be a winner at the end of that program, but I hope that you would consider expanding the program to include programs such as the Federal Deposit Insurance Commission's Money Smart. That program is one that I have been trying to promote in my area both in English and in Spanish, and it is one that possibly could help us enrich this financial literacy. I think that there is a lot to be said about that Money Smart that FDIC is promoting and would like to see you consider that.

Mr. STRONG. We are looking—there is a competition, and the kids do get excited about the competitive nature of it.

One of the things we have done with two other groups for various other themes has been with DECA, which is the vocational student organization, and with the National Academy Foundation, and in both those instances, with NAF, for example, NAR Academy of Finance, we have taken the Stock Market Game and inserted it into the securities course, which is a semester-long course in the school. So at the end of that semester, the students will have to demonstrate their competency not by dollar value of portfolio, by depth and breadth of understanding of what it means to save and invest in long term.

And with DECA, what we did with DECA as well was we created a competitive event for their students to participate at the national level. Last year we had our first national winner. But the students in a blind pick from regions presented their strategies, and it had nothing to do with dollar value.

Mr. HINOJOSA. Thank you, Mr. Strong.

Chairman CASTLE. Thank you, Mr. Hinojosa.

Mr. Osborne is recognized for 5 minutes.

Mr. OSBORNE. Thank you.

I would like to thank the panel for being here. I find this very interesting. I used to work with young people in a college setting, and I found that even though you could present a lot of information to them, that sometimes there is almost a visceral emotional reaction to money, and there is a mindset that if you have it, you spend it, and that somehow you are going to hit the lottery. So some folks, even though they intellectually know it, rather than taking $100 a month and investing it, will buy lottery tickets, and they

realize probably intellectually that they will come out ahead investing $100, but they will still do it.

The National Football League Players Association indicates that 50 percent of the players coming out of the National Football League are broke, and most of these guys have had hundreds of thousands, if not millions of dollars, in salary.

So this is a very difficult question. It is a very broad question, but have you given any thought as to how to change this mindset? Because it seems like we sort of have a mentality on the part of a large part of our population today that they are going to have it all now, instant gratification, and in the end the government will take care of you, and we all know that that may not happen.

So it is a concern of mine because I saw a lot of lives, I think, somewhat wrecked by that type of thinking, but it is so prevalent, and it is prevalent even among educated people who have been taught the theory of compounding, who have been given classes that have shown them the consequences of that type of thinking.

So it may be an impossible question, but have you given any thought as to how you sway such ingrained cultural or almost emotional ways to dealing with money?

Mr. KNELL. We certainly believe starting early is what you have to do, and it is really about values education at the end of the day, and it is building in values about patience and responsibility, to have small children understand that you can't always have what you want, and being able to extend that to older children, even adults, eventually; right? And we think building in values education is a very important part of a young child's experience and building that kind of a base, and make certain that parents are also reinforcing that at home to their children. Parents have an enormous sway over what their children learn, and I think by making this connection for them, which we can do through the media and through leadership in Washington and elsewhere, that will go an enormous way toward beginning to build those values in, Congressman. And I completely agree with your concern, and we would like to help.

Dr. DUVALL. I think it is a matter of education, and we are seeing some trend lines that would suggest that we are gaining some ground in the very issues that you are articulating, Congressman. The job is never done. There is always a new generation. There is always a new set of challenges, but I think cumulatively we are beginning to be able to be more effective in teaching the teachers and in reaching the parents, getting into the homes with the kind of values education that was just mentioned and with a sense of responsibility.

In a way perhaps some of the hard times that we have been going through in the last couple of years help encourage questioning, encourage an awareness of the need to have a better understanding of how the real world works and to try to get that understanding through education. It says that—real estate people say location, location, location. I think it is education, education, education. We just keep chipping away at it, trying to do a better job all the time with new approaches, with innovative ways of getting the message across like the Stock Market Game, and getting some

of these basic concepts into the heads of young people so that they do use them and apply them.

Dr. LYONS. I think before we even start trying to think about a solution to that question, I think we need to think about what might be the causes of that. I mean, I don't think I am that old, and I think about all the financial changes that have occurred in the last 10 years. And we gave a lot of—threw a lot of new financial innovations at people that did not have access to that before, and we didn't really give them financial education about how to use that, especially credit, especially for low-income minority groups and women, who historically did not have that access to credit.

So, you know, one of the things that come to mind is just thinking about the fact that we had all these technological challenges, there is so much more. It is not just balancing a checkbook anymore that we are teaching. It is like the Stock Market Game, investing and mutual funds and all these complications.

I think another thing we need to think about is just when I talk to all these different groups at the different levels, whether it be researchers on a university campus, administrators for elementary schools and high schools, teachers in the classroom, students, parents, there seems to be some sort of disconnect between all of these groups. And I am not sure what exactly is going on or how we can kind of bring everybody together on the same page, but I think everybody might be coming at this from a slightly different angle and trying to get everybody more connected on this. And also I think it is just more the bottom line is, you know, fast-paced lives. Everything now is so fast, so quick and so easy, and I think that is carried over into the financial setting not just of how students see things, but they do what they see, and, you know, the parents are in—households are in so much debt now themselves that they do what they see, so— .

Mr. STRONG. I think we will all agree that children model what they see, their experiences. And the statistics speak for themselves about the number of households that are in trouble and how many adults are in trouble. So the children, that is where they are going to get—the majority of their information they are going to receive at home anyway.

And I think that that is one of the good things about the new SIA investor Website for adults is that we are now going to provide a place for adults to participate in a simulated investment account and begin to understand why you need to save and invest for the long term, and I think that will have some spill-over effect onto the students.

And as we continue to build the program for the students—and we have talked about a lot how to do this, stand-alone classes, integration, but we are looking at accountability, we are looking at State testing, we are looking at No Child Left Behind. And I think it is important that we find a way, and I sort of call it stealth learning, where we are able to take difficult concepts like economics, for example, or savings and investing and incorporate it into the core academics. You are able to help a student understand in real terms something that they probably wouldn't do if you just stood there and told them you need to open a bank account or you need to save or you need to invest.

Here there is applied learning. We know that applied learning works. We know that contextual learning works. The whole movement out of Brown was about if a student can teach another student, they win, they have mastered it, and I think that is what we need to be doing. We need to be demystifying these subjects that probably don't get a whole lot of time at home or even on the job and find a way to incorporate it into the core academics.

Mr. OSBORNE. My time is up, Mr. Chairman, but I might offer just an observation. I know part of Head Start is to involve parents, and it may be that even this part of the Head Start program, maybe if parents are given some information that they can use, it might develop some attitudes in children that—and I really like your comments about values because basically that is what it comes back to. So I yield back. Thank you.

Chairman CASTLE. Thank you, Mr. Osborne. We appreciate your questions and your comments.

Ms. Majette.

Ms. MAJETTE. Thank you, Mr. Chairman, and I thank the witnesses for being here this afternoon, and if Elmo is available—I serve on the Budget Committee. If he is available to come and talk to us about deficit spending and balancing the budget, I would really enjoy that.

Mr. KNELL. That is the Count.

Ms. MAJETTE. I am sorry. The Count.

I agree with just about everything that all of you have said, but my concern is that we have really gotten away from basics, and I was disturbed to see in the National Council on Economic Education their survey that was published in April of 2003 that their 2002 survey findings showed that only 17 States out of 50 plus the District of Columbia, only 17 States required an economics course to be offered, and then only 14 States required students to take an economics course. So even if 17 States offered it, only 14 States required students to take it.

And, Dr. Duvall, you talked about students taking AP economics and how we can integrate this kind of education with that, but if you are looking at only 14 States that have students—that require students to take an economics course, and I think we can see that the majority of States, the majority of students aren't even getting that basic training. So I am very concerned about how we are going to actually really educate our citizens so that they can know what they will need to know and be able to integrate the information that you all have talked about. And certainly having parents that can teach children is very important. I learned a lot about balancing a checkbook and managing money from my parents, and I know my children have learned a good deal from me and my husband.

But what are we going to do about this lack of basic education, or do you see that having the kinds of programs that you have talked about will supplant or can supplant that basic education in terms of economics?

Dr. DUVALL. You referred, and thank you, to this report card on the Nation, what the States are doing in terms of setting standards, State-by-State requirements, the mandate that it be taught and taken, and testing and assessment that is being done in eco-

nomics and in personal finance, and copies of this have been made available to the Committee. I think, as I said earlier, that our essential challenge is to keep working with you to effect education reform, reform in the direction of making economics and financial education part of the core curriculum rather than just an elective, an add-on, and I think we do that by, as some of my colleagues have indicated, demystifying economics. Too many people think of it as to what they do at MIT, not what you do around the kitchen table when you are making basic decisions as a consumer, saver and investor and so forth.

We are making some progress in that direction of being advocates and calling public awareness to the need for improving economic and financial literacy, as this meeting today indicates. But we have got to make some deliberate moves, and that is why I would urge the formation of a national commission that would take a look at best practices and make some recommendations for how that could be pushed in the future.

Ms. MAJETTE. Dr. Lyons?

Dr. LYONS. I just want to say I love the point that you made about 17 States offering an econ course and then 14 requiring it, because I think this is kind of the bottom line. The burden of this is on the teachers, and we are not there when they close the door and teach them. And if they don't have the incentives—I mean, the incentives that are there now, at least from the State of Illinois, and I think this is fair to say nationally, is that they have got the pressure of whatever State exams there are, that they have got to be making sure that they teach those things so that they are covered when the students take those State exams.

And then the other thing is, and this is an observation I have made in my research, is that those students who tend to get this information the least are those that are college-bound. The community college students are doing much better. They typically tend to take the personal finance course, and the reason is because there is all this—they need to have this for college, this for college, this for college. We don't see personal finance or, you know, some type of financial management on that list.

Mr. STRONG. In education, we speak of paradigms; and it is very difficult to change the ways we approach a given subject in schools.

I think that one of the ways that we have been successful with the stock market game is that it is not limited to a particular course but rather it is available through the curriculum. I think by having correlated the game to the standards in mathematics, which is our largest group of teachers, to economics, to business and marketing—and we are working on the English language arts standards as we speak, because that is another way students can do extemporaneous research in business. Time is the issue, but this is a subject that transcends the curriculum, and I think you can find places almost across the board where you can include the discussion about financial literacy and savings and investing long term.

Mr. KNELL. If I could just have one word, as media use grows, kids are getting targeted younger and younger. Their spending habits are being set at an extraordinarily young age. Do not wait until they are in middle and high school to start teaching these values. It is critically important we start very early.

Ms. MAJETTE. I agree.

Thank you.

Chairman CASTLE. Well, on that word of caution, great words of wisdom throughout the day, we appreciate this panel being here, sharing with us your thoughts.

I think there is a long way to go in this area, and I think you have given us a good base for it all, and we appreciate that. If there is nothing further, with that we stand adjourned.

[Whereupon, at 4:35 p.m., the Subcommittee was adjourned.]

[Additional material submitted for the record follows:]

Response of Dr. Robert Duvall to a Question Submitted for the Record

To: The Honorable Judy Biggert
Committee on Education and the Workforce

From: Robert F. Duvall
President & Chief Executive Officer
The National Council on Economic Education (NCEE)

Date: November 4, 2003
NCEE: Leading the charge for economic & financial literacy for 54 years

Subject: Follow-up Question from Testimony Given to the Sub–Committee on Education Reform, October 28, 2003:

What do you see as the relationship between economics education and financial literacy?

The question about what we mean when we use the terms "economic literacy" and "financial literacy" received considerable attention in the first National Summit on Economic and Financial Literacy, which the National Council on Economic Education (NCEE) convened and conducted, together with the Federal Reserve, in May 2002. The consensus of the symposium at that time—and, I believe, the growing common practice today—is that Financial Literacy serves as the umbrella term for referring to useful knowledge of concepts and principles of applied economics and personal financial decision-making skills.

Too many people think that Economics is what the academics do at MIT or Harvard, not what they do when making decisions about managing resources, planning for retirement, or how to vote on public policy issues.

But practical, applied Economics is already for the most part included in the accepted core curriculum in our nation's schools. All but two states include Economics in their standards.

The Voluntary National Content Standards in Economics (published in 1997 by the NCEE, a non-profit, non partisan foundation), include what students ought to learn in Personal Finance as a sub-set of basic Economics, integrated with knowledge of concepts such as "scarcity," "comparative advantage," and "opportunity cost."

The first-ever NAEP Assessment of Economics, scheduled for 2006, will use the Voluntary National Content Standards in Economics as the framework for its tests. The NAEP Assessment treats Personal Finance as a component of effective education in Economics.

The educational goal—the goal of the NCEE—is not to make all citizens economists, but to make them financially literate.

- Financial literacy means that people have an understanding of economics that informs personal finance and public policy decisions.
- Financial literacy is a two-step process that begins with personal finance and leads to broader economic issues that all of society faces.
- Economics education leads to "the economic way of thinking," where personal planning, saving and investing, and issues of citizenship, responsibility, and ethics are joined.
- Financial literacy, therefore, is not simply a matter of balancing one's checkbook, or paying off one's credit card, or avoiding predatory lenders—important as these concerns are. It is knowledge—like "literacy" in language and mathematics—that puts such matters into a context and enables one to evaluate them.

Financial literacy is the result of economics education. And because we are seeing more and more the dire consequences of financial illiteracy, we are coming to recog-

nize the critical importance in real education reform of more and better sound, basic, applied, practical, sustained, and incremental education in economics.

Respectfully submitted,

Robert F. Duvall

Additional Statement of Dr. Angela Lyons

In my October 28, 2003 testimony at the subcommittee's hearing entitled, "Financial Literacy Education: What Do Students Need to Know to Plan For the Future," I stated that "a greater effort is needed at the national level to bring awareness to the fact that financial education is just as important as reading and arithmetic." With respect to this testimony, you have requested that I provide a written response to the following question: "Do you think that a national outreach campaign and Presidential Commission would accomplish this?"

The recent economic slowdown and the rise in the number of bankruptcies for those under the age of 25 have generated concern that students are financially ill-prepared to face today's complex financial marketplace. Proposed legislation to privatize Social Security has intensified these concerns. It is clear that students are facing a significant number of financial challenges. Now, more than ever, there is a need for financial education. The challenge is how do we effectively incorporate financial education into the classroom and into students' everyday lives?

Efforts to launch a national outreach campaign and Presidential Commission related to financial education would be welcomed by the financial education community. However, without having a proposal to review, it is difficult for me to make recommendations as to whether these efforts would be effective. Numerous programs and initiatives currently exist that promote and provide financial education to students at the local, state, and national levels. Yet, studies such as the one recently released by the Jump$tart Coalition indicate that students continue to do poorly when it comes to financial education.

Thus, while interest in financial education is welcomed at the national level, I am concerned that a national campaign may not "trickle down" to changes at the local level in terms of incorporating financial education into the curriculum. If a national campaign were launched, it would first need to take stock and critically examine the efforts that are currently underway to determine what is working and what is not. An effective national campaign would also need to move beyond brochures, press releases, and websites and focus on 1) placing resources in the hands of local teachers and community-based organizations and 2) providing support to current educational programs with proven results.

We need to remember that curriculum decisions and educational programming are primarily made at the local level. At the beginning of the day when the school bell rings and the classroom doors close, it is up to the teachers to insure that financial education has been effectively incorporated into the classroom. Right now, teachers are under a tremendous amount of pressure to focus on reading and arithmetic. They have the pressure of making sure that their students score well on state exams and that their students are adequately prepared to pursue opportunities at the post-secondary level.

Efforts at the national level are needed to provide incentives at the local level for teachers and administrators to insure that financial education is effectively being taught as individual courses and/or integrated into current curriculum. Incentives are also needed to encourage community-based organizations to provide financial education to both students and parents (i.e. after school programs, parent workshops, programs through faith-based organizations).

School administrators, educators, and community leaders are aware that financial education is important. However, the challenge for them is finding ways to incorporate financial education into the classroom and community given limited time and resource constraints. In situations such as these, curriculum and programming decisions are made according to where incentives and resources are currently available. Specifically, what is needed right now are financial resources at the local level to send the message that financial education is just as important as reading and arithmetic.

I would encourage the committee to consider a single federal government entity that would pool resources to aid in the delivery of community-based educational programs through a competitive grants program. One agency that is currently is place that would be adept at providing this service is CSREES (the Cooperative State, Research, Education, and Extension Service). Historically, CSREES has a proven track

record of helping to put resources in the hands of state and local organizations to deliver effective, performance-based programming.

If a national campaign is launched, I would also encourage the committee to think about moving away from using the term "financial literacy" and instead using "financial security." A number of groups at the state and national level have made this switch. The reason being that financial literacy simply means that you are more knowledgeable about your finances where as financial security implies that knowledge has been translated into financial action (increased savings, reduced debt levels, etc.).

Thank you for the opportunity to provide additional testimony. Please do not hesitate to contact me if you need further assistance. I commend the committee for its efforts to address this issue at the national level. A difficult challenge lies ahead, and I would welcome the opportunity to provide whatever assistance I can to aid in the development of a national campaign or Presidential Commission.

Statement of John Bryant, Founder, Chairman and Chief Executive Officer, Operation HOPE Inc.

First and foremost, thank you for inviting me to give testimony on the vital importance of economic literacy in our country to the U.S. House Committee on Education, Subcommittee on Education Reform.

I am also honored to be here representing the only national urban delivery system for economic literacy in the nation today; Banking on Our Future.

Even as I prepare this important testimony for leaders in the United States Congress, I am literally traveling across America promoting the vital importance of economic literacy in our 21st Century American economy.

From Los Angeles, California co-teaching with California Insurance Commissioner John Garamendi, Watts, California with superstar singer, actor and model Tyrese, to Oakland, California with Donald McGrath, president and chief executive officer of $25 billion asset Bank of the West, to Portland, Oregon with Tom Perrick, president of the Oregon Bankers Association, to Cleveland, Ohio with Federal Reserve Bank of Cleveland President Sandra Pianalto, to New York City with New York State Banking Superintendent Diana Taylor, to Kansas City just today with Federal Reserve Bank of Kansas City President Tom Hoenig, I and Operation HOPE have embarked our 3rd Annual Banking on Our Future Across America economic literacy marathon; covering 12-cities over 60-days, with more than 1,000 volunteer banker-teacher HOPE Corps members, teaching inner-city and low-wealth youth the basics of checking, savings, credit, investment and the history of banking.

In the coming weeks I will co-teach celebrity Banking on Our Future economic literacy educational sessions in Chicago, Il, with Chicago City Treasurer Judith Rice, Roberto Herencia, president of Banco Popular and others, in Boston, Mass. with popular Boston Mayor Menino, the Boston superintendent of schools, Lynn Pike, managing director of consumer banking for Fleet Bank, Robert Mahoney, vice chairman of Citizens Bank and others, in Baltimore, Maryland with Maryland Lt. Governor Michael Steele and Donn Weinberg of the $2 billion asset Weinberg Foundation, a foundation focused on poverty eradication, and our nation's capitol, Washington, D.C., where Mayor Anthony Williams, like the mayors of Los Angeles, New York and Boston, respectively, will proclaim it BANKING ON OUR FUTURE DAY IN THE DISTRICT OF COLUMBIA and co-teach a culminating economic literacy session on December 11th, 2003, along with FDIC Chairman Donald Powell, the national honorary chairman of Banking on Our Future Across America, and myself.

At the end of this marathon we will have taught approximately 20,000 youth economic literacy, building upon our year-round, national program and economic literacy movement Banking on Our Future, which has taught more than 112,000 youth, grades 4–12, in hundreds of partner schools, faith-based institutions, Boys & Girls Clubs, after-school programs and wherever else we find youth.

And why all of this effort around economic literacy, and youth?

- Because approximately 80% of the energy driving our national economy is provided by you and me, the U.S. consumer.
- Because we have a President that wants each of us to manage our own Social Security accounts, when the facts suggest that most of us, today, cannot manage our own checking account.
- Because Wells Fargo Bank, just a few short years ago, changed its name to simply Wells Fargo—dropping the work BANK; thus stressing their new focus on becoming a leading, diverse and sophisticated provider of a broad range of "financial services." And with this change came the need for us—their customers—to understand MORE, not less.

- Because the number one cause of divorce in America, still today, is money.
- Because there were 1 million non-business bankruptcy filers in America in 2000.
- Because there were 1.5 million non-business bankruptcy filers in 2001, and more than 1.7 million (filers) in 2002. Almost a 100% increase in just two-years time.
- Because the LARGEST GROUP of bankruptcy filers in America, according to a report by the Jump$tart Coalition, is youth between 18–24 years of age! Those are not Black kids, or Latino kids, but mainstream (read White) middle class young adults.
- Because the average junior in college has approximately $3,000 in consumer dept, and the average senior in college has approximately $7,000 in consumer dept, (4) four credit cards, and no job.
- Because recent studies have confirmed that more than 1/3rd of all graduating college students have no clue how they will make their FIRST payment on student loans!
- Because the tragedy of 9/11 was not only a human and an emotional disaster for America, but in the three months following 9/11, it also devolved into an economic disaster in communities, cities and states clear across America. American consumers—the drivers of our economic engine—became dear caught between economic headlights.
- Because a good deal of our economic stability relies on confidence—our personal, individual confidence. In short, in order to make good decisions for our families, and ourselves and in order to ultimately become not only good consumers, but good savers, borrowers, clients and customers—America needs to be economically literate. AND WE ARE NOT.

We live in the largest and fastest growing economy in the world today, yet no one is teaching our kids to be economically literate. No one is teaching our kids what I call Life 101 skills; the basics of a checking account, a savings account, and the importance of credit and investment in their young lives.

And while Operation HOPE, a national 501 3 non-profit charitable organization, has 9 non-profit companies under its umbrella, my legacy leaver is Banking on Our Future; teaching every child in a major urban city in America economic literacy by the time they reach 8th grade.

My Phase II vision for the Banking on Our Future movement includes:

- 25,000 volunteer banker-teacher HOPE Corps members.
- A 5-year campaign.
- 5 million youth educated.

And just like our nation's educational system cannot accomplish this Herculean goal of economic literacy education by themselves, or at least not within the next 5–8 years, we at Operation HOPE have learned that we cannot do this alone. We need partners, and increasingly, we have them.

Banking on Our Future—the Movement. The Work. The Partners.

Last year Beacon Books published my book, BANKING ON OUR FUTURE, teaching adults and their children about economic literacy, which is fast becoming a resource staple for school libraries across the country.

In 2002 and 2003 I have had the pleasure of co-teaching landmark Banking on Our Future feature sessions with national and international leaders, including former U.S. President William Jefferson Clinton, U.S. Federal Reserve Chairman Alan Greenspan, FDIC Chairman Donald Powell, U.S. Secretary of Housing & Urban Development Mel Martinez, amongst of others.

Banking on Our Future is the official economic literacy after-school program for the Los Angeles Unified School District's "Beyond the Bell" Program, the New York City Department of Youth and Community Developments Beacon Schools, and the citywide economic literacy program for the Boston Public Schools.

Banking on Our Future was selected in 2003 to receive a one of a kind innovations in education grant from the Office of the Secretary for the U.S. Department of Education, focused on our on the ground work in New York and California.

Banking on Our Future, the on-the-ground program, has more than 1,000 active volunteer banker-teacher HOPE Corps members, working year-round in 9 states across America.

Banking on Our Future has a powerful national online partnership with $400 billion asset Wells Fargo & Co., where www.bankingonourfuture.org - providing 100% free economic literacy education online—has registered more than 2.8 million hits to its website from January to August, 2003.

Banking on Our Future is honored to be a national partnership for economic literacy with the Federal Reserve System, the FDIC's Money Smart Program, the America's Community Bankers, the American Bankers Association Education Foun-

dation, the Consumer Bankers Association, the Independent Community Bankers Association, as well as Citibank, Fleet Bank, Wells Fargo (online) and Banco Popular.

Important regional partners include the Williams Jefferson Clinton Foundation in Harlem, the New York Bankers Association, the Department of Banks and Financial Institutions for the District of Columbia, E Trade Bank and others.

Tested Results: The best reflection on the ultimate effectiveness of our work around economic literacy, with youth, is summarized in a pre and post-test conducted by the Federal Reserve Bank of Boston on a pilot program for Banking on Our Future. The Federal Reserve's report found a 700% improvement in economic literacy comprehension and understanding by the students tested.

And aspects of our work are now even being incorporated within our nation's strategy for homeland security. Recently Michael D. Brown, FEMA Director and Under Secretary for Emergency Preparedness and Response at Homeland Security, in announcing our HOPE Coalition America, emergency economic triage program partnership with FEMA and the U.S. Department of Homeland Security said, "Operation HOPE is the nation's leading force in promoting economic literacy and we are excited that John Bryant is making his special expertise available to the people of California at a time of their greatest need."

And recently Operation HOPE has announced our intention of introducing what we refer to as The HOPE Accord.

The HOPE Accord asks the following of and from our nation's private-sector financial services leaders;

1. CEOs to stand with Operation HOPE in support of a national economic literacy agenda.
2. CEOs agree to personally co-teach a Banking on Our Future economic literacy course with me, as founder of Operation HOPE and Banking on Our Future.
3. CEOs agree to encourage their employees to volunteer in their local community.
4. CEOs agree to compensate their employees up to (4) four hours per month (the Wachovia Bank model) to volunteer in their local community.
5. CEOs agree to incorporate community service as a line item in EVERY EMPLOYEES annual employee performance reviews.

And so, as you can see, Operation HOPE is on the move across the nation with its powerful and effective economic literacy movement. As Federal Reserve Chairman Alan Greenspan has said, "the only irreversible asset in America today is education and access, and information and access." Translation: once you have education, no one can take its benefits and wisdom away from you.

At Operation HOPE Inc. we believe that education is the ultimate poverty eradication tool, and accordingly, we strongly believe that this issue of economic literacy education, in a capitalist country, is of vital importance and relevance to the American public as we move into this new economic era. In fact, THIS was the issue (economic empowerment) that Dr. Martin Luther King, Jr. had taken up as his last movement before his untimely death; and it was called the Poor People's Campaign. Dr. King realized that you could not legislate goodness, nor could you pass a law to force someone to respect you. That the only way to achieve social justice in a democracy rooted in capitalism, was through economic parity. Ownership.

At Operation HOPE Inc. we believe that if the 20th century was defined by race and the color line (the Civil Rights Movement), all over the world, then the 21st Century will be defined by wealth and poverty (the Silver Rights Movement).

Economic literacy lies at the very core of what we at Operation HOPE see as THE movement of the wealthless and the under-served in and for the 21st Century; the Silver Rights Movement.

And so, on behalf of all of us here at Operation HOPE, I thank the Committee for taking up this issue for substantive debate.

TESTIMONY SUBMITTED
BEFORE THE U.S. HOUSE OF REPRESENTATIVES EDUCATION AND LABOR COMMITTEES
TO CONGRESSMAN MICHAEL N. CASTLE
ON THE DEVELOPMENT OF A NATIONAL STRATEGY
TO PROMOTE FINANCIAL LITERACY AND ENTREPRENEURSHIP EDUCATION

TESTIMONY SUBMISSION TITLE: "TOWARDS NATIONAL FINANCIAL LITERACY– A STRATEGIC INVESTMENT IN ENTREPRENEURIAL CULTURE AND DEMOCRATIC CAPITALISM"

Presented By:
MICHAEL J. CASLIN, III, CEO,
NATIONAL FOUNDATION FOR TEACHING ENTREPRENEURSHIP (NFTE)
120 Wall Street, 29th Floor
New York, NY 10005
212-232-3333 ext. 330/fax- 212-232-2244
EMAIL -michaelc@nfte.com WEBSITE- www.nfte.com

Submitted: November 5, 2003 (Version 11.5.03)

On behalf of the National Foundation for Teaching Entrepreneurship (NFTE) I am honored to present the following testimony, **TOWARDS NATIONAL FINANCIAL LITERACY– A STRATEGIC INVESTMENT IN ENTREPRENEURIAL CULTURE AND DEMOCRATIC CAPITALISM"**

The mission of NFTE is to teach entrepreneurship to low-income young people, ages 11 through 18, so they can become economically productive members of society by improving their academic, business, technology and life skills. NFTE's strategy for achieving this mission is to partner with schools, universities and community-based organizations; create innovative, experiential curricula; train and support teachers and youth workers; and provide alumni services.

The comprehensive state of being entrepreneurially and financially literate is one we must promote and advance for all Americans. I am pleased to offer testimony today on behalf of the 80,000 young people NFTE has graduated in the basics of entrepreneurship, wealth creation and personal finance via our 3,100 Certified Entrepreneurship Teachers in 44 states and 14 countries.

NFTE's 16 years of existence has been supported by the private sector through generous support of over 2,000 private-sector sponsors, including "million dollar level" donors: Goldman Sachs Charitable Foundation, Shelby C. Davis Foundation, Charles G. Koch Charitable Foundation, Atlantic Philanthropies and Microsoft Corporation. In addition, Merrill Lynch and NFTE have partnered to create a national distributed Financial and Entrepreneurial Literacy primer titled, "Investing Pays Off" customized for ages Level 1- 7-10 years, Level 2- 11-14 years and Level 3- 15-18 years.

Leading academic partners support our mission by promoting NFTE's highly leveraged and graduate accredited teacher certification and year-round professional development for NFTE's 3,100 teacher network include Babson College, Carnegie Mellon University, European Business School of London, Georgetown University Graduate School of Business, University of Iowa Center for Entrepreneurship, Stanford University Graduate School of Business–Center for Entrepreneurship, Teachers College at Columbia University, University of Tampa Sykes Graduate School of Business, and Yale University Graduate School of Management.

Our statewide partnerships include Governor Jeb Bush and the Florida State Department of Education via *Entrepreneurship Florida*, Governor John Rowland of Connecticut, through the Governor's Council on Economic Competitiveness and Technology, the Mississippi and Kentucky State Departments of Education, and Youth Entrepreneurs of Kansas.

Internationally, we are coordinating activity via NFTE UK, based in London, NFTE Belgium and getting many inquiries from across the European Union. NFTE has also established Program Partnerships in India, Argentina, Africa and El Salvador. In 2002, NFTE teachers worked with an estimated 15,000 students in the U.S.A., 300 in the UK, 100 students in Belgium, 100 in Argentina, 25 in El Salvador, 25 in South Africa, and over 1,000 in India. NFTE has 5 global service regions- North America, Latin America, Africa, Asia-Pacific and Europe.

NFTE has conducted 7 major research evaluations to assess the impact of its programs in partnership in partnership with Harvard University Graduate School of Education-Center for At-Risk Youth, Brandeis University Heller Graduate School of Advanced Studies in Social Welfare, Columbia University Teacher's College and Babson College's Arthur Blank Center for Entrepreneurship.

It is our premise that the essence of our democratic capitalistic society lies squarely on the shoulders of each generation of productive, responsible and business-competent Americans. We cannot take for granted financial knowledge, entrepreneurship, wealth creation or nation building in any generation. Federal Reserve Board Chairman Alan Greenspan recently stated at the Ninth Annual Economic Development Summit,

In our economy, the three principal means for household asset accumulation are:

- *Home ownership,*
- *Small business ownership, and*
- *Personal savings.*

Copyright © 2003 by Michael J. Caslin, III

We must redouble our efforts today in order to assure our future strength by doing all we can to reinforce this nation-building agenda referred to by Chairman Greenspan is brought to scale.

NFTE's contribution to this agenda is through its entrepreneurship education initiatives that enable America's young people to develop a context and experiential ability to understand the "what," "when" and "why" of money and wealth creation and the "how to" in the entrepreneurial process. President Bush has challenged us to leave no child behind and Congress has recently passed an historic education act in response to that call. If we succeed in empowering every child, especially those living in poverty, with an entrepreneurial outlook, NFTE believes that they will never let themselves be left behind. If we are successful in attaining this vision, we will be assured that our future adult citizens will be better practiced in "the why" and "the how" of building up personal wealth via productive behavior including increased rates of personal savings and asset ownership. More thoughtful financial analysis will lead to more positive choices in personal finance. In essence, many more Americans need to learn how to "say no" to alluringly destructive predatory credit. And as our impact and success in shifting personal behavior goes to scale, we will see that even later in life, the retired adult will be more empowered with the understanding on how best to use personal wealth in the most beneficial manner.

In 1834, then Senator Daniel Webster said, "Commercial Credit is a reflection of man's trust in man. Commercial Credit is one of the greatest inventions of modern man and is most useful only in the most advanced societies of the world that are self-governing. Commercial credit is the vital air of the modern economy and has produced more, a thousand times more national wealth than all the mines in the world."

Given the challenges we face today with issues surrounding financial literacy, including use of commercially available credit, this hearing could not be more strategic or timely. We at NFTE stand ready to offer our entrepreneurial education services to the nation as part of a national strategy for financial literacy.

NATIONAL FINANCIAL LITERACY – A STRATEGIC INVESTMENT IN ENTREPRENEURIAL CULTURE AND DEMOCRATIC CAPITALISM

About our work with Governor John Rowland of Connecticut and his Council on Economic Competitiveness and Technology, the Governor made the following strategy statement:

Connecticut's future depends on the vitality of its cities. And the future of Connecticut's cities is inextricably linked to the future of the young people who live there. In the NFTE program, students learn mathematics by working out return on investment, gross profit, net profit, unit costs and more, and by selecting and following stocks. They hone reading skills by using the program's curriculum and workbook, and by reading the The Wall Street Journal *and other publications. They improve written and oral communications skills by preparing a business plan, composing letters and memos, developing advertising materials and PowerPoint presentations, and making formal presentations about their businesses. They use technology in a number of ways, including completing BizTech, an Internet component of the NFTE program developed and sponsored by Microsoft.*

One of America's leading educators had the following to say about where our educational strategies must take us if we are to have thriving cities. Dr. Rudy Crew, former Chancellor of the New York City Public School System (which serves a million students, employs 120,000 and has a budget of some $10 billion) spoke about the essential role that NFTE plays in nation building:

The work of NFTE is clear, well documented and easy to follow. What NFTE is about is offering a comprehensive response to the increasing call for student adequacy across critical areas, including academic achievement, occupational readiness – including dress and language, personal strength and civic morality. NFTE is clear about these adequacies and is an important force for an American conversation concerning the urgency of bringing these reality-based adequacies to public school systems that have either lost them, don't remember them, don't know how to institutionalize them. Currently the American conversation in Education is only about numbers. How many kids got the right test score? How many students by what percentile in what quartile have moved? That, in my opinion, is not the most significant conversation that should be going on. NFTE is actually onto a new conversation that's critical to America's future.

Assume that public schooling has a formal purpose. And that purpose is to create a knowledge base, a skill set and a way for students to translate that skill set into a set of personal adequacies. It is essentially about what each student will be able to do after formal schooling is completed. It is about successfully transitioning from school to work. NFTE has a model that addresses this formal purpose about as well as it is ever going to get; and frankly better than anything else out there. What public education is about is empowering both the academically gifted as well as the challenged to go into our very complex adult world with an ability to identify and climb through the window of opportunity.

There is that same range of students who, thanks to NFTE, are able to see themselves as being smart enough, good enough, and practiced enough to succeed in life. This is a powerfully leveraged price to pay for nation building. I'm not talking about students just feeling good. I'm not talking about just coming in and patting them on the head and passing them on with social promotion of just some jargon about business. I'm talking about where NFTE students actually have a set of skills of the likes of which, in a very vigorous and open economy, they can play out their skills and play out their dreams.

In the 200,000+ staff hours we have spent working on this issue over the past 15 years, NFTE has become convinced that financial literacy and entrepreneurial behavior is something that can be nurtured, advanced and systemically offered. For, just as we as a nation at one point joined together to rid our people of the scourge of polio, so too, if given the tools and the national will, we can work towards universal financial and entrepreneurial literacy. And our nation, built on the principles of democratic capitalism, will be the stronger for it.

In preparing my testimony, I thought it would be helpful to review some of the basic concepts that bring us here today.

What Is Finance?

The original concept of finance is traced back to the Middle English word *finaunce*, which means end, settlement, and payment. It is the ability to manage funds, assets, wealth. What does finance mean to us today? It is the ability and behavior of every citizen and their ability to set up a savings and checking account, establish gainful self-employment or traditional employment; an ability to secure and properly manage a personal or company credit card; an ability and motivation to lease or own a car and/or a home, and an ability to establish and survive on a retirement plan.

What is happening today? There are many citizens who are unbanked, underemployed, unemployed and ill-prepared for retirement. This trouble extends also to those enrolled in higher education. Associated Press writer Martha Irvine reports that college graduates today are facing crushing debt. The General Accounting Office says students are graduating with an average of $19,000 in student loans and substantial credit card debt. This is causing an increase in students dropping out of college as well as a record number of bankruptcies filed by people under 25, totaling 94,717 in the year 2000 alone!

What is Wealth?

The original concept for wealth is found in the Middle English word *welthe*, which means well-being and riches. Author Ayn Rand said, "Wealth is the product of man's capacity to think." We are here today to begin the exploration of what we should encourage our citizenry to think about, act on and, in essence, be happy about.

Interestingly, the American Economics Association has been studying the link between money and how we feel, as indicated by our level of happiness. While there is a strong link between money and happiness, according to Economist Andrew Oswald of the University of Warwick, there is also the challenge that society's ability to generate increased wealth may not necessarily translate into happiness for many of us, unless we earn wealth faster than others or we continue to earn more and indulge more in order to keep the pace of our income and our demands on a par.

The challenge we face among many segments of our society today is that personal demands and "wants" continue to drive our consumption without being matched by wealth-creation capacity; hence, we are now seeing alarming increases in personal debt per capita and personal bankruptcy filings across the nation. California economist Richard Easterlin discovered this issue more than 25 years ago through his research findings, which indicate that even when American society gets "richer," people are not becoming more content with their lot in life. So, in our effort to promote financial literacy, we would also do well to elevate the conversation in our society about what it is to be wealthy—both quantitatively as well as qualitatively, materially as well as spiritually. The definition of "wealthy" indicates that those who are rich have an abundance of what is valued. Through entrepreneurial education, which includes numerous theoretical and practical exercises in budgeting, savings, compounding interest, the "Rule of 72" and the present and future value of money, we have a chance to shift the mindset of our citizens and encourage them to build an asset base and create value and wealth in society in far more constructive and enduring ways.

What is Literacy?

The condition of being literate, especially in the ability to read and write; to be knowledgeable and a well-informed and educated person. Being financially literate is only the first step. Educational research identifying the stage of when "learning" actually occurs has developed a concept known as the "zone of proximal development."

This zone is established when you have a student, teacher, curriculum, and practical problem/application to address. At NFTE we have seen the powerful combination of theory with practice. In the end, financial literacy must lead to an increased capacity to be self sufficient via accumulation of wealth vs. debt, personal engagement and fulfillment in the marketplace vs. alienation, and an ability to define socio/economic values that drive personal choices and daily behaviors.

What is Strategy?

Simply put, it is concentrating your energy in one direction, driven by a compelling vision that is guided by a clear mission, and made possible by effective planning and teamwork that results in wise and effective actions. Our vision, mission and strategy that we develop today and in the months to come must be guided by a desirable "theory of change," new outcomes that we attain. Dr. Carol Hirschon Weiss, in *Evaluation Review* 21, No. 4, 1997, reveals that "*a theory of change is a systematic and cumulative study of the links between activities, outcome, and contexts of the initiative.*" In essence, whom do we wish to empower, what do we choose to incentivize and provide to which target audiences for what expected outcomes?

What is the vision we see and the mission we must undertake to actualize our strategy?

We must have a clear vision. I believe we, as a nation, generally share a hope for a more productive and responsible citizenry. The mission of national financial literacy could, specifically, be an increase in the number of productive and fiscally responsible citizens in America, as defined by a number of economic measures that constitute personal components relating to our community, state and national Gross Domestic Product indicators.

For example, Chairman Greenspan indicated in his remarks aforementioned at the Annual Economic Development Summit, that *small business accounts for 50% of private gross domestic product in our economy and is an important vehicle for significant numbers of minority families to accumulate assets.*

At NFTE we believe that becoming productive and responsible is the essence of entrepreneurship. The foundation of this productivity and independence is financial literacy. The skills, attitude and mindset of an entrepreneurially capable person is illustrated in the words of NFTE Curriculum and Education Policy

Advisor Dr. Howard Stevenson, of Harvard University Graduate School of Business, as set forth in *Harvard Magazine*, March-April, 2001: "*Having entrepreneurial skills – balancing opportunities with the resources and skills needed to realize them – is a way of managing that is necessary to compete in a world of great complexity and rapid change.*"

What tactics should we use to achieve this strategy?

First, we must align our energies across many of the 60-plus federal agencies and hundreds of state agencies that share an interest in this agenda. Later on in this testimony I will be recommending a number of initiatives that could be taken that can save money, align energies, and create a greater impact and awareness of appropriate financial behavior.

Second, if we are seeking to achieve significant behavioral change we must carefully define who needs our support, when, why, and how. I believe that universal entrepreneurial literacy addresses many of the urgent trends that have unified those who are here today. Some advocates for improved financial literacy say that students should learn about financial responsibility from their parents. This is important, but what of the millions of students who do not have financially responsible parents? Students learning about it from their teachers through organized curricula and syllabi must supplement our commitment to financial literacy. We have seen our students then reach and teach their peers and family.

I have often seen this happen in the lives of NFTE students, both here and abroad. In fact, in the first quarter of 2002, a major report affirming the critical role of the teacher, a role championed by NFTE, has been put forth as part of a new economic and education policy in the United Kingdom! As a result, there are now 700 NFTE UK students currently enrolled in London in 2003-2004!

Appointed Manager Sam Woods, of Her Majesty's Department of Treasury and The Chancellor of the Exchequer, recently released the "Howard Davies Review" and recognized NFTE for its policy influence by stating:

Teachers are now at the center of the proposal in this country for the delivery of enterprise learning as per the NFTE model. This approach was quite controversial in the United Kingdom as to the extent to which teachers and schools should be involved in enterprise learning delivery and while hotly debated during the course of the Review, the final conclusion was that teachers are a critical part of the picture. And what had been seen of NFTE both in the UK and the US was extremely helpful in convincing us that this was a practicable position. All our young people will now get a chance to take part in enterprise activities…that would certainly encompass the activities of the NFTE programme. This Review will provide NFTE with a fantastic opportunity in this country.

In a paper recently published by Harvard University's *Kennedy School Review*, Angie Datta, "Filling the Education Gap by Teaching Enterprise Skills," found that:

Entrepreneurship programs have raised the levels of basic skills of participating students. One reason is perhaps because this type of learning is typically highly experiential and collaborative – qualities that require additional teaching resources, and engage students to a higher degree…The NFTE program provides an excellent example demonstrating the power of teaching business education and entrepreneurship programs…By focusing on entrepreneurship as a way to synthesize and reinforce basic skills, we can shore up the leakages that exist in the education system…By learning more about the process involved in establishing and sustaining a business, students quickly realize that there are avenues for low interest loans and seed money…The climate for change is ripe in the U.S.A. to implement a program such as "Teaching Entrepreneurship"…It is imperative that the Federal Government play a role in giving schools and communities the resources to equip young people with the skills and energy and enterprise necessary to succeed in life. Education in the U.S.A. must be recast to include ways that reach out to high school students to promote basic skills learning in a practical context. For many, the American education system has failed to develop adequate capabilities in math, reading and analysis. Teaching personal enterprise and entrepreneurship in low-income areas, both in rural and urban schools, is a proven technique that has worked in the U.S.A. and overseas.

Chairman Alan Greenspan, in his speech at the Ninth Annual Economic Development Summit also lends a perspective on the importance of education efforts:

Educational and training programs may be the most critical service offered by community-based organizations to enhance the ability of lower income households to accumulate assets. Indeed analysts have shown that a comprehensive understanding of basic principles of budgeting and saving, at the start, increases household wealth in later years…Financial literacy campaigns help prevent vulnerable consumers from becoming entangled in financially devastating credit arrangements and addressing abusive lending practices that target specific neighborhoods or vulnerable segments of the population and can result in unaffordable payments, equity stripping, and foreclosure.

Gaining a perspective on budgeting and savings is an important element of the NFTE program within the experiential context of a small-business model that a student designs and operates.

We want sound financial decision-making. We want wise credit management and better personal and household debt management. We want to stop heinous scam artists who prey on many of our fellow citizens. We want to increase the number of successful mortgage borrowers. We want our senior citizens to live their golden years with dignity. We want to give our citizens the chance to pursue opportunity and succeed in life. We want to engage and enroll the unbanked in a more secure national banking system. These objectives are attainable if we have the will to commit the resources (public and private) to achieve this, over a generation; through many key initiatives being reviewed today, especially entrepreneurship education that includes financial literacy.

A strong society demands and requires a complex harmony of the highest and best functioning of all societal forces within the private and public sectors–including the civic, educational, governmental and entrepreneurial sectors, in order to achieve progress for all. What I am advocating here today is that families, communities and nations be strengthened through a call to action to attain universal

financial and entrepreneurial literacy, thereby yielding increased rates of effective business practice, wealth creation and personal wealth management.

THE IMPORATANCE OF ENTREPRENEURIAL CULTURE DEVELOPMENT

In his 2001 Inaugural Address, President Bush spoke of the United States as a New World, a slave-holding society that found its greatness by becoming a servant of freedom. He said that the grandest of ideals is that everyone belongs, deserves a chance, and that no insignificant person was ever born. He noted that while many of our citizens prosper, others doubt the promise. He challenged us to work together to transcend doubt by building a single nation of justice and opportunity. President Bush called for us to be true citizens. And he emphasized that every child must be taught these principles of citizenship and to uphold them in order for the future to be better. He challenged us to reward effort and enterprise and to look at ourselves and agree that children at risk are not at fault and that persistent poverty is unworthy of our nation's promise. I believe that national and global wealth creation should be our focus and that this hearing is profoundly important in accelerating this vision.

For just as we have effectively joined together in the past to end the scourge of certain diseases, we can band together to grow more effective, stronger free markets and provide the opportunity of ever-greater wealth creation for more citizens of the world. By doing so we will slowly transcend the scourge of poverty and economic social injustice. The contribution that NFTE seeks to make to this great effort is to contribute to the coming "Age of Entrepreneurial Enlightenment and the Pedagogy of the Entrepreneur."

I'm sure that the ideas of Adam Smith, the free-market champion from Edinburgh, and Dr. Paulo Freire, the champion of education for the poor in Central and South America, intersect here at this hearing. Some two hundred years ago, Smith wrote in *Wealth of Nations* about the power of free markets and entrepreneurs. Decades ago, Dr. Freire wrote a powerful book titled *Pedagogy of the Oppressed.* In it, he concluded that education was the great liberator of the masses and that the highest form of the power of education must, in the end, result in the promotion of "ownership opportunity" for the poor.

Today, more than ever in this global economy, it is knowledge, insight and an ability to make effective actions occur that really matters. And reading, writing, arithmetic, entrepreneurship and information technologies are now globally relevant and mission-critical. For, in the end, if we here today are effective, we will pass on to our children and their children stronger households, communities, states and a more prosperous, secure nation.

It has been said that NFTE is a wonderful overnight success that took 16 years. Similarly, in January '2001 the British think tank DEMOS (a key contributor of ideas that have framed Prime Minister Tony Blair's agenda), worked with NFTE USA and NFTE UK to craft an educational vision for "Enterprise Learning for the UK" and I am happy to report that, within the next five years, half of all state-funded school students will be getting an enterprise experience influenced by the NFTE program model. Recently, NFTE was one of only 16 organizations across the United States invited to advise the United States **Senate Committee on Small Business** on the appropriate role of the federal government in promoting entrepreneurship in America. We were the only high-school-focused entrepreneurship and teacher training organization invited. This government advisory role built on participation in the **U.S. Department of Labor's USA/EU Summit on Entrepreneurship,** held in 1999, in which NFTE was the sole practitioner organization amid 60 policy advisors from the USA and the European Union. This spring, the **U.S. Department of Education,** with the support of Senators Arlen Specter and Rick Santorum, selected NFTE and its cutting-edge, Internet-based BizTech curriculum, and "NFTE University" teacher certification programs as worthy of support from the Fund for the Improvement of Education in America. This enabled NFTE to launch **ENTREPRENEURSHIP PENNSYLVANIA** as the first federal/state/private entrepreneurial education partnership in United States history, hosted by Carnegie Mellon University, and starting with 26 of the "best of class" educators and youth workers from the state's most challenged communities with the objective of training over 1,000 youths in the next 12 months.

Recently, the **Boys and Girls Clubs of America**, **4H**, **YMCA** and **Future Business Leaders of America** "curriculum juries" each selected NFTE as their entrepreneurship curriculum content provider. In May, 2001, NFTE's "BizTech" Internet based entrepreneurship curriculum sponsored by Microsoft was featured at **the first national summit on Technology Enhanced Entrepreneurship Education for Graduate and Undergraduate University Entrepreneurship Educators,** sponsored by the E.M. Kauffman Foundation. In addition, BizTech has been certified as qualifying for college credits from the State University of New York – Empire State College Distance Based Learning Network. And, in national youth entrepreneurship competitions, NFTE students, as prepared by their NFTE Certified Entrepreneurship Teachers, simply excel.

Why do we do this? It is our firm belief that entrepreneurship education assures increased individual freedom by empowering individuals with an ability to make more informed and responsible choices in the voluntary creation and exchange of value via the recognition and pursuit of opportunity. And, from a national security interest, the very future of our nation's communities and cities rests on our collective ability to expand the number of young members of our communities who are more productive and responsible. This is the NFTE mission. It is nation building; it is simple and clear, and its activities contribute to the bedrock of democratic capitalism.

In our dialogue today it is interesting to note the evolution of markets and entrepreneurship. Adam Smith, in The *Wealth of Nations*, recognized three different types of economic organizational systems. They are primarily: Command, Traditional and Free Market economic systems.

The **command economy** is one where a king, emperor, dictator, or planning board determines the allocation of production and resources as well as in effect the distribution of income. The **traditional economy** is one in which centuries-old habits of production (primarily agrarian) are strictly followed, often reinforced by some type of physical or socio/economic force. Today, this type of economic organization

can be found in many less-developed nations in the world. The **free market**, as summarized by Dr. Edward Ryan in *Liberty, Virtue, and Happiness – The Story of Economic Freedom in America,* means that each of us has the liberty to take up any occupation, start any business, to operate an enterprise in a reasonable manner to produce any product or offer any service and charge any price, and keep the reward

of effectively meeting consumer needs–wages, interest, rents and profits--in essence to perform any action based on financial literacy, and to act freely with personal will and passion.

As we ponder the issue of financial literacy here in America, it might be helpful to take a few moments to review key findings that have occurred on a global level. Harvard economist Jeffrey Sachs has reported that "market reforms" alone will not reduce the wide gap in living standards between the rich and poor nations. *Business Week* reporter Gene Koretz reports on Sachs' views in a recent article concerning the pervasive impact of climate on economic development.

For example, of 30 nations classified by the World Bank as high-income, only two, Hong Kong and Singapore, are located in hot, steamy climates. In 1992, output per capita in temperate climates averaged four times the level of tropical ones. Whereas in 1820 the gap was a mere 30%, before the peak of the Industrial Revolution. What has then created this "tropic of poverty"? Tropical regions face two ecological handicaps: 1.) low agricultural productivity due to depleted soil caused by heavy rain, crop pests and parasites, and 2.) a high rate of disease caused by a highly effective transmission vector of insects and bacteria. In addition, World Bank–financed "temperate farming practices" that have been exported to the tropics simply aren't working.

Temperate zones have a 50% grain productivity gain per acre and a 52% lower infant mortality rate when adjusted for income-versus-tropic zones. Poor nutrition, high infant mortality, high fertility to replace lost children, all drain energy from productive activities.

What are we to do? Sachs has found a glimmer of hope in studying Hong Kong and Singapore. Control disease and diversify economies from agriculture to export–oriented manufacturing. But Sachs also notes that many sub-tropical nations lack the resources to tackle massive agricultural, health, and ecologically based problems.

What are we to do? We can, first of all, start with education and market experiences that shift human behavior to effective engagement in local markets.

In another recent study, World Bank "insider" William Easterly has written a study *The Elusive Quest for Growth: Economists' Adventures and Misadventures in The Tropics* (MIT Press) that claims "International development agencies have failed miserably in their campaign to rid the world of widespread poverty, even after distributing billions of dollars in aid over the past half century." Easterly's book provides a devastating analysis of how the World Bank and other agencies have failed to turn poor countries into rich ones. Infrastructure loans and grants were " an investment fetish that should be laid to rest. Debt forgiveness has failed and for those countries with increasingly educated workers there are few opportunities." However, Easterly ends his analysis with few solutions and little to move forward with except the comfort of confirming that past efforts have failed to achieve a net gain. His conclusion, unfortunately, provides little direction: "Trekking through the tropics trying to make poor nations rich raises more questions than it answers."

So it is documented that many current government policies, coupled with regional environmental challenges, are achieving very little in alleviating the issues of global poverty, despite spending billions of dollars. What are we to do?

It is interesting to note that the World Bank book review mentioned above ran in the August 27, 2001, collector's edition of the *Industry Standard*, the ".com" industry magazine of record that provides "Intelligence for the Information Economy." Interestingly, also featured in this issue was an ominously titled article, "Days of Reckoning," which reported on the loss of trillions of dollars of wealth due to the ".com" meltdown.

Why do I call this the collector's edition? The week *Industry Standard* ran the article on the World Bank's failures, Industry Standard filed for bankruptcy protection and closed its doors! So, from these insights of environmental influence, World Bank misdirection, and ".com"/".gone" trends, what are we to do?

I think the only thing we can do is follow the advice of Lao Tsu from centuries ago: "Go to the people, live among them, start with what they have, build on what they know and when the best leaders leave, the people will say they have done it themselves." Those who can survive can also thrive. One of the few hopes of mankind is to change, inspire and promote more productive human behavior. I believe that the time has come: local communities around the world are ready for and in need of an Entrepreneurial Culture.

Federal Reserve Chairman Alan Greenspan echoes this in a recent statement:

It is essential that the opportunity to start an enterprise is open to anyone with a viable business concept. We must continue to seek ways to promote the creation and expansion of viable firms by lowering barriers to funding and financial services. To the extent that market participants discriminate, consciously or, more insidiously, unconsciously, capital does not flow to its most profitable uses and the distribution of output is distorted. In the end, costs are higher, less real output is produced and national wealth accumulation is slowed. By removing the non-economic distortions that arise as a result of discrimination (and consequent financial illiteracy), we can generate higher returns on human capital and other productive resources.

An entrepreneurial culture promotes a personally productive and responsible lifestyle. The Culture of Entrepreneurship brings with it traditions, beliefs, values, attitudes, morals, interests, lifestyle, an innovative and opportunity-obsessed, problem-solving skill set, value exchange, private property rights and voluntary trade. It provides rich alternatives to destructive choices. In addition to public health and civic spirit, one of the few hopes we have is to create a new Entrepreneurial Generation that can be self-directed, empowered, locally innovative and productive.

So how are we to do it? How are we to create an entrepreneurial culture? Our belief is that many Americans facing difficult financial circumstances develop survival skills and street smarts, or simple common sense, which positions them as potentially gifted players in the game of business ownership and long-term asset development.

The Roman leader Maximus said, "How we live our lives will echo through eternity." At NFTE, we believe that a culture and generation can be consciously empowered through effective entrepreneurship education. The NFTE saying is that a great teacher effects eternity. A person who enrolls in a NFTE teacher certification experience has the opportunity to undergo a most profound, heroic pathway.

Joseph Campbell's, A *Thousand Faces of a Hero,* teaches us that there are three critical steps to becoming a hero. Most of us in this room want to be heroes, but we became busy with other efforts or lost along the way.

We also weren't aware of the three steps that one must take to become a hero:

1) Depart from the comfortable .
2) Gain enlightenment through struggle.

3) Return to teach others.

We at NFTE are extremely thankful that heroic teachers, and the sponsors who made their enlightenment possible, have committed to the hero path. Einstein said that compound interest was one of the wonders of the world. The NFTE curriculum reviews this concept in great detail. But I am here to tell you that, if you think compound interest is a wonder, just wait until you see entrepreneurship students affecting their peers. This is what I call the concept of "compounding lives". What a NFTE Teacher has, is an ability to build a generation of entrepreneurs and promote a culture of entrepreneurship.

Again, culture of entrepreneurship is about a specific way of viewing the world; a view that is opportunity-obsessed not current condition-depressed. It is a "skill and will mindset" not a doubting, despairing mindset. It is a language about possibility, value creation and voluntary exchange, not a code for scarcity and pessimism. It is an experience that has a positive outcome and is not just meaningless training for education's sake. Joining the Culture of Entrepreneurship helps an individual belong to the community in a new and profitable way—economically, intellectually and spiritually.

NFTE students, with an entrepreneurial view of the world, gain meaning and joy through the use of their creativity, imagination and innovative energies because they are no longer a numb participant in antiquated education experiences that were tragically designed as visionless silos of knowledge. These silos are highly fragmented, often disconnected from the real world and in the vernacular of many students "irrelevant and boring". Shouldn't our collective struggle be about setting a new expectation, thereby creating the ultimate National Standard for education: It is about helping our students becoming productive and responsible, economically and socially sufficient in a democratic capitalistic society.

Entrepreneurship Culture is a set of personal, family and community values. It is an attitude towards life, an attitude in life that comes together in a behavior that creates a better world by improving the condition of a single human psyche, which understands that "doing well" includes "doing good."

Before I became CEO of NFTE, I was an entrepreneur. In my current role, I view myself as an Entrepreneurial Educator. In the early 80's I was inspired by the following insight from George Gilder's *Spirit of Enterprise*. He wrote:

It is the societal entrepreneurs, creative men and women of production, meeting human needs, who know the rules of the world and the natural laws of the universe and God. Thus they sustain the world by investing themselves in a worthy cause so that they may make a difference. They are the heroes of life. From their knowledge of surviving past failures, they forge new successes. In accepting and then avoiding the dangers of risk, they achieve security for many. In embracing continual change and challenge, they help to ensure social and economic stability and viability for us all.

On personal reflection, as a teenager and as a young adult completing college, I simply didn't know many people who owned businesses and never really understood the power of the word "entrepreneur." I was told early on to be good in school; do well in school and someone will give you a job. I came to discover that through working in 17 different part, and full-time jobs, launching five small business ventures and consulting with 40 companies from 12 industry segments, that it was the power of viewing the world as an entrepreneur that mattered most. And it could be done in the private, public or independent sectors. The process of entrepreneurial thinking is a real key to personal joy and empowerment. And this view and way of life is useful in any human endeavor—hence our need for a sense of urgency and pursuit of opportunity at this hearing.

A close friend and NFTE Board Member, Dr. Stephen Spinelli of Babson College, Director of The Arthur M. Blank Center for Entrepreneurship, really provides some insight on this:

Entrepreneurship is more than just starting new businesses. It is a way of thinking, learning, behaving that links knowledge with actions that create new ventures or turn tired firms into vibrant companies. And anyone can get started by building a bridge between entrepreneurial learning and doing. For example, at NFTE, the aim is for students to achieve economic self-sufficiency and we give them the essential tools to start right now toward achieving that goal.

Around the globe it is indisputable that we are entering an "Age of Entrepreneurial Enlightenment." As recently as 1978 there were no undergraduate or graduate majors in Entrepreneurial Studies anywhere in the world. The current best-selling defining text worldwide at the graduate business school level, *New Venture Creation,* by Dr. Jeffry Timmons, was repeatedly turned down by academic publishers. The reason, quite simply, was that everyone "in the know" knew there wasn't a market for this "entrepreneurship" concept. And very little was being studied, researched, written or championed on entrepreneurship anywhere in the world.

Today, there are hundreds of universities and colleges offering doctorates, masters, and undergraduate degrees, and hundreds of grammar and high schools offering courses in entrepreneurship; many utilizing the NFTE curriculum and requiring city-wide student participation.

NFTE has used the model of the development of the Age of Enlightenment. We have gathered key data on the entrepreneurial process and have determined how best to teach it and when to teach it. We have also taught others to teach it in various program models, including experiential, rote, critical thinking, budgeting, core academic exercises, field study, and a teacher-guided use of the Internet through NFTE's BizTech curricula.

And finally, as it relates to starting young people in learning business concepts, I believe that it is not a coincidence that many of NFTE's current private sector sponsors who are generously providing $6 million annually in support of NFTE, had some of their first business experiences between the ages of 11 and 18.

As NFTE's CEO, I believe that a wise and vibrant entrepreneurial culture in any community or country begins at an age when the basics of reading, writing and critical thinking have been developed and can facilitate the learning and practice of the process of voluntary exchange of value and create an appreciation for private property rights and financial management.

In addition, a book I recently co-authored with Steve Mariotti, *Entrepreneurs in Profile–20 Profiles of the Very Rich: How They Got That Way and How You Can Too,* illustrates that it is never too late to be what you can be or to generate financial strength.

WHY IS THE USA GOOD AT ENTREPRENEURSHIP AND WHY IS IT IMPORTANT?

Professors Lee, Miller, Hancock and Rowen of Stanford University Graduate School of Business note the following:

1. Economic growth is a path to a higher standard of living and better quality of life.
2. Ways to achieve growth include increased and improved inputs of labor and capital, trade and comparative advantage and innovative entrepreneurship.
3. American job and wealth creation has been driven by entrepreneurial regions geared towards the creation of new firms and new industries. The important emphasis is on start-up efforts that generate radical and "disruptive technologies" that create sea changes in industries, or even whole new industries.

A 12-point checklist from their research is something we should consider when pondering how to make our nation stronger. Key concepts include:

1. Are the rules of the game on how to enter, try, risk and benefit favorable to new business ventures?
2. Where do ideas bubble up and how quickly?
3. What is the quality of the talent pool?
4. What are local universities doing to promote critical teaching methods and training?
5. What are most effective merit rewards that can be promoted?
6. How is knowledge spreading?
7. Are talent and ability rewarded?
8. Is risk-taking encouraged and failure tolerated?
9. Is there a high level of partnership between companies, universities and research institutes and government and non-profit organizations?
10. Is the local infrastructure right – roads, schools and support service?
11. Are we tracking changes in the progress of the economy, rate of education, quality of life, and health?
12. How quickly is this all happening, and is practice and knowledge sharing encouraged?

NFTE is viewed as a world leader in "knowledge spreading" and transferring the "rules of the game" for wealth creation and entrepreneurship to low-income, socially alienated teens. This knowledge plus micro-efforts at "trying" and "risking" within NFTE's syllabus enables students to experience "new business ventures" in an organized and supportive way.

As CEO of NFTE, I am primarily responsible for sharing our passion for our vision; promote peak performance of our mission as measured by our Balanced Scorecard and driven by our McKinsey & Co. supported growth plan, and strengthen the global leadership brand of NFTE.

The vision we have is that someday we will contribute to Universal Entrepreneurial Literacy for the world's 1 billion youth and young adults young people living in poverty. This, we believe, is as important and urgent as access to the polio vaccine that saved millions. A vision where someday, not 100 students as in our first year of NFTE, not the 20,000 students we will educate this year, but *16 million youths* currently living in poverty in the United States will be empowered to take their first steps as entrepreneurs, because we give them the time to learn and the tools to try. Also, realize that here in America we graduate three million public high school seniors a year, many of whom are market place illiterate.

What we do today, next month, and the rest of this year will affect how the world perceives and interacts with us. Someday, if we can get each NFTE Certified Entrepreneurship Teacher to work with 100 students per year and we have 10,000 active NFTE teachers, we will have one million entrepreneurially literate NFTE youth graduating annually. The heart of education reform is to liberate teachers to truly teach and inspire students to hear, see, learn and do. For it is in the doing that they will understand.

Recently I was in Silicon Valley, at the Stanford University Graduate School of Business where NFTE has enjoyed a long-term partnership with the Center for Entrepreneurship and the Terman School of Engineering, Technology Venture Center. There I came across an insight from one of the most effective business leaders in the world. Vinod Khosla has been part of teams in his role as General Partner in Kleiner, Perkins, Caufield and Byers that have created six jobs per day every day for the past 25 years. Even after the ".com" crash" Mr. Khosla's ideas are still relevant concerning the power of the Entrepreneurial ways of Silicon Valley, "To emulate, one must first understand. By harnessing the power of abundant ideas, Silicon Valley has become not just a place, but a *culture and state of mind*."

HOW HAS THE DEFINITION OF ENTREPRENEURSHIP EVOLVED?

Let's follow the evolution of the "entrepreneur" paradigm over the last 500 years.

In the 1500's as an entrepreneur you would simply be thought of as an adventurer.

By the late 1600's, if you chose to risk your private capital in a commercial venture, Professor Jean Baptiste Say would have considered you a "capitalistic entrepreneur."

As an entrepreneur in the 20th century, you would be viewed as an individual who started, managed and assumed the risk of starting and owning a small business.

As an entrepreneur of the 21st century, Drs. Moore, Timmons, Altman, Bygrave, Spinelli, Stevenson and Byers tell us that you will be recognized by your:

- management and leadership style that involves pursuing opportunities without regard to resource limitations currently controlled;
- ability to think and act in a way that is opportunity-obsessed, holistic in approach and management-oriented.

Seven essential entrepreneurial abilities needed to attempt entrepreneurial success include:

1. Refine ideas into business opportunities.
2. Know what business you are really in.

3. Know who your paying customer really is.
4. Recruit and retain top talent.
5. Access and leverage capital.
6. Develop and communicate your mission and vision to your team.
7. Manage and mobilize your team's resources to seize a marketplace opportunity.

Core Components of the entrepreneurship formula have been identified as Opportunity, Resources and Team. Forces swirling around and through the formula include: ambiguity, creativity, uncertainty, leadership, communication, and capital market access.

21st century entrepreneurs will know how to perceive and pursue opportunity without being limited by the current state of resources. Through this effort goods and services of value create a force that will result in the acceleration of the rates and volume of voluntary exchange of value; thereby advancing the enlightened self-interest of the individuals involved, entrepreneur and customer and society itself. In a global economy with local markets, entrepreneurial thinking is an essential life skill. Again, "a child with an entrepreneurial mind will never let themselves be left behind."

CULTURAL FORCES AND POLICY OPPORTUNITIES

We can contribute to the strengthened entrepreneurial consciousness of our society by supporting policies and practices that promote economic and entrepreneurial literacy, as well as technology and capital access to all the citizens of our nation. A clear-impact system of research, practice and policy is attainable with the talent assembled here today.

A social equation I often talk about when it comes to community renewal via entrepreneurship is:

HCD + CA + E + IT + VE= CW

- HCD – Human Capital Development, via our educational institutions, must promote essential adequacies of academic achievement, occupational readiness, personal strength and civic morality.
- CA – Capital access must be more effectively developed, especially for the needy.
- E – Entrepreneurship Education must be a universal competency.
- IT – Information Technology must become a standard tool for all members of society.
- VE – Value exchange and increased community trade must be encouraged and promoted with all barriers assessed and removed. For example, how many of us here can fill out a W-2, 1099, FUTA, SUTA, FICA, State and Federal Tax and Employee Forms in a reasonable period of time for just one employee? And if one can do it, what better use of time could you have spent to build your business or strengthen the community?
- CW – The resultant community wealth is what brings us to the quality of life, standard of living and improved rates of business performance, domestic tranquility, and true national security.

Our nation has clearly progressed since FDR said, "I see one third of our nation ill-housed, ill-clad, ill-nourished. The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little." I think a possible next generation of this concept is that progress in society must now be measured on how effective we are in providing the tools for those "who have too little" to help themselves.

NFTE's work enables us to understand a very important concept when contemplating economic empowerment for the needy. The disenfranchised are the solution not the problem. Their unique insight and understanding of their communities can be harnessed by the entrepreneurial process. This process offers one of the only long-term strategies for promotion of democratic capitalism.

Another perspective offered is from the Chief foreign exchange strategist for FleetBoston Financial, Paul Podolsky, who has developed an index, the CREATIVE DESTRUCTION INDEX, which ranks 25 countries annually. Creative Destruction is an economic concept that refers to new technologies replacing old ones. Key forces include population growth and Internet usage, which create a more flexible economy. The Index maintains that the value of a nation's currency is directly linked to changing demographics and technology. This also makes sense, for "economics" is based on the word *oikonomos*- the household. And, in the end, household ownership of assets stands as a key measure of national strength.

WHAT IS THE APPROPRIATE ROLE OF THE FEDERAL GOVERNMENT?

Long term, it is simple: we will get what we focus on. We will get what we invest in. What we track will improve. In November of 1999, NFTE was asked to participate in an International Working Group established under the New Transatlantic Agenda, signed by the USA and the EU in 1995, hosted by the U.S. Department of Labor's-Bureau of International Labor Affairs. In its workshop on Fostering Entrepreneurial Activity, there was an explanation of the necessary conditions for creating a successful business. In devising a policy strategy to promote entrepreneurship, it was noted that entrepreneurs are concerned about things that are not primarily concerns of government.

The EU, for example, sees entrepreneurship as a means to create jobs, whereas entrepreneurs primarily set up new businesses to earn more money, have greater autonomy, and actualize an interesting commercial idea. In the EU, the prevailing opinion is that the status of professionals is above that of businesspeople. To help remedy this view and raise awareness that entrepreneurship is itself a profession and contributes to economic growth, most EU member states are introducing entrepreneurship as a specific topic in economic and business courses. NFTE was cited during this conference as a unique educational entrepreneurship program with its Internet-based BizTech curriculum and highly credentialed teacher-training program, "NFTE University," which together work to provide a long-term escape from poverty.

During meetings with members of the U.S. Small Business Administration, the NFTE model was viewed by the Hon. Charles Tansey, past Director of the Capital Access Program, in the following way: "NFTE has an excellent Entrepreneurship system that addresses a gaping hole in the American education system. At SBA, we need more tools like NFTE to address the issues of the lending gap. Access to advice and capital is equally important. NFTE offers a comprehensive approach to an early stage venture. As a

former Chase Bank executive and policy leader, I see the crucial importance of building small businesses for any community."

SO WHAT ARE WE TO DO TO FURTHER STRENGTHEN OUR COMMUNITIES?

PROMOTE ENTREPRENEURIAL EDUCATION

- Establish an entrepreneurial vision for our country by committing to a policy of universal entrepreneurial literacy.
- Promote entrepreneurship as a career option and as an essential part of citizenship development so that every child can learn to start a business and understand how to participate effectively in our democratic capitalist system.
- Allow students to develop an Entrepreneurship Development Account ("EDA") where allocated educational funds can be targeted to public schools that offer entrepreneurial learning and practice in the craft of starting, operating, managing and owning a micro-enterprise.
- Create an "E Corps" consisting of entrepreneurship educators drawn from all sectors to accelerate the promotion of this knowledge as well as require the 2.2 million new public school teachers coming into the field be trained and given the time and federal, state, and local system support to teach this essential life skill.
- Mandate that 1% of all federal funds be allocated via block grants to states to fund their ability to teach entrepreneurship.

COORDINATE AND SIMPLIFY ALL FEDERAL AGENCY INITIATIVES RELATED TO ENTREPRENEURSHIP AND FINANCIAL LITERACY

- Establish a time-limited, interagency federal and private sector working group to scan all federal and state agencies for current or future initiatives related to entrepreneurship and financial literacy to promote focus, alignment, and greater effectiveness.
- Reduced federal agency expenditures as a result of this efficiency should result in savings to pay down the federal budget deficit and provide a rebate to taxpayers.
- Simplify Federal and State Statutes relating to Entrepreneurship Education and Federal Testing.
- Review, improve, and/or eliminate federal and state statutes negatively affecting small business start-up and success.
- Create a "Fast –Track" regulatory exemption for new business start-ups with gross revenues of $500,000 or less.
- Promote private property and personal wealth accumulation and eliminate the waste generated by costly tax planning by eliminating the Inheritance Tax.
- Streamline bankruptcy and commercial enterprise law.
- Establish Fast-Track Employee Hiring and Education Guidelines and Design Beneficial Tax Policies.
- Simplify capital access regulations and requirements for first time business start-ups especially for teen.
- Simplify the Federal Tax Code and if this is not possible eliminate it and implement a flat tax/consumption tax.

WHERE WILL THE NEW ENTREPRENEURS COME FROM?

New Entrepreneurs have always been informally mentored, nurtured, educated and encouraged. That is in part true today as well. However, a more clear, conscious, systemic plan of entrepreneurial education can be offered. Prime Minister Blair's initiative based on NFTE is a classic case of how the *PEDAGOGY OF THE ENTREPRENEUR* via systemic education can be developed with thoughtful education and business policy. We must always strive to develop a national psyche that celebrates the entrepreneurial potential within each citizen and the valor of the entrepreneurial struggle, whether an enterprise is a lifestyle, mid-size, or hyper-growth endeavor. We must develop a comfortable acceptance that failure in business yields the seeds of insight that will yield success in the future.

The external research on the impact of our efforts in teaching entrepreneurship conducted by Dr. Andrew B. Hahn of the Heller Graduate School for Advanced Studies in Social Welfare at Brandeis University has proven, via net impact random-assignment analysis, that knowledge gains and behavioral changes can occur through studying NFTE's curriculum.

Findings from our research indicate that constant for both males and females, across ethnic and age groups and regions of the United States, 59 out of 60 program sites increased their scores on basic business and economic literacy. NFTE's five years of research efforts, from a national sample of over 600 students, demonstrate that:

- business knowledge terminology and skills can be transferred at increased rates–our research has shown a rate of learning by NFTE students 20 times that of a control group, and business plan development and personal activity to follow the plan was 30 times that of the control group;
- 63% of NFTE program graduates view the market economy more favorably than before because they understand it and can more effectively participate in it;
- educational and personal life goals can be raised-34.8% of NFTE students reported "a little more than before" desire to start a business while 46.2% reported their desire to start a business was "far greater than before";
- academic performance can be enhanced as measured by Adult Basic Education assessment grade gains—a NFTE pilot program in Massachusetts demonstrated to the U.S. Department of

Labor an average grade gain of two "academic grade" levels over a six-week period, 150-hour program for a class of 25 low-income NFTE teens;

- 52% of NFTE alumni report that their experience had some impact on their school performance and 23% report that NFTE had a great deal of impact;
- 30% of NFTE students felt *"somewhat satisfied"* with their experience while 65% feel *"very satisfied"* and nearly 100% said they *"would recommend NFTE to a friend"*;
- Self-concept can be improved and there were slight trend increases (though not statistically significant) in voluntarism and student award achievements;
- Employment rates can be increased- 43% of post high school NFTE alumni reported having a part-time job while 20% had full-time employment; and
- 33% of NFTE alumni generated some level of revenue from their own businesses a year after graduation, 30 times that of a control group.

NFTE's proven, private sector, multi-site, cost-effective, extensively researched and scalable entrepreneurship-training program offers a hopeful, long term, hard-work course.

We offer to all our Program Partners a clear organizational structure, a well-defined program cluster and concrete outcomes for teachers, students and sponsors.

We are pleased to contribute our model to the United States Congress for consideration.

TOWARD A STRONGER NATION

This process of a clearer method for financial literacy and entrepreneurship education will then contribute to a CULTURE OF ENTREPRENEURSHIP for broader segments of our society. Values and beliefs, attitude and mental sentence structure, lifestyle choices, skill set development, language, dress, personal behavior, expansion of personal-time horizons in decision-making, and ability to navigate the rules of the marketplace, all will enable us to create a happier and more fulfilled community: in essence, nation building.

So what is the vision for our nation? What are the opportunities and challenges we face? As enterprising educators and policymakers, the challenge we have is to see beyond the very dark storm clouds of pessimism, cynicism and hopelessness. We must cast off from the docks of fear and uncertainty, set off from the shores of failed policies and practices and by doing so we will be launching a fleet of human capacity onto the sea of market opportunity. A distant shore, a land of peace, prosperity and justice awaits our future entrepreneurial generation. You can see it when you look in the faces of the children of your community, the future voters of your district, and help ignite the spark and work needed to inspire greatness where many believe it no longer exists. Greatness could exist once again with your help. The hard data will emerge- you have in your ability the capacity to generate an increased rate of entrepreneurial business formation, capital accumulation, and asset ownership.

In a groundbreaking study, Dr. John Thorne of Carnegie Mellon University, found that *the single most important causal indicator of any community's future economic wealth is the number of entrepreneurs and business owners per capita in the 25-35 year age group.* What NFTE is attempting to do makes even more sense with this perspective.

Today we see a response to the call of Thomas Jefferson, who saw the importance of learning and the potential of the empowered mind, when he said: *I pledge eternal hostility towards every form of tyranny over the mind of man.* What causes the tyranny of poverty? It is in large part due to economic, financial, and entrepreneurial illiteracy, and an existence without hope and vision. Fortunately, it is the very idea of value creation and voluntary trade via the entrepreneurial wealth-creation and ownership process that can free the minds and transform the lives of our citizens.

We can see the actualization of the vision of the Reverend Martin Luther King, when he said, "The Bank of Justice is open for business and is backed by the vaults of opportunity." We see that we can build on the vision of President Ronald Reagan for new "shining cities on the hill". These cities of all kinds of people, these free and commercially bustling cities, these cities where all people, yes, all people with the will and heart can enter and find a home. And we see the creation, thanks to the teachers and stakeholders of NFTE, of Robert F. Kennedy's tiny ripples of entrepreneurial hope, which, when generated from a million different centers of energy and daring and caring, can create a riptide that could sweep away the mightiest forces of oppression and evil.

So at the end of this hearing, when the excitement has subsided and the challenge of being a hero becomes very real, please keep in mind the words of a teacher:

Tentative efforts lead to tentative outcomes. Therefore commit yourself fully to your endeavors. Determine to construct your character through excellent actions and determine to pay the price of a worthy goal. The trials you encounter will reveal your strengths. And through it all remain steadfast. For someday you will build something that endures, something worthy of your potential.

These powerful words came from a most unlikely source. A former slave, who then became a teacher and historian. The city, Rome. The teacher, EPICTETUS. The time, 100 A.D.

In closing, I assure you that the NFTE students and teachers supported by our staff and public and private partnerships may be a part of the living legacy and measure of our success in advancing entrepreneurial and financial literacy in America. A legacy we now have the ability to greatly expand. A legacy that is most worthy of our collective potential. May we unite in this great effort and may God bless us all in this noble struggle, a struggle in which men and women of good will and entrepreneurial vision must prevail.

Thank you.

Statement of Visa U.S.A. Inc.

Visa U.S.A. Inc. applauds the efforts of the House Committee on Education and the Workforce Subcommittee on Education Reform for addressing the importance of financial literacy education for our nation's youth. Congressional focus on this subject is essential to building the national awareness that will benefit all Americans.

We thank you for the opportunity to submit a written statement for the record outlining our efforts to address many of the specific issues raised during your hearing on "Financial Literacy Education: What Do Students Need to Know to Plan for the Future?" held October 28, 2003.

Financial literacy education is a priority for Visa U.S.A., which is why we are especially honored that Visa U.S.A.'s Practical Money Skills for Life program now reaches more than 37 million students in more than 100,000 schools across the country.

Many of America's youth are graduating from secondary school or even college today without the vital skills necessary to enable them to have a successful financial life—skills like how to create a budget and how to develop a savings plan for retirement and other future needs.

In a recent national survey conducted by Visa, 77 percent of American adults surveyed said young people are learning money management skills in the "school of hard knocks." Nearly half of the adults surveyed said today's youth believe they are more likely to become millionaires by starring in a reality TV series than by learning how to budget and save wisely.

It is critical that children learn these important financial facts of life before leaving home. Money skills are lessons a student can take from the classroom to the boardroom. Visa U.S.A. is proud to bring teachers, students and consumers our educational program, Practical Money Skills for Life, free of charge online at www.practicalmoneyskills.com. This cutting-edge Internet-based personal finance curriculum program is designed to educate consumers of all ages about a number of key personal finance subjects, including budgeting, saving and investing.

Practical Money Skills for Life has customized material for parents, teachers, students and general consumers, including lesson plans, interactive calculators, games and budgeting worksheets. In addition to the Practical Money Skills for Life online material, the following at-home and in-class resources are available:

- A 14-chapter lesson plan book with overhead projection materials, activities and exercises covering budgeting, saving, investing and how to recognize financial trouble, along with resources to find solutions.
- An interactive CD–ROM, which includes a fun interactive game about financial decision making, a quiz show to test students' fiscal savvy, and a loan and credit card calculator, as well as a series of budget worksheets.
- A teaching video that corresponds with the lesson plans, designed to illustrate a variety of financial situations and spark in-class conversation.

These financial literacy tools—developed by teachers for teachers are available in English, Spanish and traditional Chinese. Teachers and college professors can integrate the curriculum directly into their lesson plans for a one-time course or a year-long program. Visa U.S.A. is working to make sure Practical Money Skills for Life meets each state's standards for academic curriculum so that teachers may easily incorporate the program into their classrooms.

Additionally, Visa U.S.A. has partnered with the Council for Exceptional Children to provide a version of the Practical Money Skills for Life curriculum for children with special needs.

Practical Money Skills for Life has received the stamp of approval from educators at the 2001 National Education Association's Expo. More than 94 percent of the educators surveyed graded the program an "A" or "B", and 98 percent said they would recommend it to fellow educators. This "educator developed and educator approved" program has received a "four star" rating from The Detroit News and Free Press, hailed for offering "a great mixture of educational and fun activities that can help teachers, parents, students, and consumers manage money." Additionally, Practical Money Skills for Life has been recognized by Teacher.com as a Teacher Information Network Gold Award winner, and is also the recipient of the prestigious Golden Web Award presented by the International Association of Web Masters and Designers.

Visa U.S.A. is proud to partner with the Jump$tart Coalition for Personal Financial Literacy to bring financial literacy to the forefront of the national agenda. Visa actively supports their efforts to promote April as Financial Literacy for Youth Month.

To more directly engage teachers in incorporating financial education in the classroom, Visa U.S.A. co-sponsors the annual Practical Money Skills for Life Educator

Challenge with Future Business Leaders of America. Winning participants show how their students have increased their financial literacy using elements of Practical Money Skills for Life. This past year, more than 900 high school teachers from all 50 states went to www.practicalmoneyskills.com to enter for a chance to win computers and school supplies.

Beyond providing a free personal finance curriculum, Visa U.S.A. continues its efforts to bridge the digital divide. Working with Members of Congress, Visa U.S.A. donates computer equipment to schools in need and provides free Practical Money Skills for Life training for teachers. During the 2003–2004 school year, Visa U.S.A. plans to donate computer labs and introduce our educational program to 10 more high schools across the United States. To date, Visa U.S.A. has donated more than 40 computer labs nationwide.

Visa U.S.A. is proud of each of these achievements and strives to make every American teacher, parent, student and consumer aware of the availability of Practical Money Skills for Life in order to do our part to promote financial literacy. Visa U.S.A. appreciates the opportunity to submit a written statement on this very important matter.

Statement of David F. Woods, CLU, ChFC, Chief Financial Officer, National Association of Insurance and Financial Advisors and President, Life and Health Insurance Foundation For Education

Chairman Castle, Ranking Member Woolsey and Members of the Subcommittee on Education Reform, thank you for permitting me to submit testimony in connection with your recent hearing on "Financial Literacy Education: What Do Students Need to Know to Plan for the Future?" I commend you for focusing on this issue, which is so important to the well-being of individual Americans and to the Nation's economy as a whole.

My name is David Woods. I am the Chief Executive Officer of the National Association of Insurance and Financial Advisors (NAIFA). NAIFA is a federation of approximately 800 state and local associations representing over 225,000 life and health insurance agents and advisors and their employees. Originally founded in 1890 as the National Association of Life Underwriters, NAIFA is the nation's oldest and largest trade association of life and health insurance agents and financial advisors. NAIFA's mission is to improve the business environment, enhance the professional skills and promote the ethical conduct of agents and others engaged in insurance and related financial services who assist the public in achieving financial security and independence.

I also currently serve as the President of the Life and Health Insurance Foundation for Education ("LIFE"). LIFE, a non-profit organization founded in 1994 by six life and health insurance agent organizations in the United States, was formed to address the growing need to educate the public about the essential role of life and health insurance in a sound financial plan and the value added by insurance agents and other financial advisors. LIFE is not a legislative advocacy organization.

The need for financial education—always important—has become increasingly critical in recent years. As we hear often in the news, bankruptcies are up, credit card debt is skyrocketing, and personal savings are at historic lows. In addition, the financial services marketplace is more complicated than ever. Individuals not only have the basic financial services tools with which we are familiar—personal savings and checking accounts, basic life insurance and, perhaps, stocks—but they also have the opportunity to take advantage of numerous other products designed to appeal to their specific needs and goals. The strength and diversity of the financial markets help make our economy strong and the "American Dream" attainable for all Americans. Without proper financial education, however, the benefits of these vast financial opportunities will go unused for many Americans, and may become liabilities for others, resulting in the debt and bankruptcies that have become all too common.

I am heartened to see the efforts being made to encourage financial literacy among our young people. As the Subcommittee heard at its recent hearing, the public and private sectors are working—together and separately—to educate children so they will not be confronted with the "money problems" many face as adults. The Treasury Department's Office of Financial Education has developed standards for financial education programs and is helping states and schools integrate financial education into their core curricula. Non-profit organizations and trade associations are also sponsoring programs to assist educators in preparing students with basic financial knowledge, realizing that financial literacy, like reading, writing and arithmetic, is key to a successful future.

I would like to take this opportunity to give you a view of financial literacy from an insurance sector perspective. Specifically, I would like to make three points: (i) insurance is critical component of financial literacy education; (ii) financial education is a life-long process; and (iii) the insurance agent community is actively engaged in financial education programs.

Insurance is a critical component of financial literacy education.

Insurance is an integral part of the financial sector and any discussions of financial literacy should include insurance as a critical component. Life, health, disability income and long term care insurance provide basic financial security for consumers in times of need. In addition, numerous other insurance products, such as variable annuities, include investment components. These products provide consumers with the security of basic insurance coverage.

My goal here is not to "sell" insurance. Rather, it is to point out that financial literacy is not limited to knowledge of bank accounts and stock portfolios. Although those are clearly part of financial education, knowledge of risk and insurance forms the base of a well rounded financial education. Basic financial risks should not be overlooked when we teach our young people how to manage their finances and invest. People and families need to understand how to provide for their immediate financial needs and long-term financial security. It is important to know how all these financial products fit and work together to avoid financial disasters and ensure a safe and sound financial future.

Financial education is a life-long process.

The title of this hearing is "Financial Literacy Education: What do Students Need to Know to Plan for the Future?" and its focus is rightly on young people. It makes sense to start early and mold good financial habits for a lifetime. It is important to point out, however, that financial education is a lifelong process. Particularly with insurance, continued education and "literacy" is critical as needs change over time.

Earlier this year, I testified before the House Financial Services Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises on the life insurance needs of senior citizens. My testimony pointed out how important it is for seniors to understand their insurance needs and choices. Seniors often face a terrifying prospect—the inability to generate new income at a time when their life spans are uncertain and their health needs are inevitably going to grow. Therefore, it is critical that every financial decision be based on as much information as possible and be flexible enough to address current and potential needs. Financial education for seniors (and other adults, for that matter) need not be limited to insurance. Indeed, seniors" potentially vulnerable financial positions make literacy in all aspects of personal finance very important.

The insurance agent community is actively engaged in financial education.

There are two aspects to the agent's role in financial education. First, financial education is an everyday part of an agent's job. An insurance agent is the essential link between the consumer and insurance company, providing and servicing the products of the insurer while educating the consumer as to how to manage their financial needs and make informed choices regarding their insurance purchases.

Second, agents are involved in coordinated outreach to educate consumers. As I mentioned previously, in 1994, six insurance agent groups, representing 160,000 agents, founded the Life and Health Insurance Foundation for Education ("LIFE"). LIFE's founding members saw a strong and growing need to inform and educate the public. In the decade since it was created, LIFE has developed a diverse educational program which educates consumers and empowers them with the knowledge needed to make informed insurance decisions.

LIFE's education programs include:

- Next Generation: Next Generation is a multimedia insurance educational program designed to education high-school students about the basics of insurance. This program is provided to teachers free-of-charge and is incredibly successful with teachers and even students give it high grades.
- Insurance Matters: Insurance Matters is a multimedia community education kit designed for insurance professionals to teach consumers, in adult education settings, about insurance.
- Life-line.org: This award-winning education website provides everything from basic information about different types of insurance, to tips on what to look for in an agent, to interactive calculator features that help consumers determine their own insurance needs.
- realLIFEstories: To help people get a better understanding for the need for sound financial planning, LIFE promotes an annual award to uncover the best

"realLIFEstories —real stories of real people that illustrate how the benefits of insurance helped them get through very difficult financial times.

- Public education advertising: "Life insurance isn't for the people who die. It's for the people who live." LIFE's national advertising is a reminder of the crucial role of life insurance in financial planning, and reminds consumers how important it is to make sure your loved ones are financially taken care of in your absence.

What can Congress Do?

It is my belief that Congress can play an invaluable role in encouraging and enhancing financial literacy education. This hearing is an excellent tool for helping to spread the word about the critical need for increasing financial literacy. In addition to its "bully pulpit," there are specific steps Congress can take to promote financial literacy education. There are currently several measure pending in the Congress on the issue:

- S. 2660, the Fair Credit Reporting Act reauthorization legislation recently passed by the Senate includes a provision (sponsored by Sens. Debbie Stabenow and Mike Enzi) creating a Financial Literacy Education Commission, which would have broad authority to streamline, improve or augment financial literacy education programs, grants and materials of the federal government;
- H.R. 2990, introduced by Rep. Judy Biggert, would create the Commission to Educate Our Nation's Teachers and Students on Financial Literacy Skills. The commission would make recommendations on integrating economic and personal financial education into primary, secondary and post-secondary curricula.
- H.R. 3294, sponsored by Rep. David Dreier would require the Secretary of the Treasury to establish a pilot national public service multimedia campaign to enhance the state of financial literacy. The Secretary would work with nonprofit, public or private institutions to develop a multimedia campaign aimed at target audiences.
- S. 1470, introduced by Senator Paul Sarbanes, would establish the Financial Literacy and Education Coordinating Committee. The Committee would develop a national strategy to promote basic financial literacy among consumers through the development of methods to increase the general financial education level of consumers and enhance the general understanding of financial services and products.

Although NAIFA does not have a position on these bills, the proposals have a great deal of merit and should be studied closely. Congress is in a unique position to foster financial literacy education across the country and we encourage you to take a thorough look at these and any other financial literacy initiatives that are proposed.

Conclusion

Thank you again for holding this hearing on the important issue of financial literacy education, and for the opportunity to share my views and the views of NAIFA with you. Financial literacy education is the key for all people—students, young adults and seniors—to a successful future and the opportunities of sound credit, home ownership, retirement savings and a safe and sound financial future. Insurance is an important aspect of that sound future. NAIFA and LIFE have actively sought to improve the financial literacy of insurance consumers and look forward to working with you to further that goal.

○