

**THE FEDERAL GOVERNMENT'S ROLE IN  
EMPOWERING AMERICANS TO MAKE INFORMED  
FINANCIAL DECISIONS**

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**HEARING**

BEFORE THE

OVERSIGHT OF GOVERNMENT MANAGEMENT,  
THE FEDERAL WORKFORCE, AND THE  
DISTRICT OF COLUMBIA SUBCOMMITTEE

OF THE

COMMITTEE ON  
HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

APRIL 29, 2009

Available via <http://www.gpoaccess.gov/congress/index.html>

Printed for the use of the Committee on Homeland Security  
and Governmental Affairs



U.S. GOVERNMENT PRINTING OFFICE

51-021 PDF

WASHINGTON : 2010

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**WEDNESDAY, APRIL 29, 2009**

U.S. SENATE,  
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT  
MANAGEMENT, THE FEDERAL WORKFORCE,  
AND THE DISTRICT OF COLUMBIA,  
OF THE COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS,  
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 2:31 p.m., in room SD-342, Dirksen Senate Office Building, Hon. Daniel K. Akaka, Chairman of the Subcommittee, presiding.

Present: Senators Akaka and Burris.

**OPENING STATEMENT OF SENATOR AKAKA**

Senator AKAKA. I call this hearing of the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia to order. Aloha and welcome to our witnesses, and thank you so much for being here today.

Financial literacy is an issue that must be addressed as we continue to grapple with severe economic challenges and global recession. The negative impacts of financial illiteracy are less obvious when the economy is booming, employment is plentiful, and wages rise. It is when recessions come, people lose jobs, and wages fall where the true costs of financial illiteracy among working families become apparent.

My interest in financial literacy dates back to when I was in the fourth grade. My teacher at that time insisted that each child in the class bring a piggy bank to class. We were made to understand how money saved a little at a time can grow into a large amount and enough to buy things that would have been impossible to obtain without savings. And she used that to teach us English and arithmetic because she had us write a paper on how much money we had and what our intentions were if we had enough money to buy something. And so she used that piggy bank in that way, and my experience with the piggy bank taught me important lessons about money management that have stayed with me and helped me throughout my life.

More people need to be taught these important lessons so that they are better able to manage their resources. Too many Americans lack basic financial literacy. Americans of all ages and back-

grounds face increasingly complex financial decisions as members of the Nation's workforce and managers of their family's resources. Without a sufficient understanding of economics and personal finance, individuals cannot appropriately manage their finances, effectively evaluate credit opportunities, successfully invest for long-term financial goals, or cope with financial situations.

One of the root causes of the current economic crisis was that people were steered into mortgage products with costs or risks that they could not afford. It is essential that we work toward improving education, consumer protections, and empowering individuals and families through economic and financial literacy in order to build stronger families, businesses, and communities.

My legislation, the Excellence in Economic Education Act (EEE Act), was enacted as part of the No Child Left Behind Act. The EEE Act promotes economic and financial literacy among elementary and high school students. It is intended to fund a range of activities such as teacher training, research and evaluation, and school-based activities to further the understanding of economic principles. I have obtained funding of approximately \$1.5 million for the EEE Act in each fiscal year since fiscal year 2004, and I will continue to work to fund this important program.

Additionally, in 2003 I, along with several of my colleagues, created the Financial Literacy and Education Commission with the intention to improve the financial literacy knowledge of all Americans. Unfortunately, the previous Administration did not develop an effective national strategy on financial literacy. We must revise the strategy, establish goals and objectives, and aggressively work to meet those goals.

In 2004, I worked to include in the Thrift Savings Plan Open Elections Act a mandate that the Office of Personnel Management (OPM) develop and implement a retirement financial literacy and education strategy for Federal employees. I have appreciated the efforts of OPM, and I look forward to the establishment of goals and benchmarks so that we can continue to better prepare our Federal workforce to retire on their own terms.

However, education is only one component of financial literacy. We must ensure that consumers are adequately protected. Too many Americans are taken advantage of by unscrupulous lenders through refund anticipation loans, payday loans, and other predatory products. Additionally, members of our armed forces are often pressured into making inappropriate investment choices. We must restrict practices which are predatory and ensure that our regulators better represent the interests of consumers.

The third vital component of financial literacy is economic empowerment. Millions of working families do not have a bank or credit union account. The unbanked rely on alternative financial service providers to obtain cash from checks, pay bills, and send remittances. Many of the unbanked are low- and moderate-income families that can ill afford to have their earnings diminished by relying on these high-cost financial services.

In addition, the unbanked are unable to save securely to prepare for the loss of a job, a family illness, a downpayment on a first home, or education expenses. Providing access to a bank or credit

union account can empower families with increased financial opportunities. We must do more to bank the unbanked.

Today's hearing provides an opportunity to examine Federal financial literacy efforts and the Financial Literacy and Education Commission. We must continue to work together to encourage better economic and financial literacy, which in turn will result in stronger families and better functioning markets.

I appreciate the appearance of the witnesses today and look forward to working with them and other members of the Administration on this issue of vital importance to working families. I welcome the following witnesses today to the Subcommittee:

Hon. John Berry, Director of the Office of Personnel Management, who is accompanied by Raymond Kirk, the Manager of the Benefits Officers Training and Development Group at the Office of Personnel Management;

James Shelton, Assistant Deputy Secretary of the Office of Innovation and Improvement of the Department of Education;

Arthur Myers, Principal Director and Acting Under Secretary of Defense for Military Community and Family Policy at the Department of Defense;

Sandra Braunstein, Director of the Division of Consumer and Community Affairs from the Board of Governors of the Federal Reserve System;

And Richard Hillman, Managing Director of Financial Markets and Community investment from the Government Accountability Office.

It is the custom of this Subcommittee to swear in all witnesses, and I would ask all of you to please stand and raise your right hand. Do you solemnly swear that the testimony you are about to give this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. BERRY. I do.

Mr. KIRK. I do.

Mr. SHELTON. I do.

Mr. MYERS. I do.

Ms. BRAUNSTEIN. I do.

Mr. HILLMAN. I do.

Senator AKAKA. Thank you. Let it be noted for the record that the witnesses answered in the affirmative.

Before we start, I want you to know that your full written statements will be part of the record. I would also like to remind you to keep your remarks brief, given the number of people testifying this afternoon.

Again, welcome, and I would like to call on Director Berry to please proceed with your statement.

**TESTIMONY OF HON. JOHN BERRY,<sup>1</sup> DIRECTOR, U.S. OFFICE OF PERSONNEL MANAGEMENT, ACCOMPANIED BY RAYMOND J. KIRK, MANAGER, BENEFITS OFFICERS TRAINING AND DEVELOPMENT GROUP, U.S. OFFICE OF PERSONNEL MANAGEMENT**

Mr. BERRY. Mr. Chairman, thank you very much for this incredible opportunity to be with you today and, most importantly, thank you for your leadership on this very important issue. For many years, you have been a voice in the wilderness on the topic of the importance of financial literacy, and thank goodness that you have because you have really advanced a wonderful cause that will benefit all Americans.

It is my pleasure to be here today with Ray Kirk, who is our leader on this effort, to give you a little bit of an update on what is underway at the Office of Personnel Management.

OPM is committed to educating Federal employees about the need for retirement savings and investments and providing good information on how to plan for their retirement years. We are now doing that through a strategy and an educational model that we call Retirement Readiness NOW.

Retirement Readiness NOW combines basic information about the benefits provided by the government, as an employer, and the broader financial education needs of our employees. Rather than being a “near-retirement” event, the Retirement Readiness NOW model considers retirement financial literacy and education as a career-long process.

We have three key roles in Retirement Readiness NOW: Capacity, coordinating, and catalyst. Building capacity means providing training and tools to agency benefit officers so they can help their employees understand their benefits and identify their financial education needs.

For example, one of the tools we recently developed in partnership with the American Savings Education Council of the Employee Benefits Research Institute is the Federal Ballpark Estimate—a savings goal worksheet. It is very easy to use. I actually went online with it yesterday with Mr. Kirk, entered my data, and found some very interesting information. I think I am going to have to work an extra 10 years, but it is a great feedback mechanism, and it is wonderful in terms of its ease of use. We want to help people identify and have a better understanding of their current savings pattern to show them how well they are doing in meeting their savings goal.

We also need to have good evaluation measures. They are critical to make sure that our efforts are being effective. In addition, next month we will be conducting our fourth Benefits Officer Retirement Financial Education Symposium. This symposium will provide training for agency benefits officers on a wide variety of Administration topics, as well as updates on retirement readiness initiatives.

Another key role of OPM is coordination of financial education resources. OPM’s role is to identify those resources and create part-

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<sup>1</sup>The prepared statement of Mr. Berry appears in the Appendix on page 33.

nerships to leverage the use of those materials by our agencies for their employees.

Finally, OPM serves as a catalyst for retirement readiness programs. OPM speakers participate in a variety of conferences involving Federal employees to spread the word on the need for retirement readiness and education programs. We have found that many agencies have taken this responsibility seriously. Let me just mention three quick examples.

The Social Security Administration currently conducts seminars for new, mid-career, and pre-retirement employees covering the three dimensions of our Retirement Readiness NOW model. They also conduct monthly lunch and learn seminars called “Wealth of Wisdom Wednesdays,” which cover an array of financial education topics.

In the Veterans Administration (VA), they have established a wonderful financial education intranet site for their employees. They periodically conduct agency-wide financial education programs that are broadcast to all VA locations, and they operate programs with a regional focus to address the local needs of employees. Employees also receive a letter from the VA Secretary that reminds them about the importance of financial education and outlines all of the programs the Department has, and having that senior leadership is really important.

OPM conducts a speaker series on topics such as debt management, Thrift Savings Plan (TSP), college savings plans, and home mortgages, and our employees have access to a financial education page on the agency intranet.

However, OPM and agencies cannot improve employees’ retirement readiness without the direct involvement of the employees themselves. Employees must take advantage of opportunities provided, and they must assume the personal responsibility for taking steps to meet their own retirement goals.

Mr. Kirk and I stand ready with the rest of the panel to answer any questions that you or the Subcommittee might have, Mr. Chairman. Thank you for this opportunity to be with you today.

Senator AKAKA. Thank you very much, Mr. Berry, for your testimony.

And now I would like to call on Mr. Shelton for your testimony.

**TESTIMONY OF JAMES H. SHELTON, III,<sup>1</sup> ASSISTANT DEPUTY SECRETARY FOR INNOVATION AND IMPROVEMENT, U.S. DEPARTMENT OF EDUCATION**

Mr. SHELTON. Good afternoon, Chairman Akaka. Thank you for the opportunity to come and talk to you today about the Department of Education’s efforts in this area, especially during Financial Literacy Month. As you stated, the timing of this is actually prescient given the condition that we find ourselves in economically and the role that the lack of financial literacy played in getting us here.

You are a leader in actually putting together a number of the programs—one of the most significant programs the Department has in the area of financial literacy, and so I want to talk to you

<sup>1</sup>The prepared statement of Mr. Shelton appears in the Appendix on page 41.

about the status of that program. I also want to talk to you about our Financial Literacy and Education Commission, and then additionally I want to talk to you about the work that we do around higher education and the requirements that we have of our lenders to participate in supporting our students around financial literacy as they obtain grants, awards, and loans.

The other thing I wanted to do is just tell you how deep the commitment runs to financial literacy inside the Department. I am not sure if you are aware that Secretary Duncan was actually instrumental in creating a school in Chicago called the Ariel Charter School, which actually has a unique model built around financial literacy. Literally in the first grade, each first grade class is given \$20,000 of real money to invest. They continue to invest those dollars until they graduate from school. The \$20,000, they then donate the principal back to the first grade class at that time, and they split the proceeds that they have earned over that period of time. There is a curriculum that goes along with it all the way through, both helping them understand all the basic tenets of financial literacy, but also helping them to be savvy investors to understand, given that they actually have a stake in the outcome, what savvy investment really looks like—what it looks like when it goes well and what it looks like when it goes badly. It is that kind of commitment that is shared by not only the Secretary but a number of folks inside the Department.

Now let me tell you about the Excellence in Economic Education program. It is administered by my office, the Office of Innovation and Improvement. Over the 5-year life of the program, the Department has awarded almost \$8.8 million in grants. In the program's first year, fiscal year 2004, we awarded a \$1.48 million grant to the Council for Economic Education (CEE), formerly known as the National Council on Economic Education. In 2005, through a second competition, again, \$1.47 million in the first year of a 5-year grant to the same organization. In fiscal year 2008, we provided the CEE with the third-year continuation award for approximately \$1.44 million. A new competition will be held in 2010.

CEE has implemented a variety of initiatives designed to improve financial literacy in our schools. Its mission is to promote economic and financial literacy for all students in grades K through 12 through its network of State councils and university-based centers by training thousands of teachers who will reach millions of students. CEE's project activities are intended to help students develop the skills they need to become knowledgeable consumers, savers, investors, and effective participants in a global economy. And they complement, because of their sub-grant activities, the work of many others in the field who are trying to do similar work.

Through the EEE program, CEE has awarded nearly \$5.45 million and made 495 sub-grants to State and local education agencies as well as State and local organizations that provide economic, personal finance, and entrepreneurial education programs.

To ensure greater cost-effectiveness and corporate community involvement, sub-grantees are required by the EEE program statute to match their Federal funding dollar for dollar. These sub-grantees implement activities that include collaboratively establishing and conducting teacher training programs for teachers of grades K

through 12; providing resources to school districts that desire to incorporate economics and personal finance in their curriculum; and also encouraging replication of best practices in promoting economic and financial literacy.

We have been pleased with our partnership with CEE. We recently have implemented a new set of metrics for evaluating the effectiveness of the program. In collaboration with the Council, we determined that we needed to move the Government Performance and Results Act (GPRA) measures, the performance measures, because it was difficult to actually collect information on the first set of metrics. We now have moved to the second set of metrics, which I actually think will start to show results this year, and then we will be reporting on that as we move forward.

Let me talk to you about the Financial Literacy and Education Commission now. In addition to administering the Excellence in Economic Education program, the Department of Education continues to work with the Financial Literacy and Education Commission in its efforts to improve financial literacy in our country. We will also collaborate with its member agencies of the Commission to bring together representatives from the State departments of education and local education agencies that are focused on this issue. The purpose of the meeting is to share available Federal resources on financial education as well as the work of the Council for Economic Education and the results from the Council's evaluation. By bringing together the various folks that are investing right now in financial literacy, of which there are many people doing it at the State and local level, we believe that in the future we will also be able to significantly increase the coherence of the program as well.

We are also working to increase the financial knowledge of postsecondary students. As important as financial literacy is at all levels of education, once an individual has received a Federal student loan, the consequences of a lack of adequate financial knowledge become more significant both for the individual and for the Federal Government. Defaults have declined from 22.4 percent for borrowers entering repayment in 1990 to 5.2 percent for borrowers entering repayment in 2006. There is no tight evidence that shows that increased financial literacy is driving that, but you would hope that those things are correlated.

Financial literacy at the postsecondary level includes a number of things. Congress has expanded the types of services that must be offered through the Federal TRIO and GEAR UP programs. These things are focused on first generation college attendees and include education or counseling services designed to improve financial literacy and economic literacy of participants. Guarantee agencies and lenders are actually required to have a significant role in providing this financial literacy. However, because of the current market conditions, many of them are actually struggling to meet this condition of their involvement.

So, in conclusion, the Administration continues to support the Excellent in Economic Education program. With continued funding, we will support and expand the programs for students and educators and also try and build upon the collaboration and coherence of the work that is done by many providers out in the field. We will

also continue to support evaluation and use the outcomes measures to inform program direction. So as we get more evidence on which parts of the program are working best, you can expect to see it improve over time.

In closing, let me once again thank you and the rest of the Subcommittee that would be here for inviting me to speak today. I hope this discussion has illustrated the activities of the Excellence in Economic Education program and our postsecondary efforts, which I think actually need to be linked, and we will continue to monitor the effectiveness of our grant and let you know how it is going in the future.

Senator AKAKA. Well, thank you very much, Mr. Shelton, for your detailed testimony. Mr. Myers.

**TESTIMONY OF ARTHUR J. MYERS,<sup>1</sup> PRINCIPAL DIRECTOR  
AND ACTING UNDER SECRETARY OF DEFENSE FOR MILITARY  
COMMUNITY AND FAMILY POLICY, U.S. DEPARTMENT  
OF DEFENSE**

Mr. MYERS. Chairman Akaka, aloha.

Senator AKAKA. Aloha.

Mr. MYERS. Thank you for the opportunity to appear before you to discuss the Department of Defense's efforts to further improve financial literacy among our service members and their families.

On behalf of the Secretary of Defense and all the men and women who serve, I thank you for your strong support for our military community. You can be assured that our commitment to the quality of life in the military is stronger than ever. Our senior civilian and military leaders understand that the success of the military mission depends on the well-being of the service members and their families. There is no doubt that being financially ready directly impacts the well-being of our people and the retention and readiness of the force.

The Department continues to work in partnership with other Federal and State agencies as well as nonprofit organizations, such as the Financial Industry Regulatory Authority (FINRA), the Consumer Federation of America, and InCharge Institute. Their awareness programs have been sensitive to military culture and have focused on the needs of the service members and their families. Partnerships have also been important in improving protection of service members and their families. Oversight of lending, investments, and insurance has been enhanced through partnerships with Federal and State regulators.

I am proud to tell you some of our success stories. This last November, we began offering what we call "financial roadshows." So far we have conducted 23 of them at various installations—in fact, including one aboard a ship—with resounding success. I have been able to observe several of our roadshow events and have been impressed by the enthusiasm and keen level of interest of all.

For example, at Fort Belvoir, Virginia, earlier this year, roughly 400 service members and their family members attended a roadshow on a very early Saturday morning. Child care was pro-

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<sup>1</sup>The prepared statement of Mr. Myers appears in the Appendix on page 47.

vided and included a special savings program specifically for the children, as you know, financial readiness is a family affair.

These workshops and presentations are tailored to the unique needs of the installation. So far, the five most requested themes for workshops have been: Financial planning; credit management, credit scores; budget, spending plan; strategies for home buying and protecting against foreclosures; and tips for saving and investing.

I would also like to take this opportunity to highlight some additional facts: 528,737 tax returns have been prepared through our Department of Defense Military OneSource operation this season at no charge to service members. As alternatives to payday loans, service members and families have access to no-interest loans through military aid societies, and Defense credit unions offer small low-interest loans on our installations worldwide. Military banks have followed Federal Deposit Insurance Corporation's (FDIC) lead, offering streamlined applications for small loans on our installation.

Our Department of Defense schools stay on the cutting edge of education by offering courses in business and personal finance for students during their high school years from the 9th to the 12th grade. Designed to make students aware of financial challenges confronting them in daily life, topics cover: How to make intelligent decisions in spending and saving; how to maintain good financial records; how to avoid financial disasters that result from unwise use of credit and credit cards; information about banking services, insurance choices, and investment choices, as well as how to prepare income tax returns. Who would not want their child to be able to prepare a personal budget before graduating high school?

We recognize that good financial habits need to start even earlier, so beginning last year, we successfully launched the Military Youth Financial Campaign as part of Military Saves Week. This children and youth program focuses on developing the self-confidence and personal skills needed to manage money. The hands-on activities teach children and youth how to make lifetime habits of managing money to build wealth, increase savings, continue learning, and have fun. In 2008, we had well over 5,000 youth participants, and this year that number has already grown to more than 7,000, and we make sure each child feeds their piggy bank.

Service members and their families have sacrificed much in support of this Nation. Therefore, we believe it is our duty to continue to provide our military members and their families with the tools they need to help them make key financial decisions.

Thank you, sir, again for your strong support of the military members and their families. I will be happy to respond to any questions you may have. Thank you.

Senator AKAKA. Thank you very much, Mr. Myers. Ms. Braunstein, you may go ahead with your statement.

**TESTIMONY OF SANDRA F. BRAUNSTEIN,<sup>1</sup> DIRECTOR, DIVISION OF CONSUMER AND COMMUNITY AFFAIRS, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

Ms. BRAUNSTEIN. Chairman Akaka and Senator Burris, I appreciate this opportunity to discuss what the Federal Reserve is doing to help Americans make informed financial decisions. This topic is particularly relevant in light of current economic conditions and the impact that those conditions are having on consumers' finances.

The Federal Reserve has a long history of providing useful consumer information. We believe that a well-informed consumer is a major line of defense in consumer protection. Educated consumers can serve as their own advocates and better protect themselves from unnecessarily expensive and abusive financial products and practices. However, the Board also believes that financial education is not a panacea. An effective consumer protection program should include raising consumer awareness and providing accurate information, increasing transparency of products through effective consumer-tested disclosures, and, when necessary, promulgating regulations banning or restricting unfair and abusive products and practices.

This spring, in response to the increasing number of foreclosure rescue scams identified by our nonprofit partners, the Board purchased 30-second advertisements in movie theaters. The advertisements, which played in 14 cities with high foreclosure rates, warned consumers about foreclosure scams and directed them to our website for tips on avoiding foreclosure scams and for other useful consumer information.

The Board has also calculators for consumers to explore mortgage choices and mortgage refinancing. And 2 weeks ago, we launched English and Spanish versions of our credit card repayment calculator, which allows consumers to estimate how long it will take to pay off their credit card bills if they only make minimum payments.

While we work diligently to enhance consumer awareness and provide financial tools and information, the Board is aware that some consumers would benefit from a more structured approach to education. For example, across the Federal Reserve System, we host teacher education workshops for kindergarten through grade 12 teachers. These workshops focus on activity-based constructivist learning approaches in contrast to more traditional information transfer education models. Our goals are to incorporate more experiential learning and to foster the development of critical thinking and problem-solving skills.

At the same time we work to make sure that quality financial information reaches consumers, the Federal Reserve System is evaluating the impacts of financial education. Board staff, working with the Department of Defense, Army Emergency Relief, and San Diego City College, conducted a longitudinal study involving two groups of soldiers—one receiving a 2-day financial education course as part of their individualized training, and a second comparison group that did not receive any financial education. Soldiers who

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<sup>1</sup>The prepared statement of Ms. Braunstein with an attachment appears in the Appendix on page 54.

took the financial education course, compared to those who did not, were more likely to engage in positive financial behaviors and were less likely to engage in negative behaviors.

The Board has responsibilities with respect to writing rules for a number of important consumer financial disclosures. The Board has developed extensive new disclosures for a variety of financial products, most notably credit cards, and we are currently in the midst of a major overhaul of mortgage disclosures.

To ensure that new disclosures are useful to consumers, we have increased our use of consumer testing. We are also learning from the field of behavioral economics as we continue to develop disclosures that consumers will pay attention to, comprehend, and use in their decision making.

Our consumer testing efforts taught us that even the best disclosures do not offer the best protection to consumers in all cases. Some aspects of increasingly complex financial products simply cannot be understood or evaluated by consumers, no matter how clear the disclosure. In those cases, direct regulation, including the prohibition of unfair or deceptive practices, is necessary. The Board took this approach with separate rulemakings that govern high-cost mortgage loans and credit cards.

In summary, we believe that a comprehensive approach best enables consumers to function effectively in the financial services marketplace. By enhancing consumer awareness, by providing reliable information to help consumers understand financial products and services, by requiring meaningful and consumer-tested credit disclosures, and by prohibiting unfair and deceptive financial products and practices, we can help consumers make informed decisions and protect them from abuse.

Thank you very much.

Senator AKAKA. Thank you very much, Ms. Braunstein. Mr. Hillman, will you please proceed with your statement?

**TESTIMONY OF RICHARD J. HILLMAN,<sup>1</sup> MANAGING DIRECTOR,  
FINANCIAL MARKETS AND COMMUNITY INVESTMENT, U.S.  
GOVERNMENT ACCOUNTABILITY OFFICE**

Mr. HILLMAN. Thank you, Chairman Akaka and Senator Burriss. I am happy to be here today to address the important topic of financial literacy.

In 2006, Government Accountability Office (GAO) issued a report assessing the effectiveness of the Federal Financial Literacy and Education Commission, and our report included several recommendations. My prepared statement provides an update on the status of those recommendations, but this afternoon I would like to focus on two important recommendations—the first related to the National Strategy for Financial Literacy and the second related to fostering partnerships.

In 2006, we reported that the Commission's National Strategy was a useful first step in focusing attention on financial literacy, but largely was descriptive rather than strategic. The strategy was comprehensive in many respects, but its recommendations were presented as "calls to action" that generally did not include a plan

<sup>1</sup>The prepared statement of Mr. Hillman appears in the Appendix on page 79.

for implementation. We recommended that the Commission revise the strategy to include a concrete definition for “financial literacy” and “education,” specific goals and performance measures, the actions needed to accomplish these goals, and a description of the resources required.

The Commission has now provided definitions for “financial literacy” and “financial education,” but has not incorporated the other elements that we recommended. For the most part, the revisions to the strategy since 2006 have consisted of newly developed calls to action, but they have not represented a fundamental shift in approach that incorporates specific recommendations on roles, funding, and activities. As a result, we continue to believe that the National Strategy for Financial Literacy, while beneficial in some regards, still does not serve as a true functional strategy that is a plan of action intended to achieve specifically stated goals.

Our 2006 report also recommended that the Commission consider additional ways of partnering with private organizations and with State and local governments. We believe that the Commission has made progress in this area. In response to GAO’s report in April 2007, the Commission created the National Financial Education Network which helps facilitate financial education at the State and local level. Our review indicates that the network has been a useful initial action to foster communication and collaboration among Federal, State, and local entities that share the common goal of improving financial literacy. In particular, network representatives with whom we spoke felt that the network provided an opportunity for members to learn from other States and localities and what they were doing and sharing of best practices.

The Commission also played a role in facilitating the creation of the President’s Advisory Council on Financial Literacy and has provided administrative support to the council. This council was created by an Executive order in January 2008 and includes 16 prominent members who represent private corporations, nonprofit organizations, and academic institutions, amongst other entities. The council has a 2-year term that expires in January 2010. We believe that thus far the council’s activities have been productive and beneficial, particularly in helping to focus high-level attention on financial literacy amongst leaders in the nongovernmental sector and in facilitating strategic alliances amongst Federal, private, and nonprofit enterprises.

We recognize that the Financial Literacy and Education Commission faces some real challenges in achieving its mission. First, the Commission has limited resources. It has no independent budget, and it has had only limited funding directed to it. As a result, to carry out its activities, the Commission has largely relied on limited financial and in-kind resources contributed by its member agencies. The Treasury’s Office of Financial Education provides the Commission with its primary administrative support, but this office is quite small, averaging about five staff to support its own and the Commission’s activities.

Further, the Commission’s governance structure has both advantages and disadvantages. It consists of 20 Federal agencies who operate by consensus, but no independent budget and no legal authority to compel member agencies to take action. This has the

benefit of bringing together a large number of players to achieve the common goal of improving Americans' financial literacy. At the same time, though, there are inherent challenges in coordinating the efforts of 20 Federal agencies, each with its own set of interests, resources, and constituencies.

Mr. Chairman, this concludes my prepared statement. I would be pleased to address any questions at the appropriate time.

Senator AKAKA. Thank you very much, Mr. Hillman.

I want to thank you for your testimony, and I look forward to asking you questions. But before I begin with questions, I would like to call on Senator Burris for any opening statement he may have.

#### **OPENING STATEMENT OF SENATOR BURRIS**

Senator BURRIS. Thank you, Mr. Chairman and members of the panel. I would just like to welcome our witnesses today and thank them for taking the time to be here and tell us about the work their various agencies are doing to promote financial literacy and education throughout the country. That is kind of my strong suit. I have been in finance. I started out as a Federal employee, as a national bank examiner for the Comptroller of the Currency, so I have been through the financial part with the Federal Government and ended up in the banking business for many years before I became a public servant rather than a politician.

I know that this issue is important to Senator Akaka, and I commend you on the timing of this hearing, Mr. Chairman, because it is the end of the Financial Literacy Month, so you timed that just right.

I also understand that you held a hearing on this subject 2 years ago, and we are here today to determine what steps have been made in the past 2 years to improve the work of the Financial Literacy and Education Commission to develop a retirement financial literacy and education strategy for the Federal Government. And just by way of another thought, I just hope that in some kind of way you were able to reach our school children with some of the literature and materials that you may be putting out so that they can get a feel for what that dime, dollar, and what money really means and what it is, because we know some of our—especially the ones in this college generation now who can get the credit cards and get them mailed to them, the parents do not know that they got the credit card, and they are out of money, and they do not know that credit cards means that eventually somebody will have to pay the bill. So I just hope that some of that was included in the Commission's work.

That is my opening statement, Mr. Chairman, and I might have a question or two as we proceed. Thank you.

Senator AKAKA. Thank you very much, Senator Burris.

Mr. Berry, it is good to have you here and to hear what OPM is doing in this area of financial literacy. It pleases me that OPM values the use of evaluation measures to determine the effectiveness of its financial literacy programs. How will OPM determine what goals and benchmarks are most appropriate? And when will these benchmarks be put in place?

Mr. BERRY. Mr. Chairman, thank you. As I understand it, our strategy basically requires each agency to develop their own plan and to report annually to OPM on their retirement readiness strategies. Mr. Kirk and his team go over each agency's annual report to make sure they include good metrics, they follow good accountability measures, and they provide us with the data we need to go forward with this program.

Mr. Kirk, is there anything that you would like to add to this in terms of our measurement program for the Chairman, with the Chairman's indulgence?

Senator AKAKA. Yes. Mr. Kirk.

Mr. KIRK. Thank you, Mr. Chairman. In addition to the individual agency assessments, OPM has two measures that we will be implementing this calendar year.

One is a measure of employee knowledge of benefits. The Federal benefits program is an important foundation of the financial preparedness of our employees, and this fall we are going to be benchmarking a measure of employee knowledge of those benefits programs so we know where we should target additional education for employees so they can understand those benefits and maximize them.

The second measure that we will be implementing this calendar year is a retirement readiness index. We will be having an online tool called "Retirement Readiness Profile" that allows individuals to get an assessment of where they are in the state of retirement readiness on the three dimensions that the Director mentioned. This profile will calculate an index score, which we will be able to then monitor on an aggregate basis.

With this information we hope to be better able to assess the pulse of the Federal workforce to determine which areas employees are making improvements in retirement readiness, and which areas they may need more help. Then we can target additional development and training programs for employees in those areas.

Senator AKAKA. Thank you very much for that. I am glad to hear you say that in essence you are informing your people about what benefits there are available, and in many cases, the people in the Federal workforce do not know that there are benefits available to them. So this is very important, and I am extremely interested in your readiness program, in this case retirement readiness, to help people plan their golden years after their work here. So thank you for that.

Mr. Shelton, I greatly appreciated your testimony today. At our hearings during the previous Administration, the Department of Education (DOE) witness would explain why funding for the EEE was eliminated in the President's budget. After years of continuing to keep it funded with the assistance of Senators Harkin, Specter, and others, I am hopeful that we will be able to increase the resources available for the EEE program.

Mr. Shelton, while recognizing that there is a need for increased funding and resources for financial literacy efforts, can you point out specific areas where additional resources for sub-grant activities would have the most impact?

Mr. SHELTON. Mr. Chairman, I believe there are at least two areas that we would like to see some additional sub-grants take

place. One is that what is apparent is that there is a significant level of activity around financial literacy and education in particular in the K–12 sector going on today. If you look through the collection of grants that have been made, sub-granted by the program, you see a number of very good examples. But what is clear is that we still are lacking the mechanisms for clear collaboration and actually steering the resources in a way that they are actually used, in a way that is efficient, and gets leverage off of everything that is happening in the field. So you see a lot of overlap and a lot of discontinuity in the field. Increasing resources directly to those coordinating networks would actually be significantly helpful both at the State level and the localities.

The second thing is that there are certain organizations that seem to be emerging to the top in terms of their ability to have impact and their measuring actually of student effectiveness. I happen to know this by looking through the profile and my experience with grantees in particular. So by actually getting the grantees increased dollars that actually have metrics of success, I believe we will also start to see a greater impact with the students in the field, the students, and teachers that are being served directly by the programs.

Senator AKAKA. Thank you.

Ms. Braunstein, I continue to be concerned that consumer access to mainstream financial institutions remains limited in underserved communities, especially as affordable credit is becoming increasingly difficult for consumers to obtain. Without access to mainstream financial institutions, working families miss out on opportunities for savings, borrowing, and low-cost remittances.

What must be done to improve access to mainstream financial institutions in economically underserved communities?

Ms. BRAUNSTEIN. Chairman, we share your concern about the unbanked, and we have a number of programs going on around the country, especially through the reserve banks, where they are working specifically in their communities to try to bring the unbanked into the banking system.

Attached to my testimony there is an appendix which lists a number of programs. You will see in that appendix there is a program called “Bank On” that is around the country, and it is “Bank On Cleveland,” or “Bank On St. Louis,” wherever it is located. And that program was established specifically to try to bring people into the banking mainstream, and the Federal Reserve is actively participating in a number of locations with that program, as well as we look for other means to do that as much as possible.

Senator AKAKA. Thank you.

Mr. Myers, I am encouraged by Department of Defense’s (DOD) success at promoting the message that obtaining financial counseling and assistance is a far better option than using predatory loans. However, a previous GAO report identified reluctance among some service members to reveal financial problems due to possible implications to their careers. We cannot allow this stigma to prevent service members with financial problems from seeking financial counseling.

What must be done to remove any stigma that still deters personnel from seeking financial assistance? That is the question, but

let me, before I ask you for your response, tell you that in Honolulu we did hold a session in the largest hall we had there for military personnel, and it was such a success. It was great to see young couples from all branches to be there, and it was so well done, as a matter of fact, the admiral made good remarks on that and told me this is something that maybe we should be doing annually. But it was good to see the young couples there and to see the smiles on their faces as they left the hall. And I think more sessions like that throughout the country would certainly help the military personnel.

So what must be done to remove any stigma that still deters personnel from seeking financial assistance?

Mr. MYERS. I believe it is a three-prong attack: Education, opportunity, and leadership support. In the military now, when you are in basic training, you get financial management education. After you leave basic training, as part of your indoctrination, that continues. In all of our support centers and our bases, we have financial managers to assist.

Opportunities—we started these roadshows, and we have done them at 23 installations, and what we actually do is ask the commander, “What are the issues as far as financial management at your base?” We plan to go to Nellis Air Force Base in a few months. Their issue is housing because they have been so hit by the housing prices. In fact, we think later on this year we are going to Hawaii to do a roadshow there. We will go to Alaska, and all 50 States. It is an ongoing thing, as long as we have the opportunities.

Also, before our Guard and Reserve deploy, we send financial consultants to sit down with the member and their family to go over a financial plan. When they come back, we have financial consultants at the base. At Fort Drum, they came back in November. Our financial consultants were supposed to leave in January. They are doing such a great job—they are still there helping those soldiers.

We also have financial roadshows at other bases. We had one at Fort Myer yesterday. Who opened it up? The commander of Fort Myer. We had one in the Pentagon last year. It lasted 4 days. We had 400 people every day. This year we had 1,000 every day. We extended it for 5 days. Talk about senior leadership. General Petraeus was there along with other senior leadership. Admiral Mullen, now the Chairman, directed every Navy member to have a financial plan.

Our next goal is to have our people who join the service establish a financial plan up front. We will review it with them. We will review it when they rotate, get married, and have significant life changes.

So I believe with everything we are doing, it is no longer a stigma. It is in vogue to get your finances in order, and we are starting with the children. We are doing it in our youth centers, in our DOD schools and with our military members.

So we are not satisfied, we will never be satisfied. There is always something to do. But I think we have a great start.

Senator AKAKA. Thank you very much, Mr. Myers.

Let me ask a question of Mr. Hillman before I call on Senator Burris for his questions.

Mr. Hillman, thank you very much for the work that you and your colleagues have carried out at GAO to assess the work of the Commission. As you described in your testimony, the Commission could do more to incorporate GAO's recommendations and modify the national strategy to help ensure accountability. Could you give some examples of outcome measures that the Commission could utilize or describe how the Commission might determine such important benchmarks?

Mr. HILLMAN. I would be happy to do that. We did find the national strategy to be a very comprehensive document to include a good amount of information on key issues associated with the importance of improving financial literacy. However, we had concerns that the strategy itself did not have desirable characteristics that we have seen in other national strategies. The question that you raise regarding the establishment of goals or performance measures is one of those such areas that we saw as a weakness in the national strategy.

Examples of such goals that we would be hoping to see in such a strategy would be those that provide for outcomes as opposed to processes or those that provide for a change in consumer behavior. There are a number of measures that could be used to gauge the progress in improving financial literacy in America, such things as reducing the number of unbanked Americans and keeping track of those activities; perhaps increasing the number of people who begin saving for retirement; or even perhaps increasing the number of people checking their credit report to determine whether or not they achieve a high enough rating to obtain loans at reasonable rates.

Measures such as these that change behavior in individuals could be a better indicator of the extent to which the many programs and initiatives that cut across the Federal Government are beginning to achieve their purposes.

Senator AKAKA. Well, thank you very much for your response.

Senator Burris, your questions.

Senator BURRIS. Thank you, Mr. Chairman.

Mr. Shelton, please bring me up to date in terms of the educational literacy program. Did you send out materials or how did you communicate with the various school districts? Did you do it at the State level with the State Boards of Education or did you do it on the local level? What type of contact did you have, and how did it proceed?

Mr. SHELTON. Senator, the vast majority of the activity takes place through one of our grantees that I spoke about during my testimony that actually does outreach to States and local education agencies and makes sub-grants to a number of State and local agencies as well as nonprofit organizations that are involved in financial literacy. The grant making is 75 percent of the total funding that is allocated to the EEE program each year, which is \$1.4 to \$1.45 million almost every year since its founding.

Senator BURRIS. How far does that go?

Mr. SHELTON. It was originally founded in 2004—how far does the funding go?

Senator BURRIS. Yes. Who are you reaching with—I do not think you could reach the Chicago school district with \$1 million, but who are you reaching? Are private contractors doing this?

Mr. SHELTON. The sub-grants that go to the agencies are complementary to—one, they are required to have matching funds. But, two, they are small grants that go into usually what would be a larger budget of each of these organizations complementing their work. My understanding, having recently started to review the program, is that the individual small grants are appreciated. In addition, the coordinating activities that the grantee provides are also considered to be valuable as well, bringing people together so that they can start to share information and leverage each other's work.

It is a reasonable question, to say the least, as to whether or not there is sufficient funding.

Senator BURRIS. I am pretty sure you could always say you could use some more, right, to reach more—because as Mr. Myers said, literacy not only with Federal employees but literacy in the Nation is going to start with our children. So we have really got to put that into our elementary school system. Wouldn't you agree, Mr. Shelton?

Mr. SHELTON. Senator, a number of States—actually, 28 States actually have financial literacy built into their standards as it stands today. It stands to reason that there would be a number of States that actually should, especially given these conditions. Additionally, there are literally hundreds if not thousands of organizations that are involved in providing financial literacy to students in the K-12 space. Most of them have funding from a variety of sources.

What we have not seen, actually, is the kind of coordination that would actually ensure that each student is getting the kind of financial literacy and training that they need. And, in fact, the programs that are delivering these services are actually doing the kind of evaluations to tell whether or not the students are actually benefiting from the work.

So lots of activity, not clear, lots of impact, little funding coming from us, not clear, it takes a lot of additional funding to get the kind of collaboration and coherence, but definitely more than what we have today.

Senator BURRIS. Very good.

Ms. Braunstein, you made mention about credit cards. I want to know what happened to that study that you did to say that you have got to pay off more than the initial minimum payment. Is that what you testified to? Did I hear you say that you had some training by convincing them to pay off more than the initial downpayment and how long it will take them to pay it off?

Ms. BRAUNSTEIN. Yes, in the legislation that passed through Congress a couple years ago, there was a provision—it was bankruptcy legislation. There was a provision that required us to develop information that would help consumers understand that when they only made the minimum payments on their credit card bills that it might take them a very long time to pay off those bills. So we have developed online calculators that are available where people can enter in information from their credit card statements, their balance amount, their minimum payment amount, their inter-

est rate, to see, if they only made that minimum payment, how long it would take them.

It also allows them to look at other kinds of payment streams. So if they decided they wanted to pay double the minimum payment, what would that mean for them? Or if they decided on the other hand that they wanted to pay off that balance in a certain amount of time, how much would they have to pay per month?

This information is also available by telephone—we have a toll-free number for consumers—as well as the website.

Senator BURRIS. Was this just for Federal employees or was this for the benefit of—

Ms. BRAUNSTEIN. No, this is for the general public. It is up there now on the website. We launched it about 2 weeks ago.

Senator BURRIS. Oh, because I am now just trying to think back when I was a civilian before I got here on January 15. I have heard some local promotions about paying off your credit cards or if you only pay the minimum payment, but I did not even know the Federal Government had any role in trying to educate the consumer. And I lived in a major metropolitan area, and none of this information—and I consider myself pretty astute in terms of finances, and I have no recollection of any of this information reaching the public. So how was this disseminated?

Ms. BRAUNSTEIN. Well, card companies will be required to put on the periodic statements that consumers receive, you will start seeing this.

Senator BURRIS. They do not read their statements.

Ms. BRAUNSTEIN. It will be very prominent at the top of the statement. Next to the box where they have the minimum payment, there will be something there that tells them where to call or what the website address is for more information about what only paying the minimum payment would mean. That will be very prominent.

Senator BURRIS. Have you ever taken a poll of how many people who have credit cards get their monthly statement and read anything on the statement other than what the balance is and they send in the minimum payment?

Ms. BRAUNSTEIN. No, but I think—

Senator BURRIS. I bet 99 percent of the people who get that statement do not even know that is on there.

Ms. BRAUNSTEIN. I think people do look—even though they do not look at a lot of other information on their statement, I think the first thing they go to is what do I have to pay this month, and it is going to be right up there next to that minimum payment, and when is my due date, and that is where the information will be.

Senator BURRIS. Have you done any type of polling or analysis on how many people actually read that?

Ms. BRAUNSTEIN. Well, as a matter of fact, we just redesigned credit card disclosures. We did a major project on that, utilizing consumer testing where we used focus groups of consumers to first find out what kinds of information is important to consumers about credit cards, not just on the periodic statements but also when they receive solicitations in the mail and in their account-opening disclosures. And as a result of that, we have redesigned disclosures, and then we did further testing with one-on-one interviews to make

sure that consumers could understand the information that was there and that they were comprehending it correctly. And then we did a major quantitative testing of a large number of consumers to make sure that the disclosures we had redesigned would work.

So, yes, we have tested that, and part of that testing was the statement about the minimum payment, and people did notice it and did understand it.

Senator BURRIS. Well, do you think that the President's position on credit cards and the latest promotion will help the situation at all? He is going to take a move to try to deal with disclosures by our credit card companies and simple information that even a fifth grader can read and understand? Will that help?

Ms. BRAUNSTEIN. Yes, and we have tried to do that. We issued earlier this year or at the end of last year major sweeping regulations revamping the entire industry, both with disclosures as well as prohibiting unfair and deceptive practices that we identified. And we think that those rules, when they go into effect, will help tremendously.

Senator BURRIS. Does the Federal Reserve still have those educational programs, where you can go to the Federal Reserve and learn about money? I recall in my district when I was there where you could actually go and see money and see it being burned, see it being—the old bills being dealt with, and school kids used to go down—I think in Chicago, is that the Fifth Federal Reserve District?

Ms. BRAUNSTEIN. No, the seventh.

Senator BURRIS. The seventh, right. That is right. Are those programs still going on?

Ms. BRAUNSTEIN. Yes, they are. And, in fact, many of them have been enhanced in recent years, and they are quite robust—some of the reserve banks have quite robust programs, and they constantly bring classes of school children through.

Senator BURRIS. Mr. Hillman, you noted that the President's Advisory Council has been successful in creating needed partnerships with the public and private sectors. This council has a 2-year term. Should it be extended or restaffed? Or have any plans been made for the future of this program?

Mr. HILLMAN. As part of the work that we did for this hearing, we updated the status of our recommendations in our December 2006 report, so we have not had a comprehensive look at the accomplishments of the President's Advisory Council on Financial Literacy. We have, though, reviewed its annual report and found it to include a number of key accomplishments that were quite impressive. Overall, we felt that the first ever National Financial Literacy Challenge that it administered with the Department of Treasury was one key, significant accomplishment that the council has had.

Our initial reviews showed that the council was an important first step in promoting financial literacy and it would be useful for it to be reinstated.

Senator BURRIS. Does anyone have overall jurisdiction to deal with—is a separate group dealing with Federal employees for financial literacy and another group dealing with the public? Or is it just based on your particular—like the Federal Reserve has pub-

lic responsibility and the Department of Education has Federal responsibility and the department of personnel—Mr. Berry, you are primarily government centered and very little direct with the public. So do you have any public contacts or is yours only with Federal employees?

Mr. BERRY. Primarily Federal employees and retirees from OPM's perspective.

Senator BURRIS. And now are they getting an education in what to do with their—the fact that they may start to work, is there any type of material that is given to a young Federal worker who comes in to convince them, if they are just out of college, and they are 24 or 25 years old, and they have really got all those loans, and they need every penny that they can make, because they are not making that much money, do you have any luck in trying to convince them that, “hey, you ought to start thinking about retirement and putting a dollar away for the future?”

Mr. BERRY. Yes, sir. In fact, I can personally testify to my own experience. I started working on Capitol Hill as one of the people sitting behind you there when I was 25, and I was under what is called the Federal Employees' Retirement System (FERS). In my first briefing, the person at the House of Representatives—I was working on the House side—explained to me how important it was to invest, and specifically to take the full advantage of the government contribution. In other words, if you are not investing, you are really not maximizing the opportunity that is on the table. And, thankfully, I started investing when I was 25.

Senator BURRIS. Oh, you did?

Mr. BERRY. Yes, sir.

Senator BURRIS. Ninety-nine percent of them do not do it because they need the money, Mr. Berry.

Mr. BERRY. And I think there is always that tendency to think of retirement as a long way away.

Senator BURRIS. Tell me about it.

Mr. BERRY. And I think it is our generation's responsibility to remind people it comes faster than you expect.

Senator BURRIS. You better believe it does. [Laughter.]

I wish there was some kind of way—because I have tried to do this. Well, I managed a law firm, and we hired young associates or support staff at the law firm, and naturally they are making a decent salary, but you cannot convince them to save a dime out of a dollar. That is what my dad taught me. I have never been rich, but my dad was just instrumental in if you make a dollar, you save a dime. And I have never forgotten that. And I tried to teach it to my kids. They did not follow it, though. [Laughter.]

Yes, Ms. Braunstein?

Ms. BRAUNSTEIN. Senator, I just wanted to let you know that in addition to all the public programs that we do at the Federal Reserve, we actually have an extremely active internal workplace education program for Federal Reserve employees that includes information about retirement. We have an extremely high take-up rate on our thrift plan. And we have information on retirement as well as other facets of financial education, including homeownership and those responsibilities. We do programs quite consistently on that for our staff.

Senator BURRIS. I wish that you would try to keep some type of data on that, some type of a record so we can see how successful it is, how many people are really doing it. And hopefully that data is compiled so you can look back in 20 years and see whether that person really did that individually, like Mr. Berry said he was able to save. So, therefore, he can take one of these low-paying Federal jobs and live on his interest and income that he made from his wise investments. But I hope that there is some type of follow-up study that will be taking place.

Mr. Chairman, I see I am over my time, but I appreciate it. I might have to slip out on you again to go to another hearing. But I really appreciate the opportunity, Mr. Chairman. Thank you very much. And thank you, panel. I really appreciate the opportunity.

Senator AKAKA. Thank you.

Let me ask a second round of questions. Director Berry, what has been mentioned in questions asked seems to bear on retirement and preparation for retirement. In order to retire on one's own terms, an individual must manage their debt responsibility, choose a mortgage suitable to their financial situation, and invest appropriately by utilizing the TSP and other options.

What must be done to ensure that Federal workers have the ability to make sound financial decisions in different situations that have long-term consequences so they can retire on their own terms?

Mr. BERRY. Senator, I think if there is a bright spot in the dark storm which we find ourselves in, it is that we have everyone's attention, and I think that is a wonderful opportunity for us. It is a chance to pass on that educational message that Senator Burris referenced concerning the importance of saving. That message is if you want that quality of life and you do not save, you will not have it.

I think people have received a very big wake-up call. I think there was a perception, as you mentioned, Mr. Chairman, in your opening statement, that when times are good, people tend to ignore their 401(k) or their TSP plan. I do not think anyone is ignoring them anymore, and they are paying attention to just how careful they have got to be and how much ground they are going to have to catch up.

In addition, Mr. Chairman, I think it is important to point out we do not consider preparing for retirement as just being financially ready. We look at being mentally and socially ready as well as focusing on overall health. There are steps you can take now that will dramatically improve your health and overall quality of life in retirement years. For example, building exercise into your regimen and paying attention to your diet can mean quality of life in your retirement years is going to be much better.

Social preparation is also important. We ask people to actually think about how they want to live when they retire. For example, if they are gregarious, social, or networking people, where might they want to retire? Do they plan to retire in an area that, let us say, where the cost-of-living might be less, like Kansas? Or are they planning to be in the Manhattan area of New York where the cost-of-living is much higher? This scenario will require a dramatically different planning scenario.

So we are trying to get people to think socially. Where does their family live? Where do their kids live? What type of lifestyle do they want to maintain in their retirement years? Because that will affect their financial decision making as well. And so we are trying to get our Federal employees to focus not just on the financial but on the health and sociability index, if you will, because they all really knit together very importantly, sir.

Senator AKAKA. Thank you.

Mr. Shelton, I very much appreciate that President Obama includes financial literacy in his platform to help working families. As you mentioned, Secretary Duncan has also long been a supporter of these efforts as he was the founder of the Ariel Community Academy in Chicago that uses an innovative financial literacy curriculum.

The leadership on financial literacy exhibited by the President, Secretary, and many others is all the more critical now because so many Americans are struggling financially. Public opinion polls show that citizens have become much more interested in economic issues over the past couple years. We have a tremendous opportunity to capitalize on this interest to foster and inform consumers, investors, and entrepreneurs to rebuild and strengthen our economy. The Department of Education and the Financial Literacy and Education Commission must work together to better educate, protect, and empower our citizens.

Mr. Shelton, will the Department of Education provide high-level involvement and support to the Commission?

Mr. SHELTON. Well, I will be participating myself, so hopefully that is high.

Senator AKAKA. Well, that is direct, yes. [Laughter.]

I hope that continues and we begin to move on some of the recommendations of the GAO.

Ms. Braunstein, I appreciate the Federal Reserve's work to examine the impact of financial education. I am particularly interested in results from the research conducted with the Department of Defense. What lessons can we learn from this research that can help improve the effectiveness of other financial literacy efforts?

Ms. BRAUNSTEIN. We are very pleased to have done this study, and we think that the results have been very interesting. One of the things, though, we needed to be a little careful with is that some of the lessons we have learned from this may not be able to be generalized to the overall population because this was a very unique sample of people. It was all soldiers, so it is hard to say whether some of this would apply to the general population.

But we do think that, one, of course, more research is needed in this area. There is not enough research going on right now on effectiveness as opposed to people giving quizzes on what did you learn in the course. That is not really showing the impact or the effect. It is behavior change that is important. And that is one of the things that we looked at.

One of the interesting results from this study is that we found that when we looked at the sample and, in particular, the ones who had financial education, some of the strongest results were from participants who had earlier experiences with financial education. Either they had a course in high school on it, or they had other

kinds of personal experiences where they needed to use financial education. And we think that is something that also needs to be looked at further because it mitigates for having earlier interventions, which we do believe in.

And the other thing is that the financial education that they got in this particular study was 16 hours of education on the weekends, and one of the things that we also think needs further study is whether or not that was the right intervention, if other interventions would work better or worse or, as well. And so that is another area where we are looking to hopefully see more research.

Senator AKAKA. Mr. Myers, the Talent-Nelson amendment enacted in 2007 limits the terms of consumer credit extended to military families. The statute prohibits lenders from charging interest rates in excess of 36 percent to all military families. What is your evaluation of the impact of this legislation? And what impact has it had on our military families?

Mr. MYERS. Well, first of all, I think the impact has been extremely positive, and as a result, through education, through our aid societies now providing interest-free loans, our military personnel are more educated on where they can get help.

Another thing that we did as far as education, we have, as I told you, military roadshows, and we have financial consultants there where you can talk one on one and so forth. But there are some people that just do not want to do that. So we also started another program, and I gave your staff some information on it. It is a Military OneSource operation. It is a toll-free number where military personnel call this number. On there we have help for all sorts of things, including financial management. You have a financial management problem, we will hook you up with a financial counselor, one of our financial counselors. They will explain over the phone with you what the issue is, how to solve it, and if you want to meet with them one on one, it works out.

So what we have found out as we talked with State and Federal regulators, is that the lenders are complying with the amendment because they cannot make money with the rules of the 36 percent cap. So it has been very positive.

In fact, some of the payday lenders thought that the military would rebel against it because it was a way to get money. We did not hear anything. In fact, I think a lot of families thought that was a great thing. We opened up the avenues for them to get the money and educated them how to manage it. So thank you.

Senator AKAKA. Thank you very much for your response.

Mr. Hillman, you have identified that limited resources present a challenge for Financial Literacy and Education Commission (FLEC). What resources need to be provided to the Commission so that it can adequately fulfill its mandates?

Mr. HILLMAN. We found as a result of our review, Mr. Chairman, that the governance structure has significant advantages and disadvantages. While the structure presents certain challenges, it has the benefit of bringing together 20 departments and agencies on cross-cutting issues and encouraging building a consensus on financial literacy issues. Options, though, to improve the Commission and its funding levels could perhaps come from the Congress itself in requiring the Commission and providing it with its own legal

and funding authority, perhaps requiring that it set priorities in the financial literacy area or requiring that the Commission set specific goals and funding levels for improving financial literacy.

Each of these changes would have their own set of advantages and disadvantages. However, absent congressional attention, at GAO we believe the Commission itself has the ability to implement many of those measures on their own.

Senator AKAKA. Thank you for that recommendation.

Mr. Shelton, the Native Financial Education Coalition has identified the need for increased financial literacy in native communities to help ensure financial security and self-sufficiency. The coalition has indicated that the EEE is a promising program that has helped further education in native communities.

How has EEE benefited Native American, Native Hawaiian, and Alaska Native communities?

Mr. SHELTON. Chairman, at least two sub-grantees—the Alaska Council on Economic Education and the Hawaiian Council on Economic Education—have benefited directly from sub-grants. They currently provide teacher training and classroom resources, and they focus on these unique populations. For 2010, the notice by the applicants will also include criteria to ensure that the needs of traditionally underrepresented groups are addressed.

Senator AKAKA. Thank you very much.

Mr. Hillman, you indicate in your written statement that in late 2008, the Treasury Department signed a volunteer service agreement with a doctoral student to determine the availability and duplication of program resources provided by commission agencies. Is this a common practice found in Federal commissions? And what are the risks of using volunteers for evaluation of Federal efforts?

Mr. HILLMAN. The Treasury Department used a doctoral student to provide an assessment of the extent to which there was duplication or overlap in existing programs largely because it lacked the funding to provide for an independent professional assessment. We have not yet seen the results of this evaluation and hope to see it later in May.

There are a number of trade-offs associated with a volunteer student assessment as opposed to a professional assessment. We are hopeful that the assessment that is provided goes a long way to provided information useful for determining the extent to which there is duplication and overlap.

We are disappointed, however, that such an assessment that is being contemplated by the Treasury currently does not include any evaluation of the impact of the programs that the 20 departments and agencies have ongoing, and that is what we are really hoping to see, is a results orientation and assessment of the impact of the efforts that are taking place as opposed to a description of what has been happening.

Senator AKAKA. Thank you very much, Mr. Hillman. I want to thank this panel for testifying. I sense an enthusiasm in this area of financial literacy and the importance it has for the Federal workforce. And I want to thank you so much for your efforts and your responses to our questions. What you have done is you have helped this Subcommittee look forward. Should there be further legislation

that would help the cause, we certainly want to consider that as well. And you have helped us to determine that.

Again, I want to say thank you to all of you for being here today and for your testimony.

At this time I want to welcome the second panel of witnesses.

Welcome to our second panel: Robert Duvall, President and CEO of the Council for Economic Education; and Dallas Salisbury, President and CEO of the Employee Benefit Research Institute. It is, again, the custom of this Subcommittee to swear in our witnesses, and I would ask both of you to please stand and raise your right hand.

Do you swear that the testimony you are about to give this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. DUVALL. I do.

Mr. SALISBURY. I do.

Senator AKAKA. Thank you very much. Let the record note that our witnesses responded in the affirmative.

Before we start, I want you to know that your full written statement will be made part of the record.

Mr. Duvall, will you please proceed with your statement?

**TESTIMONY OF ROBERT F. DUVALL,<sup>1</sup> PRESIDENT AND CEO,  
COUNCIL FOR ECONOMIC EDUCATION**

Mr. DUVALL. Yes, sir. Thank you, Chairman Akaka, for an opportunity to be a part of this very important and timely discussion. You were good enough to invite me 2 years ago to also give testimony. I think we are making some progress on this important issue. I know that I am 2 years older and closer to retirement and feel a little poorer than I did 2 years ago. But I think that feeling underscores the importance of continuing to press on the front of improving financial education and financial literacy in this country.

It is especially fitting for the Subcommittee to hold this hearing during Financial Literacy Month. As a member of the President's Advisory Council on Financial Literacy and as the President and Chief Executive of the Council for Economic Education, and even more, as a parent, as an educator, and as a citizen, I commend you for focusing on this issue, this literacy. There are few matters which more directly address the traditional American virtues and values of self-reliance, individual responsibility, and good citizenship.

The Council for Economic Education is a founding, and active, member of the Jump\$tart Coalition for advocacy for financial literacy, and we are a principal participant and partner in Financial Literacy Day on Capitol Hill tomorrow, April 30. We are particularly grateful to you, Senator, for being the initiator of Financial Literacy Day on the Hill, which has grown tremendously in significance over the past 7 years, as awareness of the importance of the issue has grown.

For 60 years, as an independent, not-for-profit organization, the Council for Economic Education, formerly the National Council, the NCEE, has been a leader in transforming economic and financial

<sup>1</sup>The prepared statement of Mr. Duvall appears in the Appendix on page 97.

education by developing standards-setting and measurably effective programs nationwide and, in recent years, internationally as well—programs which promote the teaching of the very real connections between economic and financial literacy and the free flow of ideas, capital, and innovation that will keep this Nation competitive in the global economy.

We are philosophically committed to a robust and vibrant economic marketplace, and our unit of change is the K–12 teacher, who has the potential, over the course of a career, to touch the lives of thousands of students.

But what are educators actually teaching and how are they teaching it? Are they preparing students adequately for the economy of the future? It is often said that today's education curriculum is rooted in yesterday's economy, and that a rapidly changing and technologically driven marketplace requires new educational approaches. The skill set that today's young people will need to possess in order to succeed as adults is likely to be different than that of a generation ago, and this skill set must enable students to think economically and entrepreneurially, in response to the opportunities and threats they will encounter as adults. The degree to which they will succeed in this endeavor will shape not only their futures and their fortunes, but the level of competitiveness and dynamism of the American economy.

There has never been, I believe, a better “teachable moment” than the current economic and financial crisis to spur awareness and support for economic and financial education and improving it. But real improvements in the quality and effectiveness of teaching and increases in the level of economic and financial literacy will take time, political will, and resources.

What can be done? The Federal Government is playing a critical role in providing resources for these efforts particularly through the Excellence in Economic Education (EEE) Act, which came about through legislation which you authored, Senator, as you assembled a bipartisan group to support this effort to get into the grass roots and improve financial literacy.

It ought to be more fully funded, however, and I hope renewed as we go forward. Why? Because it works.

It works because it is a grass-roots program, and fosters local, hands-on initiatives. It works because it is focused on what needs to be done to make a difference in and through education: Teacher training, development of materials, active learning for K–12 students, and research into what works, and why. And it is a proven way to make a thousand flowers bloom through the “multiplier effect” of disseminating best practices.

Well-prepared teachers instill in children a sense that they are themselves future stakeholders and decision makers and movers in the American economy. And through the EEE Act, over the past 5 years, 48 States, and the District of Columbia have been served by the EEE sub-grants in project years 2004 to 2008. Four hundred and ninety-five sub-grants were awarded in that time frame, and over \$5.5 million has been awarded to grass-roots organizations nationwide. In addition, over 1,500 copies of the 2000 survey of the States have been distributed to individuals and agencies interested in improving economic and financial literacy in their own commu-

nities. And, finally, we have been able through the EEE to distribute Virtual Economics, a tremendous tool for teachers where they can find the standards and requirements of their States, and lesson plans. This tool, this instrument, Virtual Economics, has now been made available in every school district in the United States, and that is thanks to the EEE.

So, in conclusion, what can Congress do? I think they can continue, as I hope, to support this kind of initiative which makes a real difference where it counts. We are encouraged by the Congress' increased focus on economic and financial education issues over the last several years. One year ago at this time, I was called to give testimony to the House Financial Services Committee. At the end of that testimony, Committee Chairman Barney Frank leaned over the podium and asked the panel to say what they would recommend that the Federal Government do about the subprime mortgage lending crisis—the tip of the iceberg that was then being seen. I responded that I did not know but that I did believe passionately that the Federal Government ought to invest in a nationwide professional development program for teachers in the Nation's schools to improve economic and financial education.

The EEE is such an investment, but the investment, while measurably good and effective, is still too small. The economic turmoil and financial crisis we are experiencing can be a teachable moment, but only if we make it so. Consequently, I would urge that we maintain and, indeed, increase funding for the EEE as well as reauthorize this needed program as part of the Elementary and Secondary Education Act.

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

Senator AKAKA. Thank you very much, Mr. Duvall. Now we will hear from Dallas Salisbury.

**TESTIMONY OF DALLAS L. SALISBURY,<sup>1</sup> PRESIDENT AND CEO, EMPLOYEE BENEFIT RESEARCH INSTITUTE, AND CHAIRMAN, AMERICAN SAVINGS EDUCATION COUNCIL**

Mr. SALISBURY. Mr. Chairman, thank you. It is a pleasure to be here. It is the Employee Benefit Research Institute (EBRI) that I have had the pleasure of being with since its founding in 1978. EBRI has worked on financial education since that time, including work with the full Committee of which this is a Subcommittee, and conducting a number of forums and hearings in the early 1980s that led to the creation of the TSP, and work with OPM on the implementation of that program and with the TSP in developing the early financial education related to Federal employees.

In 1995, we were approached by the Treasury Secretary and the Labor Secretary concerning what became an effort by 30 Federal agencies and 250 private-sector for-profit and nonprofit organizations, in July 1995, under the title "Save: Your Retirement Clock Is Ticking." And that program led in the Clinton Administration to the creation of initiatives by then-Treasury Secretary Robert Rubin and ultimately chaired and run by Deputy Secretary, then Treas-

<sup>1</sup>The prepared statement of Mr. Salisbury with attachments appears in the Appendix on page 102.

ury Secretary Lawrence Summers. These initiatives incorporated actions leading to congressional enactment of the SAVER Act and led to three White House and congressional summits on retirement savings.

We have attempted through the American Savings Education Council (ASEC) since 1975 to keep those public and private coalitions going as well as to encourage the broadest range of Federal agencies to coordinate and accentuate their activities. We have backed that up with research, just recently having released the 19th Annual Retirement Confidence Survey, which attempts to keep an ongoing measure of financial preparation and financial preparedness, including how people are doing in those realms.

We have also done Youth and Money surveys, and Parents, Youth, and Money surveys through ASEC as well as a recent survey looking at Gen X's and Gen Y's financial literacy, all of which underlines the exceeding importance of education beginning at the K-12 level, and in the long term, the importance of educating parents.

You pointed out what your father taught you. Luckily, my father taught me the same thing. And what we found from the Parents, Youth, and Money survey and the Youth and Money survey is that kids primarily get their financial education by watching their parents in action. And when you listen to their findings on what that means, it is truly scary.

The ASEC effort with the government Interagency Group, which began in 1996, has served a purpose similar to the one that was created by your Financial Literacy Education Commission, but generally at the career service level as opposed to the political level. And in the most recent case, as well as in prior Administration changes, it has served as a useful link over the course of those changes to keep agencies communicating during transitions. We are pleased to continue those activities.

We are also pleased to work and to donate the time to the Office of Personnel Management and to the TSP, which for many years have used what was our Ballpark Estimate worksheet and now is the Federal version of that worksheet.

Our Choose to Save program was initiated by means of national media and public service announcements. Through that program, we are pleased to provide the MyMoney.gov promotional public service announcement that has been distributed to stations around the United States and to work with the Office of Personnel Management and the Defense Department, which show the Choose to Save public education segments in public service announcements across the globe.

You asked specifically, in addition, for comment on the Financial Literacy and Education Commission (FLEC) and the reports that it has issued and the activities it has undertaken. I have put in my full statement a number of specific suggestions and recommendations, but my first suggestion would be clarity on what FLEC is primarily intended to do relative to the Federal agencies. Is it primarily to coordinate and leverage activity or to develop programs and to attempt to implement them?

As the GAO report indicates, there are strengths and weaknesses, and I would just emphasize that FLEC has had, I would

argue, in their report some confusion between these efforts. The statutory language makes it appropriate for them to coordinate; it really does not make it possible for them to direct. And that you may or may not wish to do, but it is an uncertainty point.

In conclusion, I want to underline the importance of your activities, the activities of this Subcommittee, the legislation that you have enacted, and the concept of coordination. But I will note in closing that I testified at the same hearing as Mr. Duvall, and another final question was asked by the Chairman at that time: If there is only one thing that people at this Subcommittee would recommend, would it or might it be that we mandate the teaching of financial literacy in K-12? Mandate rather than have it be voluntary. And every witness at the panel said that if one thing could be done that would serve to increase financial literacy and to increase the value of every dollar spent most, every witness said that would be the one thing.

In our survey on Youth and Money, we have found—and surveys and annual work by Mr. Duvall's organization document—that over 78 percent of high school students in this country have financial education courses available to them, but most require the individual to choose to take them. Our survey indicates that 8.1 percent choose to take them out of the 78 percent who could. That, in one fell swoop, it is not the absence of opportunity. It is the absence of taking it up. If I might suggest, in all due respect, it is characteristic of children not to take your good advice in spite of the fact that you and I took the good advice of our fathers. Every now and then one must force people to learn, and the easiest time to do that is when they are young and impressionable and in school.

I did enjoy the last panel, and made note of the power of the military to require individuals to do these things, to learn, and to be tested. Most employers, including myself as an employer, do not have that luxury. And so the one area where Congress might act, and the Secretary of Education might act, and the President might act would be to assure that in K-12 people at least get the basics.

Thank you, sir.

Senator AKAKA. Thank you very much, Mr. Salisbury.

Mr. Duvall, I understand that for 60 years, the Council for Economic Education (CEE) has been working on efforts to improve economic and financial literacy in our schools. I want to take this opportunity to extend my personal thanks for your hard work and dedication to this issue which is so personally important to me.

What do you believe are the greatest challenges in ensuring that all young people have the information they need to make sound financial decisions?

Mr. DUVALL. Well, I would agree, Senator, very much with my colleague Mr. Salisbury's closing statement that we need to mandate that there be this experience with the basics of applied and practical economics and personal financial decision making skills for all students while they are in school.

What does work now about financial literacy? We know it is not something we are born with. It is learned behavior. And the best place to learn it is while we are in school through well-prepared teachers, and that includes parents as teachers, as has been said.

But I think it is very important, with any kind of discussion about a mandate for it being offered and taken in the schools, that there be a deliberate program to prepare teachers, because certainly one of the major challenges in going forward is that many school teachers have not themselves had basic economics or personal finance in their own preparation for being teachers. Most of our work in the council is concerned with teaching the teachers who are already in the field. But that needs to be improved, and I think also a strategy ought to be developed to get it into the schools of education for teachers before they become teachers.

Senator AKAKA. Mr. Duvall, the Commission, in its National Strategy Report, listed a number of populations that need to be focused on, such as the unbanked, multicultural and multilingual populations, and students from grades K–12. What could the Commission do to reach these populations?

Mr. DUVALL. I am not certain, sir, what the Commission itself could do. Perhaps continue to serve in the advocacy role for this being done. But I think it is most effectively done by organizations like my own that are doing it. That is why we have felt so empowered through being chosen by the U.S. Department of Education to administer the Excellence in Economic Education Act. This has enabled us to reach toward underserved communities and populations that we were not able to get to before by making these sub-grants to grass-roots organizations that are trying to do something innovative to improve economic and financial literacy and where this comparatively small amount of help can make a great deal of difference.

I think the Commission should and could continue at least to serve in that push role, but the delivery, I think, is going to depend on people in the field who are already out there and can do more.

Senator AKAKA. Mr. Salisbury, GAO indicated that the Financial Literacy and Education Commission could increase its effectiveness and success by improving its internal coordination between member agencies. In your testimony, America Saves Week is described as a program that joins together employers, financial institutions, government organizations, nonprofit networks, and other organizations to accomplish the week's goals.

What are the coordination tools and strategies that have allowed the America Saves Week to be successful?

Mr. SALISBURY. Well, Senator, a major part of America Saves Week is Military Saves, which was promoted around the Nation and the world. Involved in America Saves Week were numerous Federal agencies and programs and the Office of Personnel Management. Integrally involved are the offices of the Agriculture Department and the Extension Service in communities all over the United States.

America Saves Week has, during the last 2 years, been jointly coordinated by the American Savings Education Council and the Consumer Federation of America, using all of the public and private partners within the ASEC Partnership, which does include the offices of the Treasury Department. The staff of FLEC has been involved in these activities. It is essentially focusing on getting that very broad net and all of these organizations working together.

ASEC itself has focused just for that reason on not creating and doing programs of its own, but largely attempting simply to focus on helping with the broadest range of organizations, bringing them together and helping to leverage everything that all of those other organizations are doing.

If I were to take the options in the GAO report, and even what I stressed, my humble opinion would be that FLEC itself would be most effective if it essentially focused on, I would say, literally no public profile. Instead of its meetings being big media events with cabinet secretaries giving speeches, I suggest a working committee, with individuals at the levels of those at this panel and the earlier panel, meeting far more frequently and essentially assuring at the political level a commonality of purpose and direction and then driving that down through their agencies into their budgets and in work with Capitol Hill. I also suggest this effort be almost purposefully internal as opposed to having what has been a more external focus and presence. And, again, I say that in hindsight, because I probably would not have told you that if I had been asked before you enacted it. But in terms of what I think has allowed ASEC to be successful and then watching what FLEC has and has not done, that would be my suggestion to you, vis-à-vis the GAO report, as to how it could most effectively drive governmental action. And in that sense, it would be in no way viewed by anyone as competitive. It would be a cooperative, coordinating force aiming at getting the most out of each of the agencies.

Senator AKAKA. Well, I really appreciate your responses. I would like to thank both of you for being here today. You have helped us to further understand the challenges that continue to face the Financial Literacy and Education Commission. You have also shared with us some examples of financial literacy programs that help people.

It is important that we continue to educate, protect, and empower consumers. I plan to work closely with all of you to improve Federal financial literacy efforts. I think we have set some things in motion. The month of April, of course, is Financial Literacy Month, and I appreciate your continuing efforts to improve financial literacy.

Again, I look forward to continuing to work with you. We have received many good recommendations that we can work on to further the cause.

This hearing record will be open for one week for additional statements or questions other Members may have, and, again, thank you so much for your engagement here.

This hearing is adjourned.

[Whereupon, at 4:27 p.m., the Subcommittee was adjourned.]

# A P P E N D I X

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**STATEMENT OF  
JOHN BERRY  
DIRECTOR  
U.S. OFFICE OF PERSONNEL MANAGEMENT**

**before the**

**SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT  
MANAGEMENT, THE FEDERAL WORKFORCE, AND THE  
DISTRICT OF COLUMBIA**

**COMMITTEE ON HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE**

**on**

***The Federal Government's Role in Empowering Americans to Make  
Informed Financial Decisions***

**April 29, 2009**

Mr. Chairman and Members of the Subcommittee:

It is my pleasure to be here today to outline the important work the Office of Personnel Management (OPM) is doing to ensure Federal employees are ready for retirement.

OPM is committed to educating Federal employees about the need for retirement savings and investments and providing information on how to plan for retirement, including how to calculate the retirement savings and investments needed to meet their retirement goals. As part of that commitment, we are pleased to participate in Financial

Literacy Day on Capitol Hill tomorrow where we will provide information about the various benefits programs available to Federal employees and have experts available to answer attendees' questions. We also invited representatives from the Thrift Savings Plan (TSP) to join us, thereby providing attendees with additional resources to discuss this important facet of their retirement benefits.

As you know, the TSP is a Federal Government-sponsored retirement savings and investment plan open to Federal civilian employees and to members of the uniformed services. The TSP offers savings and tax benefits comparable to what many private corporations offer their employees under tax-deferred 401(k) plans. It is one of the Nation's largest retirement plans and one we strongly encourage all eligible Federal employees to take advantage of as a means of preparing for their future. Due to the leadership of this subcommittee, Congress took steps to help make Federal employees more aware of the opportunities available to them through the TSP when it passed the Thrift Savings Plan Open Elections Act of 2004. The Act directed the Board that manages the TSP, the Federal Retirement Thrift Investment Board, to evaluate and improve the existing TSP education program and to annually report to Congress on these efforts. OPM was directed to develop a strategy (in consultation with the Board) to "provide employees information on how to plan for retirement and how to calculate the retirement investment needed to meet their retirement goals." OPM is doing that through a strategy based on an education model we call *Retirement Readiness NOW*. The term focuses on the outcome of our retirement financial education programs—to provide

employees information on how to plan for retirement and how to calculate the retirement investment needed to meet their retirement goals.

Retirement readiness combines basic information about the benefits provided by the Government, as an employer, and the broader financial education needs of employees. Rather than being a “near retirement” event, the retirement readiness model considers retirement financial literacy and education as a career-long process. The model incorporates the broad range of information employees need to help them make informed retirement planning decisions. It also recognizes that these needs change as a person moves through his or her career.

Our *Retirement Readiness NOW* model takes a total balanced approach to planning that covers:

- Networking & Engagement – finding enjoyable challenges, connecting with other people in meaningful activities such as volunteer work, or even exploring a new career;
- Overall Health – staying as healthy as you can for however long you live; understanding the aging process and how best to approach healthcare such as preventative and disease treatment; and
- Wealth– preparing financially to have sufficient income to have a sustainable standard of living and life style in retirement.

Retirement readiness is also dynamic. It changes over time. The activities and planning employees need to do, such as awareness they may need to alter their choice of TSP funds during their careers, preventative health care measures, and planning what they will do and where they will live in retirement – are all changes made as one moves through life stages.

Providing employees with the tools and resources to empower them to make informed financial decisions is a shared responsibility among OPM, employing agencies, and employees. Each has important roles to play.

OPM has three key roles in retirement readiness: Capacity, Coordination, and Catalyst. Building capacity means providing training and tools to agency benefits officers so they can help their employees understand their benefits and identify their financial education needs. The Federal benefits programs form an important base for employees to build their financial security upon. Our training programs for benefits officers play an important role in preparing them to provide their employees with the information they need. We are also developing tools for employees to use to better understand their benefits and plan for retirement.

One of the tools we developed in partnership with the American Savings Education Council (ASEC) of the Employee Benefits Research Institute is the Federal Ballpark Estimate—a savings goal worksheet—based on the widely-used ASEC Ballpark Estimate. The Federal Ballpark Estimate makes it possible to automatically calculate

estimates of future Civil Service Retirement System or Federal Employees' Retirement System retirement benefits and TSP account balances, as well as inform the user of how well he or she is doing in meeting their savings goal. During FY 2008, there were 135,000 visits to the Federal Ballpark Estimate on OPM's web site and more than 400,000 estimates completed. Most users created 2 or 3 scenarios to help them test different savings strategies to help them set a savings goal. Many agencies, such as the Federal Retirement Thrift Investment Board, link their sites to the Federal Ballpark Estimate.

Evaluation measures are critical to ensuring our efforts are effective. We are developing a measure of employee benefits knowledge and will collect a Government-wide baseline later this year. The level of employee benefits knowledge is one measure of the effectiveness of our education program. Our strategy requires agencies to develop their own plans and to report annually to OPM on their retirement readiness programs. These annual reports help ensure agencies institute sustainable programs and evaluate their effectiveness.

For the past 3 years, we delivered a series of pre-retirement seminars to the staff of the U.S. House of Representatives. We were pleased that over 100 Congressional staff took part in the series this past November.

Next month, we will conduct our fourth benefits officers Retirement Financial Education Symposium. The symposium will provide training for agency benefits officers

on a wide variety of benefits administration topics, as well as updates on our retirement readiness initiatives. Another goal of our symposium is to provide benefits officers with information about reliable resources they can utilize to provide financial education programs to their employees. Next month's symposium will feature Bruce Kohl, Chair of the Investor Education Committee of the North American Securities Administrators Association. Mr. Kohl will discuss the resources available from State security administrators to help them educate their employees.

Another key role of OPM is coordination of financial education resources. There is a wealth of financial education materials and programs—course materials, web site, brochures, newsletters, etc., that have been developed by Federal agencies such as the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), the Department of Agriculture Cooperative State Research, Education and Extension Service, and the Thrift Savings Plan. In addition, numerous non-profit organizations, such as the American Savings Education Council and the National Endowment for Financial Education, have also developed excellent resources that are available at little or no cost.

OPM's role is to identify those resources and create partnerships to leverage the use of those materials by agencies for their employees. Last year we entered into a partnership with FDIC to provide train-the-trainer training and course materials for their Money Smart program to benefits officers. We have trained over 150 benefits officers through this partnership. We are working with the North American Securities

Administrators Association to link benefits officers with the State regulators who have programs to educate the citizens of their States.

Over the next year, we plan to expand our partnerships with nonprofit financial education organizations and to reach out to Federal Executive Boards and employee organizations to build partnerships that will leverage their day-to-day relationships with employees with the financial education resources of our other partners.

OPM also serves as a catalyst for retirement readiness programs. OPM speakers participate in a variety of conferences involving Federal employees to spread the word on the need for retirement readiness and our education programs. In addition, we are looking at the role the new social networking media, such as Twitter, can play in helping us reinforce the retirement readiness messages.

Agencies share the responsibility and play a key role in OPM's retirement readiness programs. They have the primary responsibility of identifying employee needs using the tools we develop; providing training, information and access to resources to their employees; and giving us feedback so we can continue to improve agencies' retirement education capacity. For example, OPM conducts a speaker series throughout the year on topics such as debt management, TSP, college savings plans and home mortgages. OPM employees also have access to a financial education page on the agency intranet. The Social Security Administration (SSA) conducts seminars for new, mid-career, and pre-retirement employees covering the three dimensions of our *Retirement*

*Readiness Now* model. Additionally, SSA conducts monthly lunch and learn seminars – *Wealth of Wisdom Wednesdays* – on an array of financial education topics.

However, OPM and agencies cannot improve employees' retirement readiness without the direct involvement of the employees themselves. Employees must take advantage of opportunities provided and must assume responsibility for taking steps to meet their retirement goals. Our responsibility, and one we work on daily, is to provide as many tools and as much information as is needed to understand the importance and value of retirement savings and investments to help employees make informed financial decisions in preparation for retirement.

OPM also is proud of the active role it has taken as a member of the Financial Literacy and Education Commission. We are on the national strategy working group and co-chair, with the Department of Treasury, the National Financial Education Network. The network created a clearinghouse of State and local government financial education programs to serve as a place to share best practices and resources. This clearinghouse not only serves as a valuable resource to State and local governments, it provides a rich array of resources agency benefits officers can use to expand their retirement readiness education program for Federal employees.

I appreciate this opportunity to testify before the Subcommittee on this very important issue. I will be glad to answer any questions you may have.

**Testimony of Mr. James H. Shelton, III Assistant Deputy Secretary for  
Innovation and Improvement, Department of Education  
Before the Subcommittee on Oversight of Government Management, the Federal  
Workforce, and the District of Columbia  
Senate Committee on Homeland Security and Governmental Affairs  
Hearing on The Federal Government's Role in Empowering Americans to Make  
Informed Financial Decisions**

**April 29, 2009**

Good Afternoon, Chairman Akaka, Ranking Member Voinovich, and distinguished members of the subcommittee. Thank you for the opportunity to appear before you today to discuss the important topic of financial literacy and what the U. S. Department of Education is doing to address this issue.

In recent years, financial literacy has gained attention as it has become more apparent that improving financial education in our nation's schools is important in ensuring that young people are equipped with the necessary skills to make sound financial decisions. In recent years, financial literacy has gained attention as it has become more apparent that improving financial education in our nation's schools is important to our country's economic future. The current financial crisis has deepened our understanding of the problem. Families have obtained mortgages they didn't understand or couldn't afford. College students and families are overwhelmed by unmanageable credit card debt. It is critical that financial literacy education begin at an early age so that our youth obtain the knowledge and skills needed to make responsible decisions in a complex marketplace.

Today, I will discuss the initiatives being conducted under the Excellence in Economic Education program and how it is working to build capacity in the schools and improve the financial literacy of our youth. Then, I will turn to our efforts to increase financial literacy through our partnership with the Financial Literacy and Education Commission. And finally, I will provide an overview of the financial responsibility counseling we provide for students who receive Federal student loans and the economic programs we offer through several higher education initiatives.

**Excellence in Economic Education (EEE) Program**

The EEE program is administered by the Office of Innovation and Improvement, which I head. The EEE program promotes efforts to increase economic and financial literacy of elementary and secondary students. The objectives of the program are to: (1) increase students' knowledge of, and achievement in, economics; (2) strengthen teachers' understanding of, and competence in economics; (3) encourage economic education research and development, disseminate effective instructional materials, and promote the replication of best practices and exemplary programs that foster economic literacy; (4) assist States in measuring the impact of education in economics; and (5) leverage and expand increased private and public support for economic education partnerships at the national, State, and local levels.

Under the statute, the Department is authorized to award one competitive grant to a national nonprofit educational organization whose primary mission is to improve the quality of student understanding of personal finance and economics. The grantee must subgrant 75 percent of its grant funds to State or local educational agencies and State or local economic, personal finance, or entrepreneurial education organizations. The subgrantees must work in partnership with other organizations that promote, among other things, personal finance education and economic development. The grantee is required to use its remaining grant funds to: (1) strengthen and expand its relationships with State and local personal finance, entrepreneurial, and economic education organizations; (2) support K-12 teacher training programs; (3) support research on effective teaching practices and the development of assessment instruments in order to document student understanding of personal finance and economics; and (4) develop and disseminate appropriate materials to foster economic literacy.

Over the five-year life of the program, the Department has awarded almost \$8.8 million in grants. In the program's first year, fiscal year (FY) 2004, we awarded a \$1.48 million grant to the Council for Economic Education (CEE) formerly known as the National Council on Economic Education. In FY 2005, through a second competition, we provided approximately \$1.47 million in the first-year of a five-year grant to the same organization. In FY 2008, we provided the CEE a third year continuation award for approximately \$1.44 million.

We have been very pleased with our partnership with the CEE and applaud its continual dedication to providing high-quality education programs designed to improve student understanding in financial literacy and economic education.

Over the past five years, CEE has implemented a variety of initiatives designed to improve financial literacy in our schools. CEE's mission is to promote economic and financial literacy for all students in grades K-12 through its network of State councils and university-based centers, by training thousands of teachers who have reached millions of students. CEE's project activities are intended to help students to develop the skills they need to become knowledgeable consumers, savers, investors, and effective participants in a global economy.

To date, CEE's activities under the EEE program include:

**Direct Activities**

***(a) Strengthening and expanding relationships with State and local personal finance, entrepreneurial, and economic education organizations.***

- CEE annually awards a capacity-building contract to a State Council or Center for Economic Education to provide technical and professional assistance to school districts and educators in enhancing the quality of economic education instruction in local schools.
- In February 2008, CEE held its third *National Summit on Economic and Financial Literacy*. Attended by business executives, economists, educators, and education advocates, the National Summit addressed the key issues and

challenges in providing universal economic and financial education to students in the 21<sup>st</sup> Century.

- In June, CEE will release a revised *Survey of the States: Economic and Personal Finance Education in Our Nation's Schools in 2007*. This "report card" will provide a State-by-State analysis of educational standards for K-12 economic and personal finance education. The grantee distributed the survey to local providers of economic and financial education, business leaders, and school districts throughout the country.

**(b) *Supporting and promoting training of K-12 teachers in economics, including the dissemination of information on effective practices and research findings regarding the teaching of economics.***

- Each fall, CEE has conducted a teacher training conference in partnership with the Global Association of Teachers of Economics (GATE), the first professional association for K-12 teachers of economics. CEE established GATE in 2003 to help teachers become more proactive in their professional development and to help them improve the quality of economic education instruction for their students through access to teaching resources, networking and training opportunities, and best practices. GATE membership has rapidly grown since its inception to more than 10,000 members today. The annual CEE/GATE conference has provided professional development opportunities and classroom resources, including teacher training workshops, networking sessions, and sessions on the latest developments in economics, financial, and entrepreneurship education to teachers and economic educators nationwide. Each year, nearly 600 K-12 teachers from the U.S. and foreign countries have attended the conference. CEE uses EEE funds to award full scholarships to approximately 31 high school teachers to attend the conference. With its EEE grant, CEE has provided continual support to the GATE membership by publishing a quarterly newsletter and administering a website to disseminate information on the latest publications, teacher training programs, and curricular resources.
- CEE administers a Youth Entrepreneurship Program to prepare more teachers to incorporate entrepreneurial education into the curriculum. The program's two teacher-directed components, *Mini-Society* and *Making a Job*, have provided interactive activities to encourage elementary and middle school students to develop cross-disciplinary skills by creating their own business enterprises within a classroom community. Over the past two years, with its EEE grant, CEE has provided training to 674 teachers through its "train the trainer" workshops under the Entrepreneurship Program.

**(c) Supporting research on effective teaching practices and the development of assessment instruments to document student understanding of personal finance and economics.**

- CEE has developed several instruments for assessing economic, financial, and entrepreneurship knowledge. The more widely used instruments include the *Test of Economics Knowledge* (TEK) and the *Basic Economics Tests* (BET), two standardized tests used to measure student understanding and content knowledge in economics. The TEK is used to assess student learning at the middle school level, and the BET is used to assess upper-elementary students. Results reported to us by CEE indicate that students who have taken one or more economic courses score significantly higher on these tests than students without an economic course. These instruments have provided an important tool for school administrators and educators for measuring improvement in student understanding and content knowledge in economics.
- CEE participated in the analysis of the results of the first -ever National Assessment of Educational Progress (NAEP) in Economics. CEE conducted a variety of sessions at its annual meetings to disseminate the results of the NAEP Economics Assessment.
- Under the EEE program, CEE has supported the dissemination of economic education research by conducting research sessions on economic education at the annual CEE/GATE conference, as well as at other educational conferences, in order to encourage new researchers to enter the field of economic and financial education. These sessions are intended to increase awareness of new and existing research topics in economics, financial, and entrepreneurship education.

**(d) Developing and disseminating appropriate materials to foster economic literacy.**

- CEE has continued to produce and distribute its *Virtual Economics 3.0* CD-ROM, a comprehensive lesson planning and professional development resource on economics and personal finance for K-12 teachers, which includes a database of 1,200 lessons. As part of the EEE program, CEE has distributed 14,000 copies of the CD-ROM free of charge to school districts across the country. This resource and other materials and instruments discussed in this report are designed to assist teachers in teaching economics and personal finance and to supplement whatever State and local curriculum school officials choose to use.
- CEE developed *Focus: Understanding Economics in Civics and Government*, a book of 20 lessons that will be helpful in high school economics classes.
- CEE updated its *Focus: Grades K-2 Economics* curriculum to fully align the lessons' contents with the *National Voluntary Content Standards*. CEE developed the standards to help teachers and school administrators with content assessment, and State and local standards and to enhance the teaching of economics in grades K-12.

### **Subgrant Activities**

Through the EEE Program, CEE has awarded nearly \$5.45 million and made 495 subgrants to State and local educational agencies as well as State and local organizations that provide economic, personal finance, or entrepreneurial education programs. To ensure greater cost-effectiveness and corporate community involvement, sub-grantees are required by the EEE program statute to match their Federal funding dollar for dollar. These subgrantees are implementing activities in the following areas:

- Collaboratively establishing and conducting teacher training programs for teachers of grades K-12, including those who teach disciplines other than economics and financial literacy, on the teaching of economics, personal finance, and entrepreneurship.
- Providing resources to school districts that desire to incorporate economics and personal finance into the curricula of their schools.
- Conducting evaluations of the impact of economic and financial literacy education on students.
- Conducting economic and financial literacy education research.
- Creating and conducting school-based student activities to promote consumer, economics, and personal finance education and to encourage awareness and student academic achievement in economics.
- Encouraging replication of best practices in promoting economic and financial literacy.

Recently, the Office of Innovation and Improvement revised the system of measuring the performance of the EEE grantee to better align with the objectives of the EEE program. In collaboration with the CEE we determined the need to move from one GPRA performance measure to three measures. The first measure will examine the percentage of students participating in projects funded through the EEE program who score at the proficient level on standardized tests of economics and/or personal finance. The second measure will assess the percentage of teachers participating in projects funded by the EEE program who show a significant increase in their pre-post scores on a standardized measure of economic content knowledge. The third measure will assess the percentage of students participating in entrepreneurial projects funded by the EEE program who show a significant increase in their pre-post scores on a standardized measure. We believe that these new measures will give the Department more tools for assessing the impact of the EEE program on teacher knowledge and student learning. The Department will receive performance data for the first year of the revised performance measurement system in late 2009.

The Administration supports the EEE program. With continued funding, we will support and expand the programs for students and educators. We will also continue to support evaluation and use the outcomes measures to inform future program direction.

In addition to administering the EEE program, the Department continues to work with the Financial Literacy and Education Commission in its efforts to improve financial literacy in our country. The Department participated in a variety of Commission initiatives, including the Multicultural Roundtable meeting and the International Financial Education conference. We will also collaborate with member agencies of the Commission on a financial literacy meeting to be held in late fall to bring together representatives from State departments of education, local educational agencies, and other individuals from the public and private sectors. The purpose of the meeting is to share the available Federal resources on financial education, as well as the work of the CEE and the results from the Council's evaluation.

We are also working to increase the financial knowledge of postsecondary students. As important as financial literacy is at all levels of education, once an individual has received a Federal student loan the consequences of the lack of adequate financial knowledge become more significant both for the individual and for the Federal Government. Since 1989, institutions of postsecondary education have been required by Congress to provide entrance and exit counseling in the Federal student loan programs to better acquaint students with the commitment they have made to repay the loan and to better understand the principle and interest they will be repaying. These counseling requirements, along with optional "best practices" and other changes in the programs, have helped to reduce the default rate on Federal student loans. Defaults have declined from 22.4 percent for borrowers entering repayment in 1990 to 5.2 percent for borrowers entering repayment in 2006.

Also, Congress has expanded the types of services that can be offered through the Federal TRIO programs and GEAR UP, programs focused on first generation college attendees, to include education or counseling services designed to improve the financial literacy and economic literacy of participants.

In closing, let me once again thank the Subcommittee for inviting me to speak today. I hope that this discussion has illustrated the activities of the EEE program and our postsecondary efforts to improve financial literacy. We will continue to monitor the effectiveness of our grant to the CEE and to coordinate our work with other agencies and the Department of the Treasury on future financial literacy initiatives.

STATEMENT  
OF  
ARTHUR J. MYERS  
ACTING DEPUTY UNDER SECRETARY OF DEFENSE  
(MILITARY COMMUNITY AND FAMILY POLICY)

BEFORE THE  
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT  
MANAGEMENT, THE FEDERAL WORKFORCE, AND THE  
DISTRICT OF COLUMBIA  
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

on

"FEDERAL GOVERNMENT'S ROLE IN EMPOWERING AMERICANS TO MAKE INFORMED  
FINANCIAL DECISIONS"

APRIL 29, 2009

Thank you, Senator Akaka and members of the Oversight of Government Management Subcommittee, for the opportunity to appear before you today to talk about the Department of Defense's efforts to improve financial literacy for members of the armed forces and their family members as well as our civilian workforce.

First, I would like to thank the members of Congress for supporting and setting regulatory practices for predatory products and procedures. 32 Code of Federal Regulation, Part 232 went into effect October 1, 2007, covering all financial institutions and placing limits on three types of short term credit: payday loans, vehicle title loans, and tax refund anticipation loans. All states recognize the regulation and they use the Federal Financial Institutions Examination Council Interagency Guidelines for the regulation as part of their examinations of the financial institutions. Some lending practices can create a cycle of debt for unsuspecting Service members and their families, impacting quality of life and military preparedness. The Department is appreciative of Congress' support in protecting our military community.

As a result of our cooperative effort with Financial Literacy and Education Commission (FLEC), we have and are continuing to implement the National Strategy for Financial Literacy. The strategy served as the impetus for developing and implementing our own Financial Readiness Campaign. The FLEC has kept us cognizant of other government agencies and their financial literacy programs. Through FLEC, we have been able to integrate and coordinate a holistic financial literacy program for our military constituents. We continue to seek active participation with FLEC and its members to increase our financial education efforts.

Our plan is to further change the financial culture of our U.S. military. To begin this cultural change, the DoD Financial Readiness Campaign focuses on financial

readiness education, programs, and resources to boost financial literacy. The Eight Pillars of Financial Readiness represent the campaign's platform:

1. Maintain Good Credit
2. Achieve Financial Stability
3. Establish Routine Savings
4. Participate in the Thrift Savings Plan and Savings Deposit Program
5. Sustain the Service member's Group Life Insurance (SGLI) and carrying other appropriate insurance
6. Utilize low-cost alternative loan products and avoiding payday/predatory loans
7. Take advantage of low-cost Morale, Welfare, and Recreation programs
8. Preserve Security Clearances

Our comprehensive financial readiness campaign provides financial education and training on personal finances to Service members as part of their military training. In addition, Service members and their families have access to personal financial information and counseling through Military OneSource, the toll free call center for military (1-800-342-9647). Military OneSource provides support services 24/7 for all service members and their families, including the National Guard and Reserve, regardless of their mobilization status. This service offers personalized, free, and confidential financial counseling and planning services. Military OneSource is especially beneficial to those who are geographically separated from installation services.

To emphasize the importance of financial and mission readiness to our uniformed members, the Department established the Office of Personal Finance in March of 2008. For the past year, this office has worked to expand the financial education and services available to our armed forces. Our goal is for every Service member to have a financial

plan upon entering the Service. Further, each plan should be updated after major life events to include marriage, having a child, and change of station or deployment.

The Financial Readiness Campaign has three distinct components: The Financial Challenge Roadshow, On-Demand financial support, and Rotational Personal Financial Counselors (PFC).

The Financial Challenge Roadshow augments the Military Services' existing financial readiness programs and initiatives. A commander determines each installation's area of concern and sets the agenda. The Roadshow consists of financial guest speakers and financial workshops, including specialized workshops for children and youth, delivered by certified and credentialed financial experts. Throughout the event, one-on-one financial counseling is available from PFCs, who can remain behind, as needed, to support the installation. Since November 2008, we have conducted 22 financial roadshows, including one on the USS Peleliu, and over 5,000 Service members and their families have participated. Currently, we have 12 roadshows planned in the near future.

Some examples of the workshops are:

- Take Five: *What I Wish I Had Known About Personal Finance*
- Better than a Budget: *Develop a Spending Plan that Will Keep You on Track*
- The Perils of Plastic: *Avoid Drowning in Debt – Charge Wisely!*
- Dream Big – Plan Now! *Make Your Ideal Retirement a Reality*
- Pay Yourself First: *Why You Should Sign Up for the Thrift Savings Plan Today*
- Have You Fed Your Pig Today? *Simple Tips for Saving and Investing*
- Ready for Everything? *Insurance Essentials for the Service Member With or Without a family*
- The Wheels You Want: *Successful Car-Buying Strategies*
- Home, Sweet Home: *Strategies for Home-Buying and Protecting Against Foreclosure*
- You've Earned It! *Making the Most of Your Military Benefits*
- Before You Take Off: *Financial Planning for Deployment*
- Don't Lose It! *How to Protect Yourself Against Identity Theft*

Another option for installation Personal Financial Manager (PFM) is to request a PFC for rotational or surge support. These rotations are available in 30, 60, 90 day

increments. While on the installation, the PFCs have offered financial training classes, conducted individual counseling sessions, and supported the existing PFM and family center in whatever way is needed. The rotational and surge support requests for PFCs have been fulfilled all over the world. Many of these PFMs and installation commanders have verbalized their appreciation and support of the well-qualified and knowledgeable PFCs.

Due to geographical dispersion, the National Guard and Reserve receive a specialized program which fits their specific needs and mission requirements. On-demand events offer financial assistance for the Guard and Reserve, which can include financial training workshops, one-on-one financial counseling and a resource booth and table. Since March of 2008, we have conducted over 700 financial On-Demand events, and 15,000 Guard and Reserve members and their families have participated.

As a part of our Financial Readiness Campaign, we provide financial education that specifically serves children and youth. During Military Saves Week 2008, we successfully launched the first ever Military Youth Financial Readiness Campaign. This annual campaign is an extension of the larger Consumer Federation of America's Saves programs. The Children and Youth program focuses on the importance of saving for the future and helping them to develop the self confidence and personal skills needed to manage their money. Since 2008, over 12,000 children and youth have participated in various financial programs.

Through our Financial Readiness Campaign and the efforts of our partners, including FLEC, we have seen substantial changes in the financial behavior of our uniformed men and women. Findings from the recent Financial Industry Regulatory

Authority (FINRA) Military Financial Confidence Survey, released February 2009, included:

- Military is more likely to take an active role in financial planning
- Military has a more realistic view of financial requirements and preparations
- Military financial educational programs and services are positively influencing financial behavior

In today's challenging economic times, we are committed to improving financial education and support to our Service members and their families. We will continue to work with the FLEC and other government partners to enhance and ensure the financial education and readiness of our uniformed men and women and their families. Our recommendations for the FLEC are:

- Enhance integration and collaboration of the financial programs of other federal agencies
- Encourage other FLEC members to recognize and incorporate military financial needs
- Create and maintain a calendar that identifies all federal personal financial education events to include conferences, meetings, and workshops

As evidenced by the long standing Financial Education program for its military service members, the Department of Defense has always taken Financial Literacy Education seriously. Accordingly, the Department is committed to increasing financial awareness for its civilian workforce and has approved a Financial Literacy Education Plan to promote core financial planning concepts and continuing financial literacy education activities.

As part of the DoD Financial Literacy Education Plan, Components and Activities are:

- Conducting early, mid-career, and late-career pre-retirement planning training sessions and presentations. Generally, in the past, only those employees late in their career were targeted for the pre-retirement briefings.
- Hosting a variety of financial educational workshops and "Lunch and Learn" sessions that address various financial topics, such as, Women and Investments, Managing in a Volatile Market, Planning for Retirement and Basic Financial Planning.

- Encouraging employee savings by incorporating themes, such as “Saving for Retirement” into new employee orientations, which emphasize the benefits of long-term planning and savings.
- Publishing information on employee websites, portals, and newsletters which feature financial literacy education information topics.
- Training Human Resource Specialists on financial literacy topics. For example, over 50 of our DoD benefit advisors have completed financial literacy training sponsored by the Office of Personnel Management and offered by the Federal Deposit Insurance Corporation.

Again, the Department would like to thank this Subcommittee, Congress and the states that help protect Service members from predatory practices. This protection began the groundwork necessary to support Service members and their families. As demonstrated by the activities outlined in this testimony, the Department of Defense has established the framework for a successful Financial Literacy Education Program and anticipates that continued endeavors will only serve to strengthen this very important program.

For release on delivery  
2:30 p.m. EDT  
April 29, 2009

Statement of

Sandra F. Braunstein,

Director, Division of Consumer and Community Affairs

Board of Governors of the Federal Reserve System

before the

Subcommittee on Oversight of Government Management,  
the Federal Workforce, and the District of Columbia

Committee on Homeland Security and Governmental Affairs

United States Senate

April 29, 2009

Chairman Akaka, Ranking Member Voinovich, and members of the Subcommittee, I appreciate the opportunity to be here today to discuss what the Federal Reserve is doing to help Americans make informed financial decisions. This topic is particularly relevant in light of current economic conditions and the impact that depreciating home and stock values, tightened credit markets, and increased unemployment have had on consumers' finances. In my remarks today, I will discuss the Federal Reserve's continued commitment to financial education and consumer outreach. We believe that these approaches are necessary, but as our recent rules on mortgages and credit cards attest, we also believe they are not a substitute for strong consumer protection safeguards in an increasingly complex financial marketplace. I will also discuss the challenges and opportunities for policymakers, regulators, and educators in designing and delivering a well-rounded and effective program to help consumers evaluate their options and make good choices given the array of products and services available to them in the financial marketplace.

#### **Financial Education and Consumer Protection**

The Federal Reserve has a long history of providing useful consumer information. We believe that a major line of defense in consumer protection is self-defense--in other words, a well-informed consumer. Educated consumers can serve as their own advocates and better protect themselves from unnecessarily expensive and abusive financial products, practices, and scams by asking good questions about products and practices, especially those that "seem too good to be true." Consumers look to the Federal Reserve for unbiased, research-based financial information--and we intend to keep it that way. Over the years, the Federal Reserve Board has worked with other federal regulatory agencies, many of whom are now our partners in the

Financial Literacy and Education Commission (FLEC), on consumer information resources, both in print and on the Internet.

Nonetheless, financial education is not a panacea. Providing consumer information is one of several necessary and complementary consumer protection strategies ranging from raising awareness, providing accurate information, building capacity among educators and practitioners to developing effective consumer-tested disclosures, and, when necessary, protecting consumers by regulations banning or restricting unfair and abusive products. We believe that all of these approaches are essential for ensuring that consumers can successfully navigate an increasingly complex financial marketplace.

Since I last testified on the subject of financial education, conditions in the credit market have changed significantly. Last year, I reported that the financial services industry was extremely diverse and complex and that new technologies, policies, and financial innovations had contributed to the development of a robust and highly competitive consumer financial marketplace. I discussed our financial education efforts in the context of a market where consumers had relatively easy access to credit, but where many credit products had complex terms and conditions and were being marketed aggressively.

Much has changed in this last year, and the need for reliable financial information for consumers is even greater.

#### **The Current Financial Marketplace**

Over the last year, declines in the housing and stock markets have had a significantly negative impact on consumers, their families, and their communities. For example, the homeownership rate, having peaked at 68.9 percent in early 2007, had fallen to 67.5 percent by

the fourth quarter of 2008.<sup>1</sup> Delinquency rates on residential real estate loans rose from 1.9 percent to 6.3 percent over the same period, while charge-offs on mortgage loans rose from about one-tenth of one percent (0.12) to 1.6 percent<sup>2</sup> and foreclosure filings were up 17.7 percent.<sup>3</sup>

Aside from the damaging effects of foreclosure on individual homeowners who lose their homes, home values have declined, on average, about 17 percent during 2007 and 2008.<sup>4</sup> As a result, American families have experienced a substantial loss of wealth and financial security. The Federal Reserve's 2007 Survey of Consumer Finances reported that households lost all the gains in wealth they made between 2004 and 2007. In fact, relative to values in the 2004 survey, adjusted median net worth was 3.2 percent lower in 2008. In other words, consumers are financially less well off now than they were four to five years ago.

The housing market's decline has had a significant impact on the overall economy. Credit tightening has reduced credit availability for many consumers and businesses. Unemployment has risen.<sup>5</sup> As consumers tapped their lines of credit to help make ends meet, revolving consumer debt grew 9 percent across 2007 and 2008.<sup>6</sup> During those two years, delinquency rates on credit cards rose from 3.9 percent to 5.6 percent while charge-offs rose from 3.9 percent to 6.2 percent.<sup>7</sup>

Even financially savvy consumers are challenged in this difficult economic environment. Consumers with lower levels of financial capability--whether because of lower income, assets, or understanding--clearly need help to maintain and improve their finances. For financial

<sup>1</sup> <http://www.mbaa.org/ResearchandForecasts>

<sup>2</sup> <http://www.federalreserve.gov/releases/chargeoff/default.htm>

<sup>3</sup> <http://www.realtytrac.com/foreclosure/foreclosure-rates.html>

<sup>4</sup> <http://www.zillow.com/reports/RealEstateMarketReports.htm>

<sup>5</sup> The national unemployment rate is 8.5 percent, but as high as 11.2 to 12.6 percent in California, South Carolina, Oregon, and Michigan.

<sup>6</sup> <http://www.federalreserve.gov/releases/g19/current/g19.htm>

<sup>7</sup> <http://www.federalreserve.gov/releases/chargeoff/>

educators, these circumstances represent a “teachable moment.” For the Federal Reserve, this is an opportunity to reach consumers with important messages regarding the financial decisions they face, and we have significantly expanded our outreach efforts in response to these economic conditions. Given the current circumstances, consumers require reliable financial information, clear and meaningful disclosures, and regulations to protect them from potential financial harm.

#### **Raising Awareness and Providing Tools**

One of the most important roles the Federal Reserve plays is to make consumers aware of emerging issues and trends in the financial marketplace and to help them understand how those trends will affect them personally. An example of this type of financial education is our contract with a distributor of brief consumer news stories, in print and radio format, to daily and weekly media subscribers. We have used this approach for several years and have found it to be an effective means of directing consumers to our website ([www.federalreserve.gov](http://www.federalreserve.gov)) for more information and resources. For example, a recent article on tips for protecting homeowners from foreclosure appeared in 398 newspapers in 26 states. Another article on refinancing mortgages appeared in 444 newspapers in 22 states. Audience penetration for these articles is estimated at 44.6 million and 45.4 million, respectively.

This spring, in response to the increasing number of foreclosure rescue scams identified by our non-profit partners, the Federal Reserve Board took the unusual step of purchasing 30-second advertisements in movie theaters to raise awareness of these scams and other fraudulent consumer “help.” The advertisements, which played before movie previews in 14 cities with high foreclosure rates across the country, warn consumers about foreclosure scams and direct them to our website for tips on avoiding fraud and for information about other resources

available to them through the Federal Reserve System.<sup>8</sup> Perhaps even more effective than the advertisements themselves was the coverage that the Federal Reserve received for this effort. Several major newspapers, wire services, and radio and television news programs reported on the movie theater outreach, further extending the reach of our message and raising public awareness of this critical issue.<sup>9</sup>

The Board also has a history of identifying strategic partnerships to enhance our consumer outreach. For example, we are working to expand consumer awareness of foreclosure scams through a partnership with NeighborWorks America and the Conference of State Bank Supervisors (CSBS). The Federal Reserve Board and the Federal Reserve Banks also continue to partner with the “America Saves” program, the American Savings Education Council, Operation Hope, the “Bank On” program, and the Jump\$tart Coalition for Personal Financial Literacy to promote financial education and asset-building strategies.

In addition to the consumer information that Congress has mandated the Federal Reserve to provide to consumers, such as the *Consumer Handbook on Adjustable Rate Mortgages* and *What You Should Know about Home Equity Lines of Credit*, the Board has also developed calculators to help consumers explore mortgage choices and mortgage refinancing.<sup>10</sup> Two weeks ago, we launched English and Spanish versions of our credit card repayment calculator, which allows consumers to estimate how long it will take to pay off their credit card bills if they only make minimum payments. Consumers can also estimate the monthly payments needed to pay off a balance in a specific number of years or the amount of time it will take to pay off their

<sup>8</sup> <http://www.federalreserveeducation.org/pfed/mediakit.cfm> and <http://www.federalreserve.gov/consumerinfo/foreclosure.htm>

<sup>9</sup> Press coverage included: Wall Street Journal: <http://onlinewsj.com/article/SB123801611159052151.html>  
Orlando Sentinel: [http://www.orlandosentinel.com/topic/dp-biz\\_singular\\_0409apr09.0.934880\\_story](http://www.orlandosentinel.com/topic/dp-biz_singular_0409apr09.0.934880_story)  
CNN: <http://tips.blogs.cnn.com/2009/04/06/avoiding-mortgage-fraud/>  
CNBC: <http://www.msnbc.msn.com/id/29944825/>

Variety: <http://www.variety.com/article/VR1118001756.html?categoryid=3284&cs=1>

<sup>10</sup> <http://www.federalreserve.gov/apps/mortcalc/> and <http://www.federalreserve.gov/pubs/refinancings/default.htm>

balance if they pay a specific amount each month.<sup>11</sup> The calculators are available via a toll-free number, (888) 445-4801, and on the Board's website.

#### **Building Capacity Among Educators and Practitioners**

While we work diligently to enhance consumer awareness and provide useful financial tools and information, the Federal Reserve is aware that some consumers would benefit from a more structured approach to learning how to make sound and informed choices in the financial marketplace. And sometimes they need coaching, advice, or counseling to help them develop and implement a personal financial plan. The Federal Reserve is committed to empowering consumers and increasing their financial capability by building the capacity of financial educators in schools and community-based organizations.

Across the Federal Reserve System, we host teacher-education workshops for kindergarten through grade 12 teachers. These efforts focus on activity-based constructivist learning approaches, such as computer games, in contrast to more traditional information transfer education models. Our goals are to incorporate more experiential learning and to foster the development of critical thinking and problem-solving skills.

We also host training workshops and conferences for community-based educators working with young adult and adult learners. These events provide updates on emerging issues and resources, as well as ideas for outreach via social media. While many of these are face-to-face sessions, we have also used webinars, online training, and other distance-learning strategies to reach audiences that may not be able to travel to conferences or meetings.

Our support of education and capacity building goes beyond these train-the-trainer efforts. Many Reserve Bank staff members serve as key members of local Jump\$tart coalitions that encourage states and localities to set standards of learning that include financial

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<sup>11</sup> <http://www.federalreserve.gov/creditcardcalculator/>

decisionmaking skills. Board staff also serves on the advisory council for NeighborWorks America's Center for Homeownership Education and Counseling (NCHCEC), which has developed industry standards for quality homeownership education and counseling, including foreclosure mitigation counseling. NCHCEC certifies nonprofit organizations as well as individual counselors. The Appendix to my statement provides a sampling of the numerous other Federal Reserve activities related to financial education and capacity building.

At the same time that we work to make sure that quality financial information reaches consumers, the Federal Reserve System is evaluating the impacts of financial education in an effort to better understand what approaches work the best. For example, Board staff, working with the Department of Defense, Army Emergency Relief, and San Diego City College, conducted a longitudinal study involving two groups of soldiers--one receiving a two-day financial education course as part of their advanced individualized training, and a second comparison group that did not receive any financial education. Compared with those in the comparison group, soldiers who took the financial education course were more likely to engage in positive financial behaviors (such as saving regularly, participating more in the Thrift Savings Plan or other retirement savings programs, paying off their credit card bills in full, and having a longer planning horizon) and were less likely to engage in negative behaviors (such as having to pay overdraft fees and paying bills late).<sup>12</sup>

Research on the effectiveness of homeownership education and counseling is currently being conducted by the Federal Reserve Bank of Philadelphia. In addition to research conducted by Federal Reserve staff, the System promotes research on consumer issues through its biennial Community Affairs Research Conference. Our most recent conference, held earlier this month, featured papers on the effectiveness of financial education on financial market participation in

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<sup>12</sup> see <http://www.kansascityfed.org/carc2009/papers.cfm##>

addition to several papers that examined consumer behavior related to mortgage and credit card products.<sup>13</sup>

#### **Developing Consumer-tested Disclosures**

Clear and well-organized disclosures can help consumers, including the best informed, to make good choices among financial products. The Federal Reserve Board has a number of statutory responsibilities with respect to writing rules for consumer disclosures. We take these responsibilities very seriously. In the past year or so, we have developed extensive new disclosures for a variety of financial products, most notably credit cards, and we are currently in the midst of a major overhaul of mortgage disclosures.

To ensure that new disclosures are useful to consumers, we have increased our use of consumer testing. Exploring how consumers process information and come to understand--or sometimes misunderstand--important features of financial products has proven eye-opening. We have used what we learned from consumer testing to improve our required disclosures. For example, our recently released rules on credit card disclosures require certain key terms to be included in a conspicuous table provided at account opening because our field testing indicated that consumers were often already familiar with and able to interpret such tables on applications and solicitations, but were unlikely to read densely written account agreements.

We continue to use qualitative cognitive testing with individuals to help us develop clear disclosures and quantitative validation testing to assure the new disclosures represent an improvement over those currently existing in the marketplace. We are also learning from the field of behavioral economics as we continue to explore ways to provide disclosures that consumers will pay attention to, comprehend, and use in their decisionmaking.

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<sup>13</sup> <http://www.kansascityfed.org/carc2009/papers.cfm##>

**Writing Regulations to Curb Unfair and Deceptive Practices**

As I indicated earlier, we believe that financially educated consumers are an important line of defense in well-functioning markets. At the same time, because of the complexity of certain products and terms, it may be difficult for consumers to weigh their costs and benefits or make informed choices. Some products posing a high degree of risk to consumers, especially those targeted at vulnerable populations, are often offered through aggressive or misleading marketing. Thus, there remains a need for effective regulation and enforcement that are responsive to market changes and that protect consumers from unscrupulous players.

Our consumer testing efforts have taught us that even the best disclosures do not offer the best protection to consumers in all cases. Our testing shows that some aspects of increasingly complex products simply cannot be fully understood or evaluated by consumers, no matter how well-educated the consumer or how clear the disclosure. In those cases, direct regulation, including the prohibition of certain practices, is necessary. An example from our recent rulemaking was the allocation of payments by credit card issuers. When creditors charge different interest rates for purchases, cash advances, and balance transfers, they can increase their revenues through their payment allocation policies. For example, a consumer might be charged 12 percent on purchases but 20 percent for cash advances. Under the old rules, if the consumer made a payment greater than the minimum required payment, most creditors would apply the payment to the purchase balance (the balance with the lower rate) thus extending the period that the consumer would be paying the higher rate. Under these circumstances, the consumer is effectively prevented from paying off the cash advance balance unless the purchase balance is first paid in full.

To help consumers understand this practice and its implications, we used an iterative process to design model disclosures that were intended to inform consumers about payment allocation practices. Extensive testing indicated that, when asked to review and interpret our best attempts at clear disclosures, many consumers still did not understand the payment allocation practices well enough to make informed decisions. Given the inability of any disclosure to adequately convey the costs of these payment allocations and because the allocation methods used by creditors were structured to produce the maximum cost to the consumer, the Board's new rules limit the discretion of creditors in allocating consumers' payments. The Board also banned "double-cycle billing," a practice by which a bank calculates interest based not only on the current balance, but also on the prior month's balance, on similar grounds; we found from testing that the complexity of this billing method served only to reduce transparency to the consumer without producing any reasonable benefit. These actions were part of the most comprehensive change to credit card regulations ever adopted by the Federal Reserve Board.<sup>14</sup>

Similar issues have arisen in the mortgage arena, where many of the poor underwriting practices in the subprime market had potentially unfair and deceptive features.<sup>15</sup> For example, the failure to require escrow accounts for homeowners' insurance and property taxes in many cases led borrowers to underestimate the costs of homeownership. The Federal Reserve restricted this practice and others through new rules released in July 2008.

By using a variety of strategies to address the continuum of consumer needs--from making consumers aware of an issue, to providing reliable information and clear disclosures that allow a meaningful evaluation of financial choices, to prohibiting certain egregious products and

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<sup>14</sup> <http://www.federalreserve.gov/newsevents/press/bcreg/20081218a.htm>

<sup>15</sup> <http://www.federalreserve.gov/newsevents/press/bcreg/20080714a.htm>

practices--the Federal Reserve can empower consumers to make informed financial decisions. In so doing, we aim to promote the economic well-being of consumers and their families.

**Broader Efforts in Support of Financial Education**

In addition to the Federal Reserve's efforts to promote consumer education and protection, we have supported the Financial Literacy and Education Commission in meeting its mandates and implementing its national strategy. Since its inception in 2004, Board staff has served on the MyMoney.gov website working group and the national strategy working group. The Federal Reserve Board and the Reserve Banks have been engaged in many of the action items identified in the national strategy, including working with unbanked and underbanked audiences, improving access to financial services, developing a national financial capability research agenda, and encouraging global partnerships. We look forward to working with the new leadership at the Treasury Department and intend to continue to provide support for the national strategy.

Beyond work with FLEC, Federal Reserve Board staff has also been engaged with colleagues internationally. In particular, we have represented U.S. financial education efforts with the International Network for Financial Education sponsored by the Organization for Economic Cooperation and Development (OECD).<sup>16</sup> Federal Reserve Board staff serves on a subcommittee to create evaluation criteria that will allow cross-cultural comparisons of the impacts of financial education programs. Since 2002, the Federal Reserve Board has met with other international financial regulators to share best practices with respect to financial consumer protection and education issues. In these international settings, we have learned that while we are on the forefront of many consumer education and protection efforts, there is much that we can learn from others.

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<sup>16</sup> [http://www.financial-education.org/pages/0,3417,en\\_39665975\\_39666038\\_1\\_1\\_1\\_1\\_1,00.html](http://www.financial-education.org/pages/0,3417,en_39665975_39666038_1_1_1_1_1,00.html)

**Conclusion**

In summary, we believe that a comprehensive approach best enables consumers to function effectively in the financial services marketplace. By enhancing consumer awareness, by providing reliable information to help consumers understand financial products and services, by requiring meaningful and consumer-tested disclosures, and by prohibiting unfair and deceptive financial products and practices, we believe we can both protect consumers and help them to make informed financial decisions.

**Appendix**  
**Recent Federal Reserve System Financial Education Initiatives**

**Federal Reserve Bank of Boston**

The Reserve Bank produced the video *Lessons from a Storm*, based on case studies from Hurricane Katrina. The video depicts the advantages of having a bank account for families trying to reestablish a firm financial footing (<http://www.bos.frb.org/consumer/lessons-from-a-storm/index.htm>). The Community Affairs group has also raised awareness in their region of successful “Bank On” efforts and initiatives targeted at immigrant families. Reserve Bank staff works with Harvard University faculty on a project during income tax season to apply behavioral economics principles to help low-to-moderate income families save.

Bank staff created two new interactive education programs, *Consumer Savvy* and *Teens and Credit* for community and school groups; they also conduct teacher workshops. The Bank hosts the LifeSmarts competition for the state of Massachusetts and supports this competition in other New England states, including the successful launch of JV LifeSmarts for middle school students in cooperation with the Citizen Schools partnership. The Bank created and hosts the Reserve Cup Challenge that brings together high school teams from across New England states to compete. The Bank offers a 10-unit financial capacity apprenticeship, *Let's Talk about College* and hosts *Kids Invest! WOW* as part of an after-school and extended-day program. They collaborate with the Massachusetts Council for Economic Education in the provision of the Economics Challenge and the Financial Challenge for New England states.

The Bank created and hosts the New England Youth Financial Education Forum bringing together financial education stakeholders from each of the six New England states. The advisory group includes representatives from the states' Departments of Education, Consumer Affairs, and Treasury offices as well as directors of the state affiliates of the Jump\$Start Coalition and the Council for Economic Education, university professors, and other state officials.

In collaboration with the Museum of African American History, the Bank has created the Black Entrepreneurs of the 18<sup>th</sup> and 19<sup>th</sup> Centuries exhibit that is being hosted both at the Bank and at the Museum. The exhibit focuses on the role of entrepreneurs in the economy and highlights the lives, challenges, and contributions of over 60 black entrepreneurs in selected industries.

**Federal Reserve Bank of New York**

The New York Fed has been proactively involved in economic and financial capability programs for students and teachers, from elementary school through college, for many years. The elementary school program, *It's All about Your \$*, is a part of the Jr. Fed Club that includes hands-on activities for students and a savings pledge. The High School Fed Challenge has more than 100 high school teams competing for the district championship; the winner competes in the national finals at the Board of Governors. Staff is developing the Fed Challenge Online, an e-learning site for high school students and teachers to learn about macroeconomics and monetary policy.

Reserve Bank staff works with Sagrada Corazon University in Puerto Rico on the Economic and Financial Educational Alliance of Puerto Rico, providing teacher training for high school economics teachers and a local economics contest for high school students focusing on local economic issues.

Staff provides two continuing education programs for high school teachers: *In the Shoes of a Fed Policy Maker* and *Global Economic Forum*. These three-day summer programs are designed to help teachers more effectively incorporate economics into their classroom. The Bank also hosts a symposium for two- and four-year college professors; *The Federal Reserve in the 21<sup>st</sup> Century* features a day on Fed Basics and another on current topics presented by Federal Reserve Bank of New York research economists. This year, the second day focused entirely on the recent financial market crisis and Fed response.

To facilitate understanding and monitoring of consumer credit issues, the Bank's public website provides timely, detailed geographic information on delinquencies of bank credit cards and mortgages through a set of dynamic maps (<http://www.newyorkfed.org/regional/subprime.html>). Staff continues to develop features for the site, including adding data on auto loans and more detailed information on all mortgages at the state, county, and zip code level.

Staff is creating a simple communications tool to aid low-income potential homebuyers. To retain homebuyers as homeowners, staff has created a series of flyers, customized by region, to enable borrowers to find free and reliable foreclosure prevention resources, available on the website (<http://www.newyorkfed.org/regional/commdev.html>). In addition, staff created a "spot a scam" checklist to supplement the Foreclosure Prevention Flyers.

To build and expand educational capacity in the region, staff works with key stakeholders, including the Community Bankers, HopeNow Alliance, other federal and state banking regulatory agencies, and a range of community leaders and helps professionals across the region. In addition to conferences and training sessions, staff participated in borrower fairs and events that offered assistance to distressed homeowners looking for solutions to their mortgage-related troubles. Last year, home borrower fairs in Brooklyn, New York; Newark, New Jersey; and Westbury, Long Island helped about 700 home borrowers. This year, the HopeNow Home Preservation Forum, held in Newark with the New Jersey Department of Banking and Insurance, attracted 904 families to the half-day event compared with 193 families in 2008.

To develop capacity in the legal community, the Reserve Bank's Legal group formed the Lawyers' Foreclosure Intervention Network (LFIN), a pro bono pilot program cosponsored by the City Bar Justice Center. LFIN marshals the resources of New York City's legal community to assist New Yorkers facing the prospect of foreclosure.

#### **Federal Reserve Bank of Philadelphia**

The Federal Reserve Bank of Philadelphia is conducting a long-term experimental-design study of the effectiveness of pre-purchase homeownership counseling on consumer credit behavior and homeownership outcomes with the assistance of the Consumer Credit Counseling

Service of Delaware Valley (CCCSDV) and Abt Associates, Inc. A major emphasis is on the financial behavior of participants *after* they become homeowners. Many homebuyers experience the greatest frequency of problems in the third or fourth year of their mortgage loan, including falling prey to unscrupulous lenders when refinancing and mortgage default. The study recently completed the process of recruiting program participants and is completing the first-year follow-up interviews.

The Community Affairs department holds three meetings annually and participates on the steering committee for the Financial Education Network of Southeastern Pennsylvania. This group provides training and professional development to nonprofits, housing counselors, community banking lenders, credit unions, and others who work to enhance the financial capacity of the low- and moderate-income population and others. Recent topics have included state, local, and national foreclosure prevention programs such as FHA Secure, Hope for Homeowners, Philadelphia's Residential Mortgage Foreclosure Diversion Program, and the HopeNow Alliance.

The Reserve Bank has been active in cautioning consumers about foreclosure avoidance scams. Bank staff also participated in the Consumer Information Fair sponsored by the Pennsylvania Office of the Attorney General during National Consumer Protection Week.

The Federal Reserve Bank of Philadelphia continues to train and provide materials to high school teachers to teach the *Keys to Financial Success* personal finance course. About 70 schools offer the course to between 2,000 and 3,000 students per semester. An additional 15 to 20 teachers will be trained this summer. In March, Bank staff trained 34 elementary school teachers in the *Money Matters for Kids* program, a personal finance curriculum. This program incorporates active- and collaborative-learning teaching methods in response to economic education research that shows teaching personal finance needs to be incorporated from kindergarten through grade 12, as in other disciplines such as reading and mathematics, in order to be most effective. This program will be offered as a one-day program along with the *Personal Finance for the Middle School Classroom* course aimed at teachers in grades 6 to 8. Staff also hosted a delegation from the Russian Federation on a study tour to learn more about how personal financial education is implemented in the United States.

#### **Federal Reserve Bank of Cleveland**

Reserve Bank staff has been active supporters of the America Saves program from the launch of the pilot program in Cleveland almost ten years ago. Since then, they have conducted surveys of practitioners, convened regional consortia, hosted conferences, and currently advise the Northeast Ohio Consortia for Financial Success. Bank staff provided advice to help launch Pittsburgh Saves in Southwestern PA as a program of the Southwestern Pennsylvania Financial Education Consortium. Staff also advises the Northeast Ohio Coalition for Financial Success, an organization comprising local government, universities, banks, and financial education providers to promote greater awareness of and access to existing resources. The group's tagline is "Build your financial knowledge one step at a time."

With the goal of improving financial stability for individuals and families in Greater Cincinnati, the Cincinnati Branch of the Federal Reserve Bank of Cleveland is working in partnership with the mayors of Cincinnati, Covington, and Newport to launch Bank On Greater Cincinnati in order to connect Greater Cincinnati residents with mainstream financial services. The Federal Reserve Bank of Cleveland has collaborative relationships with the United Way of Greater Cincinnati, the Southwestern PA Financial Education Consortium, Treasury Retail Securities, NeighborWorks Western Pennsylvania, and the Internal Revenue Service (IRS) Volunteer Income Tax Assistance program.

In 2008, the Office of Community Development hosted a research seminar on financial education. Researchers and practitioners shared their perspectives and knowledge regarding financial literacy, impact measures of various programs, and the role of financial education as part of a broader set of policies aimed at enabling financial capability in low- and moderate-income communities. As a result of this seminar, the Bank commissioned a white paper on financial education programs (<http://www.clevelandfed.org/research/workpaper/2008/wp0803.pdf>) and hosted a policy summit on the effectiveness of financial education efforts ([http://www.clevelandfed.org/our\\_region/community\\_development/events/policy\\_summit/2008/index.cfm](http://www.clevelandfed.org/our_region/community_development/events/policy_summit/2008/index.cfm)).

The Cleveland Reserve Bank recently launched a new exhibit in their Learning Center and Money Museum, "Power to the People: Regulation and Change." The exhibit introduces community audiences to the regulatory process and the consumer's role in regulatory reform. The exhibit is intended to encourage community dialogue to foster greater public understanding of the Federal Reserve. The exhibit and the program messages regarding consumer education, financial education, and regulatory reform are available to community groups and to other Reserve Banks for use in their outreach efforts. Other Learning Center programs include lessons on critical thinking that are aligned with Ohio Board of Education standards. In addition to traditional student audiences, the Bank offers tailored financial education programs for organizations including Girl Scouts, NAACP, and the library system.

*Great Minds Think: A Kid's Guide to Money* is a self-directed financial education workbook, available in English and Spanish. It was developed in response to requests for resources to introduce financial education and critical thinking concepts to middle school audiences. After less than two years, the Reserve Bank has received requests for more than 89,000 copies from other Reserve Banks, government, financial, education, community groups, and families. Now in its sixth year, the Cleveland Fed's writing contest--Money, Money, Money--encourages high school students to think critically and creatively about financial decisions. Ongoing feedback from educators informs the structure of the annual contest.

#### **Federal Reserve Bank of Richmond**

Federal Reserve Bank staff has collaborated with the New Visions New Ventures Center for Asset Development and their individual development account program. They have also worked with the Jump\$tart affiliates in Virginia to present sessions on credit and mortgage markets in Virginia. Ongoing activities include partnerships with and serving on the board for

Jump\$tart, Junior Achievement, state Councils on Economic Education, and local organizations that promote and support financial literacy.

Outreach and education activities aimed at promoting financial capability include providing professional development and training opportunities for educators, developing and distributing curriculum and informational resources, building capacity for community based educators and organizations, and raising awareness about the importance of economic and financial education through partnerships.

Staff hosted a conference series, "Widespread Impact of Mortgage Foreclosures: From Credit Markets to Local Communities" in conjunction with universities to provide information on mortgage foreclosures nationally and locally. Economists and analysts presented insight into drivers that contributed to the problem, the subsequent disruption of the mortgage market, and the effects on communities. This conference reaches faculty, students, the general public, and local media.

The Bank hosted a professional development webinar series for teachers. The program included topics on housing finance, structured finance, and financial regulations followed by highlights of Federal Reserve resources for teaching personal finance and economics.

With the Virginia and North Carolina Bankers' Associations, staff conducted four sessions of Back to School, a one-day workshop to prepare bankers to conduct classroom visits. The program is designed to provide bankers with instructional techniques, resources, and content information on relevant topics in the K-12 curriculum; 100 bankers conducted multiple classroom visits across Virginia and North Carolina.

The Reserve Bank hosted foreclosure prevention training for housing counselors in Virginia and assisted in building the capacity of the housing counseling network that serves North Carolina and South Carolina.

Staff serves on the Maryland Fraud Prevention Task Force, helping to determine what information to disseminate to help consumers avoid foreclosure scams in Maryland and to identify the enforcement remedies available.

The Baltimore Branch staff co-sponsored Maryland's Personal Finance Challenge in partnership with the Consumer Credit Counseling Service of Maryland, the Maryland Coalition of Financial Literacy, and the Council on Economic Education in Maryland. Charlotte Branch staff participated in Financial Literacy Day held at the General Assembly in Raleigh, North Carolina to kick off Financial Literacy Month.

#### **Federal Reserve Bank of Atlanta**

The Federal Reserve Bank of Atlanta and the Federal Deposit Insurance Corporation's (FDIC) Atlanta Regional Office have partnered to develop a financial planning curriculum that serves as an enhancement to the FDIC's existing *MoneySmart Financial Education* curriculum. The topics include financial services and products that promote lifelong financial stability, such as the fundamentals of financial planning, saving for education, insurance planning, retirement

planning, estate planning, income taxes, and investment planning. Staff also conducts train-the-trainer events using the *MoneySmart* curriculum.

Staff from the Atlanta Reserve Bank serves on the taskforce for the Bank On Savannah initiative to increase financial access for unbanked individuals. Additionally, Reserve Bank staff participated in the HopeNow Foreclosure Workout event hosted in Atlanta, Georgia. The Atlanta Reserve Bank provided information on foreclosure prevention options, on foreclosure prevention taskforce partners and resources, and on how to recognize foreclosure rescue scams.

Staff supports very active Jump\$tart Coalitions in Georgia, Louisiana, Florida, Alabama, and Tennessee. The Tennessee coalition, with leadership from the Nashville Branch staff, was recognized by National Jump\$tart as the 2009 State Coalition of the Year. In Tennessee, largely because of the work of the state Jump\$tart Coalition, financial education will be a mandatory class for high school students in order to graduate, beginning in 2010. The Nashville Branch has been designated as one of eight organizations certified to provide the required 14-hour training necessary for educators to teach the course. Staff in the New Orleans branch provides an intensive summer teacher training program that incorporates personal financial literacy concepts into the school system's free enterprise class, which is required for graduation. The Atlanta Fed is closely involved with the Georgia Consortium for Personal Financial Literacy, which is the Georgia affiliate of Jump\$tart. In Florida, the Coalition has received funding to provide mini-grants for teacher training and participates in the American Bankers Association's (ABA) Teach Children to Save Day.

The Community Affairs staff is active in the many regional asset-building programs throughout the District to promote asset building and preservation through free tax preparation, financial education, savings programs, and foreclosure mitigation. In Tennessee, asset-building programs are available through the free tax sites, including access to Department of Human Services benefits screening, access to a free "second chance" savings or checking accounts through the SavingsPoint initiative, and access to free one-on-one financial coaching.

Community Affairs is active throughout the District in foreclosure prevention and mitigation including partnering with the HopeNow Alliance, working with local congressional staff to put together foreclosure mitigation events, and convening local and regional task forces for foreclosure mitigation and prevention.

In Louisiana and Mississippi, Community Affairs participates in programs to educate and inform communities about rising mortgage defaults and high-risk markets and trying to combat foreclosure prevention scams. In Florida, a series of *MoneySmart* Train-the-Trainer workshops has been conducted for students at St. Thomas University School of Law. As part of this program, third-year law students were also trained in foreclosure counseling and will do pro bono financial education and foreclosure counseling in the community. In South Florida, Community Affairs has been working very closely with the U.S. Southern Command Office of Family Support to provide mortgage financing information and foreclosure mitigation alternatives specifically for military personnel and federal employees. In this effort, partnerships have been developed with the Departments of Housing and Urban Development and Veterans Affairs to discuss alternatives and services available specifically to active military and veterans.

Also, Community Affairs is working with the Mexican Institute for Mexicans Abroad to train representatives from the Mexican Consulate and other community-based organizations that serve the Mexican immigrant population.

Community Affairs is also working with the Bank On Cities program in Georgia, Tennessee, Louisiana, and Florida. In Georgia, Bank on Savannah has just launched its initiative. In Louisiana, Community Affairs is cooperating to launch a Bank On initiative modeled on Bank On San Francisco in Baton Rouge and Houma/Terrebonne parish with government leadership. In Tennessee, Community Affairs staff is working with the City of Nashville in the very early stages of exploring a Bank On campaign. In Florida, Community Affairs staff is working with the City of St. Petersburg to launch the Bank On St. Petersburg. This city has been selected as one of eight cities in the nation to be awarded a technical assistance grant from the National League of Cities for their Bank On program. Additionally, the Jacksonville area is part of the Treasury's Community Financial Access Pilot Program and Community Affairs has played a key role in convening the community around this initiative.

Additionally, Community Affairs has developed a Disaster Preparedness Center website to assist in financial preparedness and recovery. Small business financial education is also being developed. Branch staff continues to use the convening power of the Federal Reserve to reach out to diverse groups in order to develop partnerships and collaborations around the area of financial stability.

Staff interacted with over 7,300 middle school and high school teachers, with intensive workshop presentations focusing on economic education and financial literacy, and an additional 5,000 teachers with presentations at conferences.

As part of a major initiative to assess the effectiveness of economic education programs, the Atlanta Fed is partnering with the St. Louis Fed to establish standards for economic education and personal finance programs. These standards will cover a wide range of key financial knowledge targets for middle and high school students and will provide a basis for ensuring consistency and measuring the effectiveness of our economic and financial education programs.

The Miami Branch education staff delivered a *Building Wealth* teacher workshop for 50 teachers, featuring the Dallas Fed's personal finance curriculum. They also delivered a "Fed Boot Camp for Academy of Finance (AOF) Teachers" workshop. This workshop sought to familiarize AOF teachers with the Fed's history, functions, and educational resources. Personal finance publications were provided as part of the educational resources featured.

In Alabama, Community Affairs plays a lead role in the Alabama Asset Building Coalition. Birmingham branch staffers serve on the steering committee for the College Access Challenge Grant Program (CACGP), awarded to the Alabama Department of Education by the U.S. Department of Education. This grant program aims to significantly increase the percentage of Alabama's qualified underrepresented students that complete the student aid application, enroll in college, and receive a degree. The steering committee has incorporated a student loan

awareness component that educates participants on the types of loans and the benefits or drawbacks of each.

#### **Federal Reserve Bank of Chicago**

Since its inception in 2002, the Federal Reserve Bank of Chicago's Money Smart Week has grown to include more than 20 cities and all five states within the Chicago Fed's district of Illinois, Indiana, Iowa, Michigan, and Wisconsin as well as several cities outside of the district ([http://www.chicagofed.org/education/msw/msw\\_index.cfm](http://www.chicagofed.org/education/msw/msw_index.cfm)). Each year, hundreds of educational classes and activities are offered through these campaigns and tens of thousands of consumers participate. Local financial institutions, nonprofits, government, schools, and libraries work together to promote and offer the many educational resources available to the community. During the designated week, participating organizations are asked to "do what they do already," whether that means their monthly home buying 101 class or annual financial literacy fair. It is the Chicago Fed's belief that well-informed consumers are more likely to make better financial decisions to the benefit of the consumer and possibly the economy overall.

Examples of Money Smart Week events in the past year include activities at Northern Michigan University, helping students learn more about avoiding debt, saving and investing, and the economic stimulus package. Part of the Money Smart Week activities in Detroit included the launch of Bank On Detroit in partnership with the AARP Foundation and their Michigan state affiliate office. Additionally, the Reserve Bank hosted their third annual financial literacy summit (<http://www.practicalmoneyskills.com/summit2009/>).

The Reserve Bank hosted a conference in the Quad Cities area of Iowa that explored the foreclosure situation. Speakers focused on counseling and mitigation programs, and financial literacy and education initiatives.

#### **Federal Reserve Bank of St. Louis**

Reserve Bank staff initiated a collaboration with the Securities Division of Missouri's Secretary of State, the Missouri Jump\$tart Coalition, United Way, and the Southern Indiana Asset Building Coalition, to explore having a Money Smart Week in the district. Many of these same partner agencies will also be collaborating on an asset-building and financial education statewide conference in the fall. Staff also met with the Missouri Community Betterment (MCB) Educational Fund, Inc. to explore working together on projects such as *Coming Up with the Money*, *Growing Entrepreneurs from the Ground Up*, *Get Checking*, *Money Smart*, and *It's Your Paycheck*.

*It's Your Paycheck* is a new nine-lesson curriculum that involves students in learning about wages and taxes, credit cards, payday loans, rent-to-own contracts, and check-cashing schemes. Other curricular resources include *Cards, Cars and Currency*, a five-lesson curriculum that focuses on purchasing a car, how small purchases can add up to one big problem and the costs and benefits of debit and credit cards. For the elementary schools (grades one through three), Reserve Bank staff produced *Piggy Bank Primer: Saving and Budgeting*. The Bank also provides basic economics and personal finance lessons, an eleven-lesson series for kindergarten

through grade five. Staff has trained more than 1,700 teachers, who in turn reach about 72,000 students.

For adult learners, the publication *Kids and Money* helps parents teach their school-age children how to manage money. *You've Earned It* explains how the Earned Income Tax Credit (EITC) works and how to find out if a family qualifies. Staff across the District (St. Louis, Memphis, Little Rock, and Louisville) provides advisory services to local individual development account (IDA) coalitions and collaboratives to link EITC benefits to IDAs. *Learn Before You Leap* promotes homebuyer counseling organizations within the district to encourage potential homebuyers to learn about the process and pitfalls before signing on the bottom line.

Across the district, the Reserve Bank hosted the kick-off for Exploring Innovation in Community Development Week in Louisville and sponsored United Housing's 7th Annual Housing Fair in Memphis. This fair was unique because it targeted not only the general market but also Memphis' growing immigrant community. The event showcased local lenders, real estate professionals and other housing related service providers and gave participants the opportunity to explore affordable lending products available in Memphis and Shelby County. The event's objective was to provide easy access to educational information and materials for homeownership to first-time homebuyers and existing homeowners. Staff across the district is also involved in foreclosure prevention, mitigation, and neighborhood stabilization efforts.

Reserve Bank staff is involved in the Community Financial Access Pilot (CFAP) program in St. Louis and the Mississippi Delta, two of the eight communities involved in the U.S. Department of the Treasury, Office of Financial Education's CFAP initiative. CFAP is designed to increase access to financial services and financial education for low- and moderate-income families and individuals. In addition, staff at the Louisville Branch provides technical assistance and advisory services to the Bank On Evansville, Indiana initiative regarding product development and regulatory issues. The branch hosted the first meeting to introduce the Bank-On initiative in Louisville.

#### **Federal Reserve Bank of Minneapolis**

Reserve Bank staff continues to provide leadership to the Minnesota, Montana, and North Dakota JumpStart Coalitions. They have worked with the Montana Financial Education Coalition, a JumpStart affiliate, to conduct a series of foreclosure workshops throughout the state. These workshops included presentations on the benefits of developing and adhering to a budget, including stories of how families with and without budget disciplines are experiencing the current housing situation. In North Dakota, Reserve Bank staff presented at the North Dakota JumpStart's annual conference and continue to provide technical assistance to the organization.

The partnership with and support of the Minnesota Council on Economic Education's *Personal Finance Decathlon* continues. The *Decathlon* challenges students to demonstrate their knowledge of personal finance and sound money management. Students in grades 7 through 12 compete in teams by taking an online test that covers 10 areas of personal finance. This preliminary round is followed by a face-to-face competition for the finalists.

The Bank recently contracted with an instructor to develop teaching resources for high school economics and personal finance utilizing articles that have been published in Reserve Bank publications. The articles that are relevant to EconomicsAmerica's 20 national standards are accompanied by a class supplement. Additional information is available at [http://www.minneapolisfed.org/community\\_education/teacher/supplements/index.cfm](http://www.minneapolisfed.org/community_education/teacher/supplements/index.cfm). Financial education resources for teachers are also available. An example of these resources includes *Our Money Curriculum Unit*, which provides the history of money and a teacher's guide.

#### **Federal Reserve Bank of Kansas City**

The Bank supports the development of original research and data tools that can be used by financial educators in program development, implementation, and evaluation. In the area of Financial Education in the Workplace, the Bank has published interim findings from a longitudinal study of the efficacy of financial education services provided within the workplace setting. A final evaluation and review is under way using data gathered from a broader set of employers. As part of the Oklahoma Asset Building Coalition, the Oklahoma City Branch is supporting the development of the Oklahoma Self-Sufficiency Standard. This tool provides county-by-county data on the income needed by different family compositions to be financially self-sufficient, which can be used to educate and counsel students and clients facing financial and career decisions.

The Reserve Bank regularly hosts conferences and trainings for educators and key stakeholders. The Denver office co-hosted the Third Annual Lt. Governor's Summit on Financial Education in Albuquerque, New Mexico. Over 400 people attended 17 diverse breakout sessions on various financial topics. The Bank is co-sponsoring the Financial Education Instructor Training for Native Communities, a comprehensive financial education instructor training for Native American communities, with the Oweesta Corporation on May 5-7, 2009, in Santa Ana Pueblo, New Mexico. This instructor training and certification program will help Native American organizations establish and sustain financial education programs in their communities. The Bank also hosts an annual statewide financial education conference for practitioners in Oklahoma in partnership with the Oklahoma JumpStart Coalition.

The Bank supports the formation and development of financial education coalitions throughout the District. In addition to providing organizational development and logistical support to coalitions, the Bank has replicated Money Smart Weeks in Kansas City, Colorado, Oklahoma, and Nebraska.

Developing resources for educators and students continues to be a focus for the District as well. Many new curriculum resources focus on elementary level educators and students, with the goal of filling a gap of available resources for this audience and reaching students with financial and economic concepts at a younger age. Bank staff developed *Fifty Nifty Econ Concept Cards* that can be used in a variety of ways in the elementary/middle school classroom, as well as role plays and games that reinforce personal finance concepts in a fun and interesting way. In addition, each of the four district offices has a traveling educational trunk at its disposal to share with classrooms across their zones, making Federal Reserve resources and education more accessible in the farther reaches of the District. Staff also developed resources for high

school age students to meet local needs, including teaching tips that tie to research published by economists in the District. All of these resources are shared by staff members with local educators and students through workshops, seminars, and conferences.

The Bank is actively involved in the development of local Bank On campaigns in Omaha and Denver. The Omaha office hosted a meeting of partners that resulted in the announcement of the Bank On the Metro campaign and creation of a steering group.

#### **Federal Reserve Bank of Dallas**

The Dallas Fed's Community Affairs' personal financial initiatives center on the Bank's publication, *Building Wealth, a Beginner's Guide to Securing Your Financial Future*, the Bank's most popular publication and the most frequently downloaded page from the Bank's website (<http://dallasfed.org/ca/wealth/index.cfm>). Staff provided training at the University of Texas at El Paso for students and adult members of the Las Comadres Para Las Americas, a social network of Latina professionals; the New Mexico Lt. Governor's Financial Education Summit in Albuquerque; the Houston Urban League's Young Professionals; the U.S. Department of Housing and Urban Development's Neighborhood Networks regional workshop; and the Texas Department of Banking in Houston.

Staff recently hosted the official kick-off for Bank On Houston, a collaborative effort to bring the city's unbanked individuals into the financial mainstream. Staff at the Houston branch participated on a panel for the Children's Defense Fund's Financial Literacy Workshop. Staff highlighted *Building Wealth* and made the CD-version available for the 120 attendees.

Reserve Bank staff is involved in foreclosure prevention activities throughout the District, providing information and resources to consumers, industry professionals, and nonprofit housing counseling staffs that are assisting consumers in mitigating foreclosure, in particular in the Dallas-Ft. Worth, Houston, and San Antonio areas.

MoneyWeek Houston, with more than 200 local partners, will coincide with National Financial Education Week, April 19-26, 2009. Youth are a particular focus; Reserve Bank staff will host over 100 teens from several area high schools in sessions about money, earnings, scams, and budgeting. Several banks and the FDIC will participate in the financial education sessions.

Reserve Bank staff coordinated employee events for National Consumer Protection Week. The purpose of these events was to raise awareness of Dallas Fed employees about financial education, identity theft, and fraud protection. Staff contacted the Texas State Securities Board for a speaker for a Lunch and Learn event that was held in Dallas, video-conferenced to the branches, and attended by 150 employees across the District. Staff obtained publications from the Federal Trade Commission for distribution at the event and set up a meeting room with computer workstations and printers and organized volunteers to assist employees in ordering their free annual credit reports.

Reserve Bank staff also provided training and professional development opportunities for teachers, including state and national professional development conferences for educators, Advanced Placement Summer Institutes for teachers, as well as student programs targeting diverse groups from at-risk students to those from suburban school districts. In response to teachers' feedback, the economic education staff developed *Building Wealth in the Classroom*, a collection of lesson plans specifically designed for adolescents. These lessons correlate with national and state personal finance standards.

Economic Education staff worked successfully with the Texas Education Association to have both *Building Wealth: A Beginner's Guide to Securing Your Financial Future* and *Building Wealth in the Classroom* approved as recommended personal finance publications that can be used to satisfy the Texas mandate requiring personal finance instruction in the high school economics class. In addition to the *Building Wealth* initiatives, the El Paso Branch offers a program, *Let's Talk About College: A Financial Perspective*. The program was originally developed by the Boston Fed and Citizen School to help urban-middle school children learn how to plan financially for college and in so doing develop personal finance skills. The curriculum has been customized for the El Paso branch. El Paso economic education staff offers a series of train-the-trainer workshops for teachers this summer, which will allow the program to be implemented across the area school district in the fall of 2009.

#### **Federal Reserve Bank of San Francisco**

The Federal Reserve Bank of San Francisco provided leadership for the first of what will become an annual week-long financial education campaign. Over 125 financial literacy events were held by over 20 different organizations throughout the metro area.

Staff convened a group of key stakeholders to initiate discussions for establishing a Hawaii JumpStart coalition. The 20 participants included representatives of local organizations involved in financial education and financial institutions. Staff also worked with college-bound juniors and seniors in East L.A. on the subject of personal financial literacy and the benefits of having banking relationships. The session was a function of the Youth Committee in the Alliance for Economic Inclusion.

Staff at the Los Angeles Branch led the "Four First Fridays" quarterly convening of the Los Angeles Asset Building Coalition. Guest speakers from an adult multi-language financial literacy program and financial institutions presented on what literacy is, how it is tracked, and examples of best practices. The discussion was part of a continuum of training for nonprofits in advance of the Bank On LA program roll-out in the spring of 2009. Reserve Bank staff also participated in the forum on "Immigrants in Our Midst: Cultural Understanding in Diagnostic and Immigration Issues," discussing challenges faced by immigrants within the financial services system and their need for financial literacy resources.

United States Government Accountability Office

**GAO**

Testimony

Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

For Release on Delivery  
Expected at 2:30 p.m. EDT  
Wednesday, April 29, 2009

**FINANCIAL LITERACY  
AND EDUCATION  
COMMISSION**

**Progress Made in Fostering  
Partnerships, but National  
Strategy Remains Largely  
Descriptive Rather Than  
Strategic**

Statement of Richard J. Hillman, Managing Director  
Financial Markets and Community Investment



GAO-09-638T

April 29, 2009



Highlights of GAO-09-638T, a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

### Why GAO Did This Study

In 2003, the Financial Literacy and Education Improvement Act created the Financial Literacy and Education Commission, which comprises 20 federal agencies and which the Department of the Treasury's (Treasury) Office of Financial Education coordinates. Responding to a mandate in the act, GAO assessed the Commission's effectiveness and in December 2006 recommended that the Commission (1) incorporate additional elements into its national strategy to help it serve as a true implementation plan, measure results, and ensure accountability; (2) expand current efforts to cultivate sustainable partnerships with states, localities, nonprofits, and private entities; (3) obtain independent reviewers for the required assessments of overlap in federal activities and the availability and impact of federal materials; and (4) measure customer satisfaction with its Web site and test its usability.

This statement discusses the Commission's progress in implementing GAO's recommendations and key challenges the Commission faces. To address these objectives, GAO reviewed annual reports, meeting minutes, budget, and other information from the Commission, Treasury, and related entities, and interviewed selected representatives.

View GAO-09-638T or key components. For more information, contact Richard J. Hillman at 202-512-9678 or hillmanr@gao.gov.

## FINANCIAL LITERACY AND EDUCATION COMMISSION

### Progress Made in Fostering Partnerships, but National Strategy Remains Largely Descriptive Rather Than Strategic

#### What GAO Found

The Financial Literacy and Education Commission has addressed some of GAO's recommendations and not others:

- *The National Strategy remains largely descriptive.* GAO's 2006 report noted that the Commission's National Strategy for Financial Literacy largely was descriptive rather than strategic, generally did not include a plan for implementation, and only partially addressed or defined elements such as performance measures, resource needs, and roles and responsibilities. Revisions to the strategy made since GAO's last report include new "calls to action," but do not represent a fundamental shift in approach that incorporates specific recommendations on roles, funding, and activities. As a result, the document still does not serve as a true functional strategy.
- *Progress has been made in fostering partnerships.* The creation of the National Financial Education Network, which focuses on the state and local level, and the President's Advisory Council on Financial Literacy, which focuses on the private and nonprofit sectors, has been a positive step toward developing mutually beneficial partnerships that are sustainable over the long term.
- *Independent reviews have been partially initiated.* Treasury has enlisted a volunteer doctoral student to conduct independent reviews on overlap of federal activities and availability of financial literacy materials, but the student will not assess the impact of the materials, as called for in the act. Treasury staff told GAO that they used a volunteer because they lacked the funds to hire a paid professional.
- *Commission has measured customer satisfaction with its Web site, but has not yet tested usability.* Responding to GAO's recommendation, the Commission conducted a survey of users of its MyMoney.gov Web site, although only 144 surveys were completed. The Commission has not conducted usability testing, a recommended best practice for federal public Web sites, although it says it is looking into doing so later this year.

One challenge faced by the Commission has been limited resources. It has no independent budget and Congress has not provided funds targeted to the Commission since 2005, although the Commission is able to draw upon some financial and in-kind resources from its member agencies. For the past several years, Treasury's Office of Financial Education has had about five staff members to conduct its own and Commission activities. The Commission's multiagency governance structure offers benefits—such as the ability to address crosscutting issues—but also is inherently challenging because it involves coordinating 20 individual federal agencies, each with its own set of interests, resources, and constituencies.

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Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to be here today to provide an update on the status of recommendations we made in our 2006 report that assessed the effectiveness of the Financial Literacy and Education Commission (Commission). The Commission comprises 20 federal agencies and was created in 2003 by the Financial Literacy and Education Improvement Act, which charged it with improving financial literacy and education through the development of a national strategy to promote them.<sup>1</sup> The act mandated that we assess the effectiveness of the Commission and in December 2006 we issued a report that included recommendations to the Commission related to its national strategy, Web site, reviews of federal activities, and development of partnerships.<sup>2</sup>

Today I will discuss (1) the Commission's and the Department of the Treasury's (Treasury) progress in implementing recommendations that we made in our 2006 report and (2) challenges the Commission and Treasury's Office of Financial Education (OFE) face in carrying out their missions.

To prepare this testimony, we reviewed materials that the Commission published since our last review, including its annual reports to Congress, updates and additions to its national strategy, and recent data on the usage of its Web site and telephone hotline. We also gathered and reviewed budget and staffing information for OFE and reviewed contracts and materials related to the office's multimedia campaigns. We reviewed the annual report and meeting minutes of the President's Advisory Council on Financial Literacy and the Web site, agendas, and meeting minutes of the National Financial Education Network. Finally, we interviewed Treasury staff and representatives of the President's Advisory Council on Financial Literacy and the National Financial Education Network. We conducted our work from March 2009 through April 2009 in accordance with generally accepted government auditing standards. Those standards require that we

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<sup>1</sup>The Financial Literacy and Education Improvement Act was Title V of the Fair and Accurate Credit Transactions Act of 2003, Pub. L. No. 108-159, Title V, 117 Stat. 2003 (2003) (codified at 20 U.S.C. §§ 9701-08). Hereafter, this statement refers to this act as the "Financial Literacy Act."

<sup>2</sup>GAO, *Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy*, GAO-07-100 (Washington, D.C.: Dec. 4, 2006). We also provided an update to this report in a 2007 testimony, *Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy*, GAO-07-777T (Washington, D.C.: Apr. 30, 2007).

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plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

Financial literacy can be described as the ability to make informed judgments and to take effective actions regarding the current and future use and management of money. It includes the ability to understand financial choices, plan for the future, spend wisely, and manage the challenges associated with life events such as a job loss, saving for retirement, or paying for a child's education. Several reports we have issued in the past few years highlight the need for financial literacy in the United States. For example:

- Last month we reported that the number of private defined benefit pension plans has declined substantially over the past two decades.<sup>3</sup> With more individuals being asked to take responsibility for saving for their own retirement, financial skills have become increasingly important in helping to ensure that retirees can enjoy a comfortable standard of living.
- Consumers' debt and investment options are increasingly numerous and complex and consumers have faced difficulty understanding the terms of mortgages and credit cards. For instance, interviews we conducted with 112 credit cardholders indicated that many failed to understand key aspects of their cards, including when they would be charged for late payments or what actions would cause issuers to raise rates.<sup>4</sup>
- Based on a survey of more than 1,500 consumers conducted for a 2005 report, we found that consumers understood the basics of credit reporting but were less aware of other important information, such as the impact of information contained in credit reports and how various behaviors impact credit scores.<sup>5</sup>

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<sup>3</sup>GAO, *Defined Benefit Pensions: Survey Results of the Nation's Largest Private Defined Benefit Plan Sponsors*, GAO-09-291 (Washington, D.C.: Mar. 30, 2009).

<sup>4</sup>GAO, *Credit Cards: Increased Complexity in Rates and Fees Heightens Need for More Effective Disclosures to Consumers*, GAO-06-929 (Washington, D.C.: Sept. 12, 2006).

<sup>5</sup>GAO, *Credit Reporting Literacy: Consumers Understood the Basics but Could Benefit from Targeted Educational Efforts*, GAO-05-223 (Washington, D.C.: Mar. 16, 2005).

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The Financial Literacy Act states that the Commission shall be composed of the Secretary of the Treasury and the heads of 19 other federal departments and agencies, and allows the President to appoint up to five additional members. The act requires the Commission to undertake certain activities, including (1) developing a national strategy to promote financial literacy and education for all Americans; (2) establishing a financial education Web site to provide information about federal financial literacy education programs and grants; (3) establishing a toll-free hotline; (4) identifying areas of overlap and duplication among federal activities and coordinating federal efforts to implement the national strategy; (5) assessing the availability, utilization, and impact of federal financial literacy and education materials; and (6) promoting partnerships among federal, state, and local governments, nonprofit organizations, and private enterprises. The act requires that the national strategy be reviewed and modified at least once a year. It also requires the Secretary of the Treasury to develop, implement, and pilot a national public service multimedia campaign to enhance the state of financial literacy and education in the United States. OFE provides primary support to the Commission and coordinates its efforts.

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**National Strategy Is Still Largely Descriptive, although the Commission Has Addressed Some Other GAO Recommendations**

Our 2006 report assessing the effectiveness of the Commission made several recommendations. We recommended that the Secretary of the Treasury, in concert with other agency representatives of the Commission, (1) incorporate into the national strategy additional elements to help ensure accountability and more effective results; (2) consider ways to expand upon current efforts to cultivate sustainable partnerships with nonprofit and private entities; (3) provide that the review of duplication and overlap and the evaluation of federal materials are independent and do not rely solely on agencies' self-assessments; and (4) conduct usability testing of and measure satisfaction with the My Money Web site. The Commission has addressed some of GAO's recommendations and not others.

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**National Strategy Remains Largely Descriptive Rather Than Strategic**

In 2006, we reported that the Commission's National Strategy for Financial Literacy was a useful first step in focusing attention on financial literacy but largely was descriptive rather than strategic. The strategy was comprehensive to the extent of discussing major issues and challenges in improving financial literacy and describing financial literacy initiatives in the government, nonprofit, and private sectors. However, its recommendations were presented as "calls to action" that generally did not include a plan for implementation, and the strategy only partially

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addressed or defined elements such as performance measures, resource needs, and roles and responsibilities that help make national strategies effective.

Our report recommended that the Secretary of the Treasury and other agency representatives of the Commission incorporate into the national strategy (1) a concrete definition for financial literacy and education; (2) clear, specific goals, performance measures, and benchmarks; (3) the actions needed to accomplish these goals; (4) a description of the resources required; and (5) a discussion of appropriate roles and responsibilities for federal agencies and others. The Commission has implemented the first of these recommendations. In its April 2007 report to Congress, the Commission provided definitions for “financial literacy” and “financial education” to help guide the scope of its work.<sup>4</sup> A Treasury official noted that other organizations, such as the President’s Advisory Council on Financial Literacy, have begun to use these definitions as well.

However, to date the Commission has not incorporated the other elements we recommended. The Commission updates the strategy annually and provides the revisions as an addendum to its annual report to Congress. For the most part, these revisions have consisted of newly developed “calls to action” and have not represented a fundamental shift in approach that incorporates specific recommendations on roles, funding, and activities.

For example, in general the strategy still neither sets clear and specific goals and subordinate objectives for what it seeks to achieve, nor does it set priorities or performance measures for assessing progress. Without performance measures or other evaluation mechanisms, the strategy lacks a good means of measuring its progress and holding relevant players accountable. Similarly, while the strategy discusses in general terms the types of resources that are available from different sectors, it still does not address fundamental questions about the level and type of resources that are needed to implement the national strategy. No cost estimate is provided either for the strategy as a whole or for specific initiatives or

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<sup>4</sup>The Commission defines financial literacy as “the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being” and defines financial education as “the process by which people improve their understanding of financial products, services, concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being.”

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activities. Without a clear description of resource needs, policymakers lack information helpful in allocating resources and directing the strategy's implementation. As a result of these factors, the National Strategy for Financial Literacy, while beneficial in some regards, still does not serve as a true functional "strategy"—a plan of action intended to achieve specifically stated goals.

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**Progress Has Been Made  
in Fostering Partnerships**

The Financial Literacy Act charged the Commission with promoting partnerships among federal agencies, state and local governments, nonprofit organizations, and private enterprises. In our 2006 report, we found that it had taken some helpful steps to promote partnerships, consisting mainly of outreach and publicity efforts, such as conducting speaking engagements and holding public meetings. To cultivate sustainable partnerships with nonprofit and private entities, in our 2006 report we recommended that the Commission consider additional ways that federal agencies could coordinate with private organizations that have wide networks of resources at the community level and facilitate the efforts of state and local governments to improve financial literacy.

**National Financial Education  
Network**

In response to our recommendation, the Commission created in April 2007 the National Financial Education Network to facilitate and advance financial education at the state and local level. Network members currently include more than 30 state agencies—such as the Alabama Securities Commission, Texas Department of Banking, and Wisconsin Office of Financial Literacy—and five local government agencies, such as the New York City Department of Consumer Affairs and the Seattle Housing Authority. More than 15 national organizations also are members, including the National League of Cities and the North American Securities Administrators Association.

The network's efforts include the following:

- *Development of a Web-based database to share information across entities.* The National Financial Education Network Database for State and Local Governments ([www.flecnationalnetwork.org](http://www.flecnationalnetwork.org)) was developed by the National Association of Government Defined Contribution Administrators in consultation with the network. The site largely consists of financial literacy materials developed by network members and is intended for other network members as well as the general public.

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- *Conferences to discuss ways of overcoming challenges.* The network has held two in-person meetings. The first such meeting, called the National Financial Education Network Summit, was held in Seattle, Washington, in October 2007 and hosted by three Washington-based organizations. It discussed common challenges facing financial literacy professionals. OFE hosted the second, which was held in Washington, D.C., in July 2008, and sought to develop recommendations for overcoming these challenges. Key topics included promoting financial education in the workplace, foreclosure prevention and asset preservation, and the advantages and disadvantages of mandating financial education in school curricula.
  - *Conducting conference calls.* The network has held quarterly conference calls, which usually include presentations by members and updates on the Web site database.

We believe that the Commission has taken a positive step in the creation of the National Financial Education Network. Our review indicates that the network has been a useful initial action to foster communication and collaboration among federal, state, and local entities that share the common goal of improving financial literacy. In particular, network representatives with whom we spoke felt that the network provided an opportunity for members to learn what other states and localities were doing and share best practices. At the same time, the National Financial Education Network is relatively new and remains a rather loosely structured enterprise. As the network progresses further, it could potentially benefit from a more structured approach. For example, representatives from two member organizations told us they believed the network could benefit from a clearer mission statement and membership criteria.

**President's Advisory Council  
on Financial Literacy**

The President's Advisory Council on Financial Literacy was created by executive order in January 2008.<sup>7</sup> The President and the Secretary of the Treasury tasked the council to work with the public and private sector to provide advice on ways to help increase financial education efforts for youths in school and for adults in the workplace, increase access to financial services, establish measures of national financial literacy, conduct research on financial knowledge, and help strengthen public and private-sector education programs. The council, which has a 2-year term, currently consists of 16 members who represent private corporations, nonprofit organizations, faith-based groups, state agencies, regulatory

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<sup>7</sup>Exec. Order No. 13455, 73 Fed. Reg. 4445 (Jan. 22, 2008).

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authorities, and academic institutions. During its first year, the council created five committees to focus on key areas of financial literacy: youth, the workplace, outreach, research, and underserved populations. The council receives some administrative support from OFE, although a council member and Treasury staff told us that most of the council's financial and administrative support has been provided by member organizations.

According to its 2008 annual report, the council implemented or began a number of initiatives in its first year, including the following:

- Partnered with the USA Freedom Corps (a White House initiative that seeks to foster a culture of citizenship, service, and responsibility) to create the President's Council Financial Literacy Corps, which provides a centralized resource for information on financial literacy volunteer opportunities;
- Collaborated with the U.S. Small Business Administration to establish the Office of Entrepreneurship Education, which provides entrepreneurial information and education, resources, and tools; and
- Hosted or participated in more than a dozen town hall meetings, roundtables, conferences and listening sessions, in which one or more council members met with local community, business, education, and nonprofit leaders to explore ways to enhance financial literacy in the community.

In addition, the council proposed recommendations for improving financial literacy, most of which were aimed at Congress or Treasury, and some of which were aimed at the private, nonprofit, academic, and state and local government sectors. The specific recommendations were organized around five general themes: (1) expanding and improving financial education for students from kindergarten through postsecondary education; (2) supporting the role of employers as providers and conduits of financial education to their employees; (3) increasing access to financial services for unbanked and underserved Americans; (4) identifying and promoting a standardized set of skills and behaviors that a financial

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education program should teach an individual; and (5) promoting more awareness of financial literacy and dedicating more resources to it.<sup>4</sup>

The council's term expires in January 2010. Thus far it appears that the council's efforts have been productive and beneficial, particularly in helping to focus high-level attention on financial literacy among leaders in nongovernmental sectors and in facilitating strategic alliances among federal, private, and nonprofit enterprises.

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**Commission Partially  
Initiated Our  
Recommendations for  
Independent Reviews of  
Federal Activities and  
Materials**

In 2006, we reported that the Commission had helped coordinate federal financial literacy efforts by bringing together federal agencies on a regular basis and centralizing information from multiple agencies through its Web site and hotline, among other efforts. We also reported that the Commission asked federal agencies to provide information about their financial literacy activities in order to meet the Financial Literacy Act's requirement that the Commission identify and propose means of eliminating areas of overlap and duplication. Based on the agencies' responses, the Commission concluded that these efforts had minimal overlap and duplication. Similarly, to meet a requirement that it assess the availability, utilization, and impact of federal financial literacy materials, the Commission asked each agency to evaluate the effectiveness of its own materials and programs. The Commission reported that each agency deemed its programs and resources to be effective and worthy of continuance.

Because these processes in both cases lacked the benefit of assessment by a disinterested party, we recommended that the Secretary of the Treasury and the Commission provide for an independent third party to review duplication and overlap among federal activities and the availability, utilization, and impact of federal financial literacy materials. In response to these recommendations, the Commission stated in its April 2007 and April 2008 reports to Congress that it would identify an independent party to conduct assessments of both of these matters, with the first of the independent reviews to be completed in 2009.

In late 2008, Treasury signed a volunteer service agreement with a doctoral student whose field of study includes program evaluation to collect,

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<sup>4</sup>Department of the Treasury, *President's Advisory Council on Financial Literacy: 2008 Annual Report to the President* (Washington, D.C., Jan. 6, 2009).

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analyze, and report available data on the availability and duplication of financial education resources that Commission agencies offered. According to Treasury staff, the final report of the doctoral candidate, who is doing the project as an unpaid volunteer, is expected in May 2009. The purpose of the evaluation is to determine the availability and duplication of program resources provided by Commission agencies. The evaluation will not address the provision of the mandate that calls for an assessment of the "impact" of federal financial literacy materials. Treasury staff told us they are using a doctoral candidate as a volunteer because they lacked the funds to hire a paid professional. They also noted that the Commission must depend on federal agencies to self-report their activities because the Commission lacks the resources to gather this information independently. As a result of these factors, the Commission will lack the full benefits of a professional assessment by a disinterested party, which could help facilitate efforts to ensure the most efficient and effective use of federal financial literacy resources.

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**Commission Measured  
Customer Satisfaction with  
Web Site, but Has Not Yet  
Tested Its Usability**

The Financial Literacy Act required the Commission to establish and maintain a Web site to serve as a clearinghouse and provide a coordinated point of entry for information about federal financial literacy and education programs, grants, and materials. In October 2004, the Commission launched the My Money Web site ([www.MyMoney.gov](http://www.MyMoney.gov)) in English- and Spanish- language versions. The site serves largely as a portal that consists of links to financial literacy and education Web sites that Commission member agencies maintain. From its inception through February 2009, the site received approximately 3,258,000 visits.<sup>9</sup> Usage has been increasing somewhat—for example, the site received an average of about 84,000 visits per month for the 6-month period ending February 2009, as compared with about 69,000 and 61,000 visits per month, respectively, for the 6-month periods ending March 2007 and September 2006.

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<sup>9</sup>A "visit" is defined as all the activity of one visitor to a Web site within a specified period, usually 30 minutes. Because federal government Web sites are generally prohibited from using "cookies" (small files stored on a visitor's computer that can contain identifying information about the visitor), the number of unique visitors to the My Money Web site cannot be counted. Thus, data on total number of visits do not represent the number of users who have visited the Web site because some users may visit the site multiple times. According to a General Services Administration official, because unique visitors cannot be counted, the best measure of the Web site's usage is number of visits.

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In our 2006 report, we noted that the My Money site had not incorporated certain best practices recommended for federal public Web sites—such as measuring customer satisfaction and testing for usability—to ensure that visitors are able to find information efficiently and effectively. We recommended that the Secretary of the Treasury and the Commission have the Commission's Web site subcommittee (1) measure customer satisfaction, using whatever tools deemed appropriate, such as online surveys, focus groups, and e-mail feedback forms; and (2) conduct usability testing to measure the quality of users' experiences with the Commission's Web site.

In its April 2007 and April 2008 reports to Congress, the Commission said that it would implement these two recommendations by the second quarter of 2009. From mid-September through mid-December 2008, the Commission measured customer satisfaction by using a Web-based survey accessible through a link on MyMoney.gov. The survey included 16 questions, some of which asked about characteristics of the user, such as age, race, and gender, and some of which asked for the user's impressions, complaints, and suggestions about the site. Few users completed the survey—144 surveys were completed for the approximately 240,000 site visits occurring during the 3 months that the survey was available. Results of the survey are still in the process of being analyzed and Treasury staff say they will use the findings to help improve the Web site. Finally, the Commission has not implemented usability testing but, according to Treasury staff, is looking into implementing such a test later this year.

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#### **Other Communications Initiatives Are In Place**

In addition to a Web site, the Financial Literacy Act also required that the Commission establish a toll-free telephone number for members of the public seeking information related to financial literacy. The Commission launched the hotline (1-888-MyMoney) in October 2004, and it serves as an order line for a free "tool kit" of publications. Usage of this hotline has been limited and does not appear to be increasing. According to data obtained from the General Services Administration (GSA), which administers the hotline, it received 513 calls in February 2009, as compared with 526 calls in March 2007, the last month for which we previously requested these data.

As part of the national strategy, the Financial Literacy Act also required the Secretary of the Treasury to develop, implement, and pilot a national

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public service multimedia campaign to enhance financial literacy in the United States.<sup>10</sup> In fiscal year 2005, the department obligated \$750,000 to support this campaign, and chose to focus on credit literacy among young adults.<sup>11</sup> The campaign was launched in September 2008 and has included television, radio, and Web banner advertising. It encourages young adults (ages 18-24) to develop better credit and spending habits and understand the consequences of developing bad credit. The campaign also features a new Web site, [www.controlyourcredit.gov](http://www.controlyourcredit.gov), where the audience can play an online game that emphasizes the importance of maintaining good credit. Elements of the public service announcements also are available in Spanish. The media have donated advertising time and space for the announcements through the Advertising Council.

In fiscal year 2008, an explanatory statement by the Chairman of the House Committee on Appropriations of the House of Representatives specified that OFE should spend at least \$200,000 for activities combating predatory lending and encouraging the use of mainstream financial services.<sup>12</sup> Some of this funding was used for personnel and travel costs, according to Treasury staff, but most of it went toward a \$155,000 contract that Treasury signed with a media agency in September 2008. The agency will conduct a media campaign through radio, print media, and text messages that is designed to help Americans understand various financial

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<sup>10</sup>20 U.S.C. § 9707.

<sup>11</sup>The Financial Literacy Act authorized to be appropriated \$3 million for the development, production, and distribution of the campaign for fiscal years 2004, 2005, and 2006. 20 U.S.C. § 9707(f). The conference report accompanying Treasury's fiscal year 2005, Departmental Offices, Salaries, and Expenses appropriation specified that \$1 million should be used to promote basic financial literacy and education. H.R. Conf. Rep. No. 108-792, at 1443 (2004). Treasury obligated \$750,000 to support the multimedia campaign conducted as part of the national strategy.

<sup>12</sup>153 Cong. Rec. H15741, H16048 (Dec. 17, 2007). No conference report accompanied the Consolidated Appropriations Act, 2008 (2008 Appropriation Act), Pub. L. No. 110-161. However, the Chairman of the Committee on Appropriations of the House of Representatives had printed an explanatory statement in the *Congressional Record*. Section 4 of the 2008 Appropriation Act states that this explanatory statement should be given the same effect with respect to the allocation of funds and implementation as if it were a joint explanatory statement of a committee of conference. While legislative history such as these statements and other congressional reports generally are not legally binding, they do provide informational guidance. See Congressional Research Service, *Earmarks Executive Order: Legal Issues* (RL34373) (February 13, 2008). In fiscal year 2009, additional monies were specified for financial education and combating predatory lending in a similar explanatory statement accompanying the Omnibus Appropriations Act, 2009, Pub. L. No. 111-8. See 156 Cong. Rec. H1653, H1988 (Feb. 23, 2009).

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products and services and avoid predatory practices or detrimental financial products. The text message campaign is under way and the other aspects of the campaign are scheduled to begin in the near future, according to Treasury staff. In addition, new content has been posted to the MyMoney Web site ([www.mymoney.gov/borrow-smart.shtml](http://www.mymoney.gov/borrow-smart.shtml)) and printed materials were included with nearly 2 million tax refunds.

The same explanatory statement by the Chairman of the Committee on Appropriations of the House of Representatives specified in fiscal year 2008 that OFE should spend at least \$200,000 toward financial education efforts aimed at elementary and high schools.<sup>13</sup> Treasury staff told us that the majority of these funds have been spent on implementation of the National Financial Literacy Challenge, conducted in partnership with the President's Advisory Council on Financial Literacy, in which more than 120,000 American high school students took a 35-question exam on personal finance issues in 2008. The average score was 56 percent, which the council noted was an indicator that more rigorous financial education is needed in the schools. Treasury awarded certificates and medals to students receiving high scores, and a private foundation offered college scholarships to 32 students who achieved a perfect score on the exam.

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### **Commission Faces Challenges in Achieving Its Mission**

The Financial Literacy and Education Commission has played a helpful role by serving as a focal point for federal efforts and making financial literacy a more prominent issue among the media, policymakers, and consumers. Key challenges the Commission faces include its own limited resources and a governance structure that depends on the commitment and collaboration of 20 individual agencies.

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### **Commission and OFE Have Limited Resources and Staff**

While many federal agencies devote funds to financial literacy and education, the resources available specifically to the Financial Literacy and Education Commission and to Treasury's Office of Financial Education—which provides support to the Commission—have been limited.

### **Financial Literacy and Education Commission**

The Financial Literacy Act, which created the Commission, authorized the appropriation of "such sums as may be necessary to carry out its

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<sup>13</sup>See footnote 12.

provisions."<sup>14</sup> In addition, the act authorized the appropriation to the Secretary of the Treasury of \$3 million for fiscal years 2004, 2005, and 2006 to develop, produce and distribute the multimedia campaign.

However, the Commission has received no direct appropriation since its inception and Treasury has never requested funds specifically for the Commission in the President's budget request for the department, according to Treasury staff. Some of the Commission's activities have been funded through appropriations provided for Treasury's Departmental Offices, Salaries, and Expenses appropriation. For example, \$1 million in fiscal year 2005 of the funds appropriated to Treasury was specified for promoting basic financial literacy and education and was used in part to develop and implement the Commission's national strategy.<sup>15</sup>

OFE has provided the primary administrative support for the Commission and devoted a significant portion of its resources to support Commission activities. As shown in table 1, OFE estimates that in each fiscal year since 2005, it has devoted from about .75 to 2.5 staff years (full-time equivalent staff) to support the Commission and related entities, with staffing at its lowest levels during the 2 most recent fiscal years.

**Table 1: Treasury Department Office of Financial Education Staff Support to Financial Literacy and Education Commission Activities, Estimated, Fiscal Years 2005–2009**

Fiscal year	Staff years*
2005	2
2006	2.5
2007	2.5
2008	1.5
2009	0.75

Source: Treasury OFE.

\*Full-time equivalent. Includes staff time devoted to the President's Advisory Council on Financial Literacy and the National Financial Education Network. Staff years for 2006–2008 include detailees from other agencies.

Other federal agencies have detailed staff members to the Commission for short periods—for example, our prior report noted that as of August 2006,

<sup>14</sup>20 U.S.C. § 9708.

<sup>15</sup>See footnote 11.

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the Federal Deposit Insurance Corporation, GSA, and Department of Justice had detailed seven staff members to work at OFE on Commission activities for periods ranging from 2 months to 2 years each. Member agencies have provided other in-kind staff assistance and financial resources as well. For example, GSA hosts the My Money Web site and had estimated that as of August 2006, its staff had devoted about 4,000 hours to support the site and other Commission activities. GSA's Federal Citizen Information Center covers the cost of the Commission's telephone hotline, which we previously reported was about \$28,000 in fiscal year 2006. Most other representatives of the Commission could not provide us with an estimate of the resources their agencies had devoted to the Commission, most of which had consisted of in-kind staff assistance.

Office of Financial Education

Treasury's Office of Financial Education as a whole has had about five full-time equivalent staff each year during fiscal years 2005-2009, which includes the staff time devoted to activities of the Commission. Through fiscal year 2008, Treasury did not assign OFE as a separate cost center; rather, its funding was provided within Treasury's Financial Policies and Programs budget activity, which was also part of Treasury's Departmental Offices, Salaries, and Expenses appropriation. The explanatory statements accompanying Treasury's fiscal year 2008 Departmental Offices, Salaries, and Expenses appropriation directed Treasury to fund OFE at not less than \$1.1 million, of which at least \$200,000 each was to be used for activities—as discussed earlier—focused on (1) elementary and high schools and (2) combating predatory lending and encouraging the use of mainstream financial services.<sup>16</sup> Treasury began to assign a separate cost center for OFE in fiscal year 2009, allocating \$1.6 million to the office, according to Treasury staff. The explanatory statement for the fiscal year 2009 appropriation act specified that OFE should target an additional \$500,000 provided over its assumed budget request toward efforts aimed at elementary and high schools and combating predatory lending.<sup>17</sup>

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<sup>16</sup>See footnote 12. The explanatory statement states that "(1) not less than \$200,000 is directed to be used to further the office's outreach and education activities focused on elementary schools and high schools, and (2) not less than \$200,000 is directed to be used for the development of tailored, targeted materials and dissemination strategies to protect consumers against predatory lending and encourage the use of mainstream financial services."

<sup>17</sup>See footnote 12. The explanatory statement directs Treasury to fund OFE within the Financial Policies and Programs budget activity at an increased level of \$500,000. "The Department is directed to target this increase toward financial education efforts aimed at elementary and high schools, as well as efforts aimed at combating predatory lending."

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Currently, compounding these resource challenges is the number of vacant leadership positions at key Treasury posts, including Deputy Assistant Secretary for Financial Education, as well as the Assistant Secretary for Financial Institutions and the Under Secretary for Domestic Finance. Filling these positions with individuals committed to improving our nation's financial literacy will be important.

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**Commission's Governance Structure Has Benefits but Also Creates Challenges**

As noted earlier, the Financial Literacy and Education Commission is composed of a large number of agencies but is housed administratively in Treasury, has no independent budget, and has no legal authority to compel member agencies to take any action. This governance structure has advantages and disadvantages. It has the benefit of bringing together a large number of players to achieve the common goal of improving Americans' financial literacy. Achieving results for the nation increasingly requires that federal agencies work together, and it would be difficult, if not impossible, for one agency alone to address the crosscutting issue of financial literacy. The multiagency structure of the Commission also may facilitate collaboration with nonfederal entities and, indeed, Congress charged the Commission with promoting such partnerships.

At the same time, coordinating the efforts of 20 individual federal agencies is inherently challenging. Each has its own set of interests, resources, and constituencies. In prior work, we have identified barriers to coordinating programs and initiatives across the federal government, including competing missions, concerns about protecting resources, and a lack of clearly articulated roles and responsibilities.<sup>18</sup> As we noted in our 2006 report, these barriers may have affected the Commission's efforts to coordinate federal programs—as well as its ability to streamline federal financial literacy initiatives to make the best use of scarce resources.

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Mr. Chairman, this concludes my prepared statement. I would be happy to answer any questions you or other Members of the Subcommittee may have.

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<sup>18</sup>GAO, *Managing for Results: Barriers to Interagency Coordination*, GAO/GGD-00-106 (Washington, D.C.: Mar. 29, 2000), and *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, GAO-06-15 (Washington, D.C.: Oct. 21, 2006).

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**GAO Contact and  
Staff  
Acknowledgments**

For further information about this testimony, please contact Richard J. Hillman on (202) 512-8678 or at [hillmanr@gao.gov](mailto:hillmanr@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony include Jason Bromberg (Assistant Director), William R. Chatlos, Linda Rego, Barbara Roesmann, and Verginie Tarpinian.



**Testimony of Dr. Robert F. Duvall  
President and Chief Executive Officer  
Council for Economic Education  
before the**

**Subcommittee on Oversight of Government Management, the Federal Workforce,  
and the District of Columbia**

**Federal Government's Role in Empowering Americans to Make Informed Financial  
Decisions**

**April 29, 2009**

Chairman Akaka, Ranking Member Voinovich and Members of the Subcommittee:

Thank you for inviting me to testify today on the timely, critical, and vital issue of the federal government's role in empowering all Americans to make informed financial decisions. It is especially fitting for the Subcommittee to hold this hearing during Financial Literacy Month. As a member of the U.S. President's Advisory Council on Financial Literacy, as the President and Chief Executive of the Council for Economic Education, as a parent, as an educator, and as a citizen, I commend you for focusing attention on this issue, this literacy. There are few matters which more directly address the traditional American virtues and values of self-reliance, individual responsibility, and good citizenship.

The Council for Economic Education is a founding, and active, member of the Jump\$tart Coalition for advocacy for financial literacy, and we are a principal participant and partner in Financial Literacy Day on Capitol Hill, tomorrow, April 30th. We particularly and gratefully applaud Senator Daniel K. Akaka for being the original initiator of Financial Literacy Day on the Hill, which has grown tremendously in significance and impact over the past seven years, as awareness of the need has grown.

**Who We Are and What We Do**

My organization, the Council for Economic Education, envisions a world in which people are empowered through economic and financial literacy to make informed

*Duvall, Council for Economic Education Testimony, page 2*

and responsible choices throughout their lives as consumers, savers, investors, workers, citizens, and participants in the global economy.

For 60 years the Council (formerly the National Council on Economic Education: NCEE) has been a leader in transforming economic and financial education by developing standards-setting and measurably effective programs nationwide and, in recent years, internationally – programs which promote the teaching of the very real connections between economic and financial literacy and the free flow of ideas, capital and innovation that will keep this nation competitive in the global economy.

The mission of the Council for Economic Education is two-fold: To advocate for better and greater school-based economic and personal finance education at the K-12 level; and to educate students, through well-prepared teachers, with programs of quality and integrity that help young people achieve an understanding of market economics.

Each year, the Council's comprehensive, best-in-class program reaches more than 150,000 K-12 teachers and over 15 million students in the United States and in more than 30 other countries. These programs are delivered through a diversified system: directly from the Council for Economic Education, through a unique network of affiliated state councils and university-based centers, and through other partner organizations.

We are philosophically committed to a robust and vibrant economic marketplace. Our unit of change is the K-12 teacher, who has the potential, over the course of a career, to touch the lives of thousands of students.

But what are educators actually teaching and how are they teaching it? Are they preparing students for the economy of the future? It is often said that today's education curriculum is rooted in yesterday's economy, and that a rapidly changing and technologically driven marketplace requires new educational approaches. The skill-set today's young people will need to possess in order to succeed as adults is likely to be markedly different than that of a generation ago. This skill-set must enable students to think economically and entrepreneurially, in response to the myriad opportunities they will encounter as adults. The degree to which they succeed in this endeavor will shape not only their futures and their fortunes, but the level of competitiveness and dynamism of the American economy.

*Duvall, Council for Economic Education Testimony, page 3*

There has never been a better “teachable moment” than the current economic and financial crisis to spur awareness and support for economic and financial education. But, real improvements in the quality and effectiveness of teaching and increases in the level of economic and financial literacy take time, political will, and resources.

### **What Can Be Done?**

In order to address the financial literacy gap, our elementary and secondary schools must integrate standards-based economic and financial education into their core curriculum. The Council for Economic Education, along with other partners, is striving to help accomplish this goal.

The federal government is playing a critical role in providing resources for these efforts through the *Excellence in Economic Education* (the EEE) program, which came about through legislation authored by the Chairman of this Subcommittee, Senator Akaka, who assembled a bi-partisan group to champion it five years ago – ahead of the wave of nationwide concern about financial *illiteracy*. This program has survived a number of annual budget battles, from 2004-2008. And it is profoundly under-funded. I would challenge Members of this Subcommittee to name one other Federal program where there is as much good being done – where there is as much “bang for the buck” – as is gained from the \$1.5 million annual appropriation for the EEE. It ought to be at least ten times that amount!

Why? Because it works.

It works because it is

- a grass-roots program, and fosters local, hands-on initiatives;
- focused on what needs to be done to make a difference in and through education: teacher training, development of materials, active learning for K-12 students, and research into what works, and why;
- a proven way to make a thousand flowers bloom through the “multiplier effect” of disseminating best practices.

Congress authorized the EEE program as part of the No Child Left Behind Act “to promote economic and financial literacy of all students in kindergarten through grade 12.” In 2004, at the inauguration of the EEE program, in a competitive application process, the U.S. Department of Education selected the Council for Economic Education to administer and implement this important initiative. Since that time:

*Duvall, Council for Economic Education Testimony, page 4*

- 48 states and the District of Columbia have been served by Excellence in Economic Education (EEE) sub-grants in project years 2004-08;
- 495 sub-grants were awarded in project years 2004-08;
- \$5,418,539 has been awarded to grass-roots organizations nationwide;
- Over 1,500 copies the 2007 Survey of the States were distributed to individuals and agencies interested in improving economic and financial literacy.

We are grateful for our opportunity for continuing, productive work with the U.S. Department of Education in ensuring and maximizing the effective, efficient use of these funds, and magnifying the impact of a relatively small dollar amount.

### **Teaching the Teachers**

Well-prepared teachers instill in children a sense that they are themselves future stakeholders, decision-makers and movers of the American economy. Through innovative lessons, simulations and other active-learning techniques, they help students see that to grasp the basics of economics is to grasp the reins of lifelong empowerment – for themselves, their families, their communities and our country. Ensuring teachers are well trained in economics is especially critical because more often than not, the teacher assigned to this class specializes in another subject.

EEE funding allowed the Council to distribute Virtual Economics CD-ROMS to every school district in the country, for use by thousands of teachers. Virtual Economics is a comprehensive lesson planning and professional development resource for K-12 teachers, which includes a database of over 1,200 lessons keyed to grade level, concept, Voluntary National Content Standards in Economics and each state's standards. Virtual Economics provides "one-stop-shopping" for any educator who wants to bring economic and financial literacy into the classroom.

Let me underscore the point: ***Thanks to the EEE, this tremendous resource for teachers is now available in every school district in the U.S.***

### **Summary**

The first step in improving financial literacy is developing standards-based materials. The second is training teachers. The third is delivering the materials through these well-prepared teachers into the classroom, and ultimately into the heads and hands of our young people – while they are in school, before it is too

*Duvall, Council for Economic Education Testimony, page 5*

late - so they can use this education in the “real world”. And the fourth step is through continuous evaluation and assessment, so that we will know whether we are effectively delivering economic education and whether this education makes a meaningful difference in students’ financial literacy – and financial life.

### **What Can Congress Do?**

We are encouraged by the Congress’ increased focus on economic and financial education issues over the last several years. One year ago at this time, I was called to give testimony for the House Financial Services Committee. At the end of the testimonies, Committee Chairman Barney Frank leaned over the podium and asked the panel to say what they would recommend that the federal government do about the subprime mortgage lending crisis – the tip of the iceberg that was then being seen. I responded that I did not know (and I hope Chairman Akaka won’t ask me such a thorny question today), but that I did believe passionately that the federal government ought to invest hugely in a nationwide professional development program for teachers in the nation’s schools, in economic education for financial literacy.

The EEE is such an investment. But the investment, while measurably good, is still too small. The economic turmoil and financial crisis we are experiencing can be a “teachable moment,” but only if we make it so.

Consequently, I would urge Congress to maintain, and indeed, increase funding for Excellence in Economic Education, as well as reauthorize this needed program as part of the Elementary and Secondary Education Act.

### **Conclusion**

I am very gratified that this Subcommittee is focusing on financial literacy. Teaching sound economics and personal finance, and making it stick, is not only vital to an individual’s success and well-being, but will ultimately and significantly and powerfully contribute to ensuring a strong and competitive national economy and a more prosperous future for our country.

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

**Senate Committee on Homeland Security  
and Government Affairs,  
Subcommittee on Oversight of Government Management,  
the Federal Workforce and the District of Columbia**

**Hearing on  
“The Federal Government’s Role in Empowering Americans to  
Make Informed Financial Decisions”**

**April 29, 2009**

2:30 p.m. 342 Dirksen Senate Office Building

**Testimony by Dallas L. Salisbury**

President and CEO  
Employee Benefit Research Institute (EBRI)

and

Chairman  
American Savings Education Council (ASEC)  
[www.ebri.org](http://www.ebri.org) and [www.choosetosave.org](http://www.choosetosave.org)

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The views expressed in this statement are solely those of Dallas Salisbury and should not be attributed to the Employee Benefit Research Institute (EBRI), the EBRI Education and Research Fund, any of its programs, officers, trustees, sponsors, or other staff. The Employee Benefit Research Institute is a nonprofit, nonpartisan, education and research organization established in Washington, DC, in 1978. The American Savings Education Council, a program of EBRI-ERF, is a nonprofit national coalition of public- and private-sector organizations undertaking initiatives to raise public awareness about what is needed to ensure long-term personal financial independence. Neither EBRI nor ASEC takes policy positions, nor do they lobby or receive federal funding.

## Testimony Summary—Dallas Salisbury

### Introduction

Mr. Chairman and members of the subcommittee, I am Dallas Salisbury, president and CEO of the Employee Benefit Research Institute ([www.ebri.org](http://www.ebri.org)) and chairman of its saving education programs, the American Savings Education Council ([www.asec.org](http://www.asec.org)) and Choose to Save® ([www.choosetosave.org](http://www.choosetosave.org)).

It is a pleasure to meet with you today to discuss the important topic of financial literacy and the efforts of EBRI and federal government agencies in promoting financial literacy. In particular you have asked about the Financial Literacy and Education Commission (FLEC).

The American Savings Education Council (ASEC) ([www.asec.org](http://www.asec.org)) is the primary vehicle through which EBRI ([www.ebri.org](http://www.ebri.org)) conducts its financial education and literacy efforts. ASEC was launched in 1995 through the joint efforts of the U.S. Department of Labor, U.S. Department of the Treasury, EBRI, and many other public and private organizations when the Clinton administration launched a campaign under the title, "Save: Your Retirement Clock is Ticking." That campaign was later narrowed to a Department of Labor specific program by the Bush administration, with a focus on employers, called "Savings Matters!"

The primary objective of ASEC is to have the public and private sectors, for-profit and not-for-profit organizations, work together toward the common mission of a more informed population on all issues of financial health.

The *Retirement Confidence Survey* is an example of one of our multiple-partner research programs. On April 14, 2009, results of the 19<sup>th</sup> annual Retirement Confidence Survey (RCS) were released. The RCS is the country's most established and comprehensive study of the attitudes and behavior of American workers and retirees towards all aspects of saving, retirement planning, and long-term financial security. Other survey projects have included: *Preparing for Their Future: A Look at the Financial State of Gen X and Gen Y*, *Youth and Money and Parents*, *Youth and Money*. These surveys have been benchmarking efforts by multiple partners to create a public resource.

The ASEC GIG – Government Interagency Group was created in 1996 to facilitate coordination and open the lines of communication between ASEC and our government partners. As administrations come and go and political personnel turn over at the executive agencies, GIG provides a consistent meeting forum to focus on public-sector financial literacy efforts.

In addition, ASEC conducts two partner meetings per year that bring together its public- and private-sector partners. The goal of each meeting is to network and share information on financial literacy efforts, with an emphasis on sharing best practices and expanding the number of organizations using the work of others. A detailed public report is provided with the proceedings of the meeting. The Web site, [www.asec.org](http://www.asec.org), serves as a portal where ASEC partners and all interested come together to share information on events, resources, and best practices concerning financial literacy. Since mid-2005, the page was viewed over 734,446

times by more than 400,485 unique visitors.

Outreach to the general public has been undertaken through our Choose to Save<sup>®</sup> program public service announcements (PSAs) and the Web site [www.choosetosave.org](http://www.choosetosave.org). Our Web tracking results document that ASEC reaches millions of individuals, both in the United States and in 203 countries. Since we began tracking visitors to our site in June 2005, we have recorded over 5.6 million visitors.

Choose to Save<sup>®</sup> develops user-friendly, multimedia materials to help individuals plan and save for their financial future with the Web site and PSAs, using humor, powerful images, and compelling information to encourage viewers and listeners to take charge of their financial future. ASEC developed and donated a PSA to promote MyMoney.gov for FLEC.

The CTS Web site includes free savings tools such as the *Ballpark E\$timate*<sup>®</sup> retirement planning worksheet and interactive tool, which has also been included in numerous programs and books: Since mid-2005, over 1.6 million individuals have completed the interactive worksheet.

In 2007, ASEC developed (for the U.S. Office of Personnel Management) a version of the *Ballpark E\$timate*<sup>®</sup> for federal government employees. From Oct. 1, 2007, through Sept. 30, 2008, the number of views for the *Federal Ballpark E\$timate*<sup>®</sup> on OPM's Web site was 225,680 and the number of visits was 179,224.

ASEC also provides information to the general public through use of new media technologies such as Twitter (ChooseToSave), Facebook (Choose to Save fan page), and YouTube (ctspsas).

AmericaSavesWeek.org is a social marketing program designed to promote a savings message to encourage individuals to take informed action to *Build Wealth, Not Debt*. The program joins together employers, financial institutions, government organizations, nonprofit networks, and other organizations to use the *Week* to persuade tens of millions of Americans to save and build wealth more effectively. This "fiscal fitness" will range from paying off high-cost debt, to ensuring adequate emergency savings, to accumulating home equity, to saving for retirement. ASEC works with the Consumer Federation of America, America Saves, and many public and private organizations on this program, which matches up with the MilitarySaves Program.

**FLEC:** You also asked for comments on the Financial Literacy and Education Commission (FLEC). As stated on the FLEC Web site, the Commission coordinates the financial education efforts throughout the federal government, supports the promotion of financial literacy by the private sector while also encouraging the synchronization of efforts between the public and private sectors.

FLEC issued a report mandated by the statute, the *National Strategy for Financial Literacy: Taking Ownership of the Future*. Every section of the report set objectives, programs, and evaluation criteria. FLEC undertook efforts in a number of the areas, and accomplished meetings and agenda development. One meeting brought together researchers and set forth financial literacy research questions that require added research. Others brought together those

from state and local governments and led to the development of a non-federal Web site for information sharing.

You asked for recommendations related to FLEC.

My first suggestion would be clarity on whether FLEC is primarily intended to have federal agencies *coordinate and leverage* activity, or to develop a *program of its own* for others to support and participate in. FLEC has tried to do both, and as a result both have suffered, not as a matter of intent, but as a matter of very limited resources.

Second, a group that meets three of four times per year can be a good mechanism for knowing what others are doing, and thereby to help avoid overlap, but it cannot be an effective mechanism for implementation of programs. My full submitted statement provides other areas for action that range from *making the information presented at the FLEC meetings available to the public*, to *changing the rules so that either FLEC would work with ASEC and others*, to *add all federal content to a public/private-sector Web site*, or *expand MyMoney.gov to include information from private and state and local government nonprofit organizations*. For example, as this testimony was compiled, it took effort to find documents related to FLEC's goals and past events, as the information was not on FLEC's site, but on other agencies' sites. Links to results from events, such as the International Conference on Financial Education, a FLEC-highlighted agenda event, are not located on the FLSC Web site or on MyMoney.gov

My full testimony follows.

## **A. Discussion of EBRI's Financial Literacy Efforts**

### **The American Savings Education Council**

The American Savings Education Council (ASEC) ([www.asec.org](http://www.asec.org)) is the primary vehicle through which EBRI ([www.ebri.org](http://www.ebri.org)) conducts its financial literacy initiative and efforts. ASEC was launched in 1995 through the joint efforts of the U.S. Department of Labor, U.S. Department of the Treasury, EBRI, and many other public and private organizations. ASEC's efforts are conducted through partnerships of individuals and organizations that encourage financial education, retirement plan sponsorship; and participant and beneficiary education for the entire population, regardless of age, employment status, etc.

Over the past decade and a half, ASEC has brought together public- and private-sector partners to share information on best practices and to collaborate on financial security initiatives such as:

- Partnering in the development of the federal government's *Savings Matters* campaign;
- Serving as a major resource for Congress as it drafted the SAVER Act of 1997 (Savings Are Vital to Everyone's Retirement), organizing the 1998 National Summit on Retirement Savings, and actively participating in the 2002 and 2006 events;
- Helping the U.S. Securities & Exchange Commission develop the *Facts on Saving and Investing Campaign* in 1998 to encourage Americans to get the facts about how to achieve financial security;

- Working with the Social Security Administration on the *Save for Your Future*<sup>®</sup> national education campaign, launched in 2003, that promoted use of the Social Security Statement;
- Acting as the lead resources organization for the 2005 White House Conference on Aging Mini-Summit on “Financial Literacy Throughout the Lifecycle.”

ASEC benefits from the world-class research of the Employee Benefit Research Institute, its parent organization, including the annual *Retirement Confidence Survey* (now in its 19<sup>th</sup> year) and the *Health Confidence Survey* (now in its 12<sup>th</sup> year), and access to analysis from the world’s largest database on 401(k) plan participants. Our Ballpark E\$estimate<sup>®</sup> retirement planning worksheet and calculator is used by consumers daily, as well as through partnerships with the Internal Revenue Service, the Social Security Administration, the Office of Personnel Management, and other organizations. ASEC is a major force in directing state and federal government and media attention to the need for financial education, savings, and retirement planning through its research and programs.

### **ASEC Programs & Survey Research**

#### **Survey Research:**

##### *Retirement Confidence Survey*

On April 14, 2009, ASEC, EBRI, and Mathew Greenwald & Associates released the results of the 19<sup>th</sup> annual Retirement Confidence Survey (RCS). The RCS is the country’s most established and comprehensive study of the attitudes and behavior of American workers and retirees towards all aspects of saving, retirement planning, and long-term financial security.

The RCS data, which is heavily covered by the news media, highlights the need for financial literacy. Note the following statistics:

- In 2009, 69 percent of workers say they are *very* or *somewhat* confident that they and their spouse are doing a good job in financially preparing for retirement. Yet...
- Less than half (48 percent) report that the statement, “I enjoy financial planning” applies well or very well to them.
- Almost a quarter (21 percent) report that the statement, “I think preparing for retirement takes too much time and effort” applies *well* or *very well* to them.
- In 2009, well less than half of American workers (44 percent) reported they did a retirement needs calculation.
- And among workers who did a retirement needs calculation: 14 percent reported they guessed at the amount they would need, 46 percent did their own estimate, 33 percent asked a financial advisor, 9 percent read or heard how much is needed, 16 percent used an on-line calculator, and 11 percent filled out a worksheet or form.
- Among all workers in 2009, almost half (47 percent) reported they will need less than \$500,000 in total savings to live comfortably in retirement.

Over the years, a number of group-specific surveys have been conducted using the RCS. These include:

- Iowa RCS (1999).
- Florida RCS (2003).

- Texas RCS (2003).
- Minority RCS, in which an oversampling of African-Americans, Asian-Americans, and Hispanics were surveyed (1998, 1999, 2001, 2003, 2007).
- Women RCS (1998–2000).
- Small Employer Retirement Survey (1998–2003).
- Military RCS (2008).

*Preparing for Their Future: A Look at the Financial State of Gen X and Gen Y*

There is no doubt that in today's political, social and economic climate, young Americans are faced with new challenges their parents did not face. Among the key issues are earlier access to credit and consumer debt, rising costs of higher education, upward inflationary pressures, sharply rising health care costs, increasing life expectancies, the movement away from defined benefit to defined contribution retirement plans, and rapidly changing technology. These 20- and 30-somethings, encompassing both Generation X and Generation Y, are employing a myriad of new approaches to their professional, financial, and family lives that will inevitably have far-reaching consequences for how they manage their finances and prepare for their long-term financial security.

In recognition of these issues, American Savings Education Council (ASEC) and AARP (on behalf of Divided We Fail) commissioned Mathew Greenwald & Associates to conduct a survey with members of these younger generations to profile and better understand their current and future financial state. This base line understanding can be instrumental in helping these generations attain greater financial security as they age.

One striking finding of this research is that many young adults have yet to align their actions with their financial values and goals. These young adults feel that they should be saving more, both in general and specifically for retirement. For example, they place high importance on workplace benefits, especially health insurance and retirement savings plans. Overwhelmingly, however, the majority believe they are not currently saving as much as they should. People in these younger generations tend to feel that assuming adult responsibilities, like purchasing a home and supporting a family, is more difficult for them than it was for prior generations. Nevertheless, there is a strong positive outlook, with a tendency to believe, especially among the younger Generation Y, that they will eventually achieve financial security. Their optimism is not unfounded: The data suggest that likelihood of saving for retirement increases with age and financial literacy improves with experience. Clearly, these young people recognize what they should be doing; the challenge ahead of them is putting these values into action.

In addition, our earlier *Youth and Money* and *Parents, Youth and Money* surveys underlined the influence of parents on their children's financial knowledge and savings and credit behavior. Thus, it is important for all generations to be money- and credit-smart.

**Programs:**

ASEC achieves its goals through several programs and initiatives, which fall into two distinct categories: professional partnerships, and outreach to the general public.

■ **Professional Partnerships:**

***Government Interagency Group***

The ASEC Government Interagency Group (GIG) was created in 1996 to facilitate coordination and open the lines of communication among our government partners. As administrations come and go and staff changes in the executive agencies, GIG provides a consistent meeting forum to focus on public-sector financial literacy efforts.

GIG meets three times per year and is convened jointly by ASEC and the Office of Personnel Management. Representatives from approximately 12 federal agencies have regularly participated in these meetings over the years. The meetings are informative yet informal, and serve as a highly effective information clearinghouse. GIG is a forum where agencies' representatives can speak freely to each other because the meeting is open to only federal agencies and ASEC staff.

We feel that three factors greatly contribute to the success and longevity of GIG:

- 1) A commitment by our partner organizations to attend the meetings—over time, attendees have gotten to know each other very well, have a real feel for what each organization can bring to the table (if someone cannot attend, a substitute is usually sent in their place), and work well together;
- 2) GIG is a trusted, non-threatening forum for information exchange—people are very comfortable sharing their ideas and opinions, asking for assistance/counsel, and providing materials and support to assist each other's events/initiatives; and
- 3) The group has provided effective time management—a lot of work can be accomplished in a short period of time (e.g., ASEC updates all the agencies about upcoming opportunities and events that we know about on the local, state, and national levels and agency representatives are quick to express an interest and often offer their assistance/input on a project).

GIG attendees leave the meetings knowing what all the other agencies are currently doing in the area of financial education. Those seeking assistance with a project usually come out with valuable contacts of people and agencies willing to immediately help. Overall, it is truly a win-win arrangement for everyone.

Please see Addendum A for a copy of the report from the last GIG meeting.

■ ***ASEC Coalition:***

**Coalition Partners:**

The ASEC coalition consists of for-profit, nonprofit, and government entities. Fourteen organizations are paid partners, 61 are mission partners (consisting of nonprofits and universities), and 22 are government partners.

**ASEC Leadership Roles:**

ASEC Chairman Dallas Salisbury serves on the Board of FINRA Investor Education Foundation. In this capacity, he contributed to funding decisions on financial literacy projects.

A founding member of the Jump\$tart Coalition for Personal Financial Literacy, ASEC holds a seat on the organization's board of directors.

ASEC also partners with the Consumer Federation of America's *America Saves* program to promote *America Saves Week* and *Military Saves Week*. See subsection on America Saves Week for more information.

**Partners Meeting:**

ASEC conducts two partner meetings per year. Held in Washington, DC, these gatherings are designed to bring together representatives from a large variety of organizations, both public and private. The goal of each meeting is to network with each other and share information on financial literacy efforts, with an emphasis on effective best practices and how other ASEC partners can benefit from the experience. A detailed report is provided with the proceedings of the meeting and is circulated among the entire partnership so that ASEC partners who were not able to attend the meeting are kept informed. This enhances a positive feeling of community among the partnership.

Please see Addendums B and C for the agenda and attendees list from the Spring 2009 Partners Meeting, which was held on April 15, 2009.

**Communication Conduit:**

In addition, ASEC serves as the coalition facilitator. As ASEC staff learns of new initiatives, tools, studies, research, etc., an e-mail alert is sent to all partners. Partner feedback has re-emphasized that communication is the key to creating a sense of community. We have been informed that the e-mails are being forwarded beyond the immediate ASEC contacts, thus ensuring a greater reach of ASEC initiatives.

**ASEC Web Site:**

The Web site, [www.asec.org](http://www.asec.org), serves as a portal where ASEC partners come together to share information on events, resources, and best practices concerning financial literacy. Since mid-2005, the page was viewed over 734,446 times by more than 400,485 unique visitors.

**Summits and Forums:**

• ***1998 National Summit on Retirement Savings:***

The Summit represented an unusual public-private partnership. ASEC served as private-sector co-organizer of the Summit with the Department of Labor. The Department of Labor shared the direct costs of the Summit equally with ASEC, and major additional contributions of staff time were made by the American Society of Pension Actuaries and EBRI. An additional two dozen ASEC partners also provided Summit funding. Over 185 delegates attended the June 4–5, 2008, gathering.

Historic in many ways, the Summit was a truly bipartisan effort to draw national attention to the need to build a secure financial foundation for our country's retirees. This was made abundantly clear during a keynote session attended by President Clinton, Vice President Gore, House Speaker Newt Gingrich, Senate Majority Leader Trent Lott, House Minority Leader Richard

Gephardt, and other members of Congress. As Rep. Harris Fawell, the principal author of the Saver Act, put it: “We were attacking problems not as Republicans or Democrats, but to say ‘What can I do to help?’”

Over the course of the Summit, delegates identified a number of barriers that individuals and employers face in saving for retirement. At the same time, delegates identified numerous meaningful steps that the government, employers, the media, community organizations, schools, and others can and should take to build a secure retirement for our nation’s workers. While there was extraordinary diversity in views on both the barriers to retirement security and the ways to address the problem, delegates repeatedly returned to the theme that retirement education will be a crucial element in any strategy to increase savings.

- **2000 Choose to Save® Forum:**

The Choose to Save® Forum on Retirement Security and Personal Savings, held April 4–6, 2000, focused on the importance of increasing planning and saving for retirement.

The two principal topics covered in both plenary and breakout sessions were:

- 1) Increasing retirement planning and retirement program sponsorship and participation, and contributions at all income and age levels.
- 2) Minimizing the leakage of savings from the retirement system as more defined benefit and defined contribution plans pay lump-sum distributions.

Forum participants addressed the importance of creating a national environment that encourages personal savings and investment for retirement, and focused attention on actions and “best practices” that companies and organizations could replicate and take on their own. Over 150 individuals from federal, state, and local governments; unions; trade, professional, education, and research associations; businesses; and tax exempt institutions participated in various breakout sessions. The three keynote speakers were Secretary of the Treasury Lawrence H. Summers, Rep. Benjamin Cardin, and Rep. Rob Portman.

- **2002 National Summit on Retirement Savings:**

ASEC participated in and contributed funding for the Summit, which was held from February 27–March 1, 2002, in Washington, DC. The gathering successfully promoted the importance of saving for the future of every American.

Over 250 statutory and appointed delegates were brought together to form a bipartisan group with diverse expertise. Delegates represented state and local governments, professionals, and other individuals working in the fields of employee benefits and retirement savings, private sector institutions, employers, the general public, and members of Congress. The common goal of the Summit delegates was to seek ways to help all Americans retire with security and dignity.

The Summit’s theme was “Saving for a Lifetime: Advancing Generational Prosperity.”

Participants partook in breakout sessions focusing on four specific generational groups: the Millennial Generation (individuals born from 1982 to present day), Generation X (born 1961–1981), the Baby Boom Generation (born 1943–1960), and the Silent Generation (born 1925–1942). They were challenged to develop action plans with compelling messages, approaches,

and potential partners for implementing the action steps.

- **2006 National Summit on Retirement Savings:**

ASEC participated in and contributed funding for the Summit, which was held from March 1-2, 2006, in Washington, DC.

The Summit brought together more than 200 statutory and appointed delegates as a nonpartisan group with diverse expertise. The delegates represented state and local governments, professionals working in the fields of employee benefits and retirement savings, private-sector institutions, employers, the general public and members of Congress. The goal of the Summit was to explore ways to help all Americans retire with security and dignity.

Under the theme “Saving for Your Golden Years: Trends, Challenges and Opportunities,” the Summit sought to educate and motivate people to develop their own personal retirement saving strategies. Delegates participated in breakout sessions focusing on four specific targeted groups: Low-Income Workers, Small-Business Employees, New Entrants to the Work-force, and Workers Nearing Retirement. The delegates developed important recommendations to help individuals in each of these groups overcome obstacles and take advantage of opportunities to save for their futures.

## **ASEC Outreach to General Public**

### **Choose to Save® Program**

*Developed by EBRI and ASEC, Choose to Save® utilizes the power of the media to promote the idea that saving today is vital to a secure financial future.*

*Financial security is one of the most important issues for most Americans. Whether it is putting kids through college, saving for an emergency, buying a house, or saving for retirement—having enough money for life’s demands is among our biggest concerns. And yet, many Americans have not yet taken even the first steps toward a secure financial future.*

As part of its mission, Choose to Save® develops user-friendly, multimedia materials to help individuals plan and save for their financial future, including:

- Public service announcements (PSAs) using humor, powerful images, and compelling information to encourage viewers and listeners to take charge of their financial future;
- Choosetosave.org—a Web site completely devoted to financial education.

The Emmy and Telly award-winning Choose to Save® national public education and outreach program is dedicated to raising awareness about the need to plan and save for long-term personal financial security.

Choose to Save® Web Site.<sup>1</sup>

The Web site is the primary conduit for getting out information to the general public. It includes free savings tools such as:

- Ballpark E\$estimate retirement planning worksheet and interactive tool.
  - Please see sub-section below: "Ballpark E\$estimate® Worksheet"
- Many online calculators provided by ASEC partner organizations.
  - Over 704,768 individuals have utilized the online calculators more than 893,152 times since June 2005.
- 14 brochures giving readers valuable information on savings issues.
  - More than 88,331 visitors have accessed the brochures page of the Web site at least 102,850 times.
- Savings tips on a wide range of savings topics.
  - A minimum of 188,982 people have visited [www.choosetosave.org/tips](http://www.choosetosave.org/tips) and viewed the helpful hints more than 254,128 times.
- Links to related resources arranged alphabetically and by subject category.
  - At least 96,930 visitors have utilized the resources page of the site, which consists of free partner tools such as calculators, brochures, quizzes, more than 114,894 times.

As our Web tracking results reveal, ASEC reaches millions of individuals, both in the United States and in 203 countries around the world, such as Canada, Germany, Japan, the United Kingdom, India, Australia, Iraq, Philippines, and South Korea. Since we began tracking visitors to our site in June 2005, we have recorded over 5.6 million visitors and slightly fewer than 114 million hits.

Many of the resources posted to the Choose to Save® site are provided by ASEC partners.

Choose to Save® Public Service Announcements:

CTS educational materials include radio and TV public service announcements (PSAs) in primetime. Although the program stresses the seriousness of the savings message, it uses humor and positive examples to help people overcome their reluctance to address financial issues. Through local and national partnerships, the PSAs now run on radio and television stations in hundreds of cities in all 50 states. In addition, CTS PSAs are shown on military bases and navy ships worldwide. Below is a listing of where our PSAs are being broadcast:

*Television:*

- Choose to Save® PSAs and long programming, such as *Mission Retirement*, are currently running on the Starfish Television Network, a nonprofit organization operated on the Dish Network, airing 24 hours a day of news, entertainment, documentaries, and other programming about giving and service. The only sources of its programming are nonprofits, charities, and other cause-driven organizations.

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<sup>1</sup> Note: Tracking for the Choose to Save® Web site began in June 2005. All statistics listed represent the total number of views, visits, hits, downloads, etc. to that particular aspect of the site between June 2005 and March 2009.

- National distribution of the TV PSAs is ongoing through the National Association of Broadcasters (NAB) and Associated Press Network.
- American Armed Forces TV Services have been updated with all of the Choose to Save<sup>®</sup> PSAs.

*Radio:*

- All of Choose to Save<sup>®</sup> television PSAs have been converted for use on radio and are available on NAB and the Associated Press Network radio feeds.
- American Armed Forces Radio Services have been updated with all of the Choose to Save<sup>®</sup> PSAs.

*Internet:*

- All of Choose to Save<sup>®</sup> PSAs are available through the PSA viewer on the Choose to Save<sup>®</sup> Web site.
- ASEC *Savingsman*<sup>™</sup> PSAs with the Military Saves' "Take the Saver Pledge" logo as an end slate are currently posted on the Military Saves Web site.
- Choose to Save<sup>®</sup> *Savingsman*<sup>™</sup> PSAs with the America Saves Week.org logo are currently posted on the America Saves Week.org Web site.
- All of the Choose to Save<sup>®</sup> PSAs are currently available on YouTube. Our account name is **ctspas**.
- Washington State Department of Financial Institutions has created a YouTube page that includes the Choose to Save<sup>®</sup> PSAs and *Mission Retirement*.

*Other Outlets:*

- Choose to Save<sup>®</sup> *Savingsman*<sup>™</sup> PSAs with the Military Saves' "Take the Saver Pledge" logo as an end slate are currently available on all military bases and navy vessels around the world.
- The Washington State Department of Financial Institutions utilizes the PSAs for some of their financial literacy events across the state.
- Local Saver Campaigns solicited local television and radio stations to play the PSAs with the *America Saves Week* end slate during the *Week*.
- ASEC provides DVDs of our PSAs for the NAB Show in Las Vegas, NV, during NAB's annual convention, and many local broadcasters attending the show pick up the DVD of the PSAs for use on their TV and/or radio stations.

*Tracking:*

We are able to track the number of times the PSAs were viewed through YouTube and the Choose to Save<sup>®</sup> Web site.

- YouTube:
  - All of the Choose to Save<sup>®</sup> PSAs are posted to our account ([www.youtube.com/ctspas](http://www.youtube.com/ctspas)). Of the 92 posted, there are:
    - 8-10 second PSAs
    - 20-15 second PSAs
    - 3-20 second PSAs
    - 49-30 second PSAs
    - 7-60 second PSAs

- 5-5 min segments of the educational program *Mission Retirement*
  - Over 725 individuals have viewed the 92 PSAs more than 3,501 times since the videos were posted last year.
- Choose to Save<sup>®</sup> PSA Player:
  - All of the aforementioned PSAs are posted to the PSA player, as are educational segments *Mission Retirement*, *The Savings Game*, *Happily Ever After*, in addition to recent news segments featuring ASEC Chairman Dallas Salisbury on PBS'NewsHour.
  - Over 58,770 individuals have viewed the PSAs more than 65,752 times since tracking began in mid-2005.

#### ***Ballpark E\$imate<sup>®</sup> Worksheet***

The Ballpark E\$imate<sup>®</sup> comes in two formats, 1) an easy-to-use, two-page worksheet, and 2) an on-line interactive worksheet. Both help you quickly identify approximately how much you need to save to fund a comfortable retirement. The Ballpark E\$imate<sup>®</sup> takes complicated issues like projected Social Security benefits and earnings assumptions on savings, and turns them into language and mathematics that are easy to understand.

The *Ballpark E\$imate<sup>®</sup>* continues to be a popular tool for retirement planning. Below are some of the tool's latest uses:

- Idaho Public Employees Retirement System (IPERS) asked ASEC in Fall 2008 for permission to reprint the *Ballpark E\$imate<sup>®</sup>* for use during their workshops. IPERS serves over 100,000 participants.
- Jean Chatzky's new book, due out March 10, 2009, *The Difference: How Anyone Can Prosper Even in the Toughest Times*, features the *Ballpark E\$imate<sup>®</sup>*.
- FC&A Publishing is recommending the *Ballpark E\$imate<sup>®</sup>* to their readers in an upcoming book, *Retiring Well on a Poor Man's Budget*. The book will have an initial print run of 50,000 copies. Readers who do not have access to a computer can order a hard copy of the *Ballpark E\$imate<sup>®</sup>* by sending a self-addressed stamped envelope to EBRI.
- The International Foundation for Retirement Education requested permission to reprint the *Ballpark E\$imate<sup>®</sup>* as part of a tool kit for retirement professionals.
- Cemex, a Mexican cement manufacturing company, requested permission to use the *Ballpark E\$imate<sup>®</sup>* in a financial literacy initiative the company is undertaking with their 12,000 employees.
- *Ballpark E\$imate<sup>®</sup>* was mentioned in a CFP Board Newsletter article on *America Saves Week*.
- *Ballpark E\$imate<sup>®</sup>* was mentioned in an article in Social Security's *Social Security Update* during *America Saves Week*.

Since mid-2005, over 1.6 million individuals have completed the interactive worksheet, while almost 200,000 have downloaded the print version from our Web site. Additionally, more than 9,735 Hispanics have downloaded the Spanish *Ballpark E\$imate<sup>®</sup>*.

In 2007, ASEC developed, for the U.S. Office of Personnel Management, a version of the *Ballpark E\$imate<sup>®</sup>* for federal government employees. For October 1, 2007 through September

30, 2008, the number of views for the Federal Ballpark E\$timate® on OPM's Web site was 225,680 and the number of visits was 179,224.

#### ***New Media***

ASEC provides information to the general public through use of new media technologies such as Twitter (ChoosetoSave), Facebook (Choose to Save fan page), and YouTube (ctspas). It is too soon to know any tracking statistics for these applications (other than aforementioned the YouTube figures). However, at the moment, we have over 115 followers on Twitter and more than 30 fans on Facebook. As we have been on these two new media tools for a little more than a month, this is excellent progress. A major goal is to reach and educate young professionals and teenagers on the importance of saving for a secure financial future. The promotion of sound financial planning will be utilized through both Choose to Save® and ASEC partner resources and tools.

#### **America Saves Week:**

America Saves Week is a social marketing tool designed to promote a savings message to encourage individuals to take informed action to *Build Wealth, Not Debt*. The long-term goal is to join together thousands of employers, financial institutions, government leaders, nonprofit networks, and other organizations to use the *Week* to persuade tens of millions of Americans to save and build wealth more effectively. This "fiscal fitness" will range from paying off high-cost debt, to ensuring adequate emergency savings, to accumulating home equity, to saving for retirement.

#### ***ASEC's role in America Saves Week:***

- ASEC works as a coordinator of the Week partnering with the Consumer Federal of America's America Saves Program. ASEC works to get the partners of the ASEC coalition as well as members of EBRI to participate in the week. In 2009, 55 ASEC partners and EBRI members participated in the Week and in 2008, 52 ASEC partners and EBRI members participated in the Week.
- ASEC Chairman Dallas Salisbury appeared on Ric Edelman's and Jean Chatzky's radio programs promoting the Week and a savings message. The shows are broadcast in all of the top 20 metropolitan areas of the United States and on the Oprah Network.
- Eighteen of ASEC's PSAs have been modified with an endslate which promotes the Week.

#### ***America Saves Week 2008***

Over the course of America Saves Week of Feb. 24–March 2, 2008:

- More than 600 hundred organizations, agencies, financial institutions, non-profits and companies participated by reaching out to employees, customers, members or the general public;
- Over 75,000 people attended over 1,800 events;
- Over 25,000 enrolled as "Savers" through America Saves or affiliated local Saves campaigns, or took the Military Saves Pledge;
- Over half a million people saw information about America Saves Week on the web;
- Millions were reached through press in major markets including Washington, DC, New York City, Los Angeles, Chicago, Phoenix, Miami, among many others;

- A new Web site, [www.AmericaSavesWeek.org](http://www.AmericaSavesWeek.org), provided info and advice to individuals and organizations; and,
- Saves Week was recognized with a resolution in the U.S. House of Representatives, sponsored by Rep. Stephanie Tubbs Jones, proclamations by the governors of Tennessee and Washington, and other county and mayoral proclamations and statements of support.

#### *America Saves Week 2009*

In 2009, nearly 650 national, state, and local organizations participated in the Week. From January 1, 2009 through March 25, 2009, over 27,000 individuals enrolled as a “Saver” in the America Saves Campaign. We are still compiling data from the participating organizations. We do have results from 20 percent of the participating organizations. These preliminary results include:

#### Total Audience Reach

Individuals reached through various media in this campaign include:

- Marketing posters, flyers, etc. — 10,706,451.
- Websites — 4,520,858.
- Postal mail — 46,055.
- E-mails — 358,514.
- Ads, PSA, media appearances — 15,380,393.
- Tax site outreach — 17,746.
- Events — 67,009.

#### Support of Elected Officials

- Reps. Ruben Hinojosa introduced a resolution, passed by the House Feb. 25, 2009 (H. Res. 180) of support of America Saves Week.
- Proclamations were issued from the governors of Colorado, Kentucky, North Dakota, and Washington.
- A resolution was introduced in the New Jersey legislature in support of the Week.

#### Local Efforts:

ASEC supports financial literacy effort at the state and local level. Two examples are the State of Washington and the City of Houston.

#### ✓ *State of Washington*

Washington State is very active in promoting financial literacy throughout the state throughout the year. These efforts are conducted in partnerships. Some of the organizations involved in these efforts are: Gov. Chris Gregoire, Washington State Department of Financial Institutions, Washington State Department of Retirement Services, Washington Society of CPAs, Jump \$tart Washington, and Consumer University to name just a few. There are many more organizations at the state, local, and national level working to promote financial literacy throughout the state of Washington.

ASEC plans a support role in the Washington program. ASEC materials such as the *Ballpark Estimate*,<sup>®</sup> PSAs, and brochures are used by various organizations at their events. For Washington Saves Week 2008, the Washington Society of CPAs conducted an essay contest in

the public schools of Washington. Students were to write a 500-word essay on a personal experience with saving, with the winners given savings bonds donated by ASEC. ASEC provides contacts for additional resources; for example, in 2008, Washington Society of CPAs conducted an essay contest in Tacoma, WA. ASEC provided the connection with Bank of America, which donated the savings bonds for that contest's winners.

For more information on financial literacy efforts in Washington see Addendum D, "The Power of Partnerships".

✓ *City of Houston*

Money Week Houston is a financial education and public awareness campaign scheduled for April 19–25, 2009. Money Week Houston is designed to help consumers better manage their personal finances. This is achieved through the collaboration and coordinated effort of hundreds of organizations across Houston and surrounding areas including businesses, financial institutions, schools, libraries, not-for-profits, faith based organizations, government agencies, and the media. Their Web site is [www.moneyweekhouston.org](http://www.moneyweekhouston.org)

ASEC's role with Money Week Houston is primarily as a source of contacts. ASEC partners participate in Money Week Houston's events such as American Institute of Certified Public Accountants, Federal Reserve Board, Military Saves, Principal Financial Group, Society for human Resource Management, and the Social Security Administration.

✓ *Financial Literacy Fairs:*

ASEC staff participates in financial fairs in the Washington, DC metro area. Some of these fairs are provided by federal government agencies for their staff and some are events that are not focused on financial literacy but are gatherings of large amounts of people, such as Taste of DC. These fairs give ASEC staff the invaluable experience of interacting with the public, the end user of the financial information produced by ASEC and the coalition partners. ASEC staff has participated in fairs at the following locations:

- U.S. Department of Labor.
- U.S. Department of Transportation.
- U.S. Department of Health and Human Services.
- Financial Literacy Day on the Hill.
- Taste of DC.
- NBC 4 Health and Financial Fair.

ASEC staff speak with 150 to 500 individuals at these events, depending on the length of the event; some events are held on more than one day. All of the fairs listed above are annual or semi-annual events.

## B. Evaluation of FLEC and Federal Financial Literacy Efforts

### Financial Literacy and Education Commission (FLEC)

As stated on the FLEC home page:

The Financial Literacy and Education Commission (the Commission) was established under Title V, the Financial Literacy and Education Improvement Act which was part of the Fair and Accurate Credit Transactions (FACT) Act of 2003, to improve financial literacy and education of persons in the United States. The FACT Act named the Secretary of the Treasury as head of the Commission and mandated the Commission include 19 other federal agencies and bureaus. The Commission coordinates the financial education efforts throughout the federal government, supports the promotion of financial literacy by the private sector while also encouraging the synchronization of efforts between the public and private sectors.

FLEC sought to improve financial education through the *National Strategy for Financial Literacy: Taking Ownership of the Future* initiative. The following were FLEC's stated goals and accomplishments from the implementation of the strategy:<sup>2</sup>

#### I. General Savings

*Goal:*

In the first quarter of 2006, the Treasury Department partnered with a nonprofit organization to develop and implement a PSA on the benefits of lifetime savings and the savings resources available on the Financial Literacy and Education Commission's Web site, [MyMoney.gov](http://MyMoney.gov).

*Evaluation:*

Goal was met, as Treasury partnered with ASEC to release the aforementioned PSA.

*Recommendation:*

Resurrect the mymoney.gov PSA for airing nationwide, as Americans are looking for available, helpful resources to guide them as they improve their financial journey during these difficult times.

#### II. Homeownership

*Goal:*

Between the second quarter of 2006 and the second quarter of 2007, the U.S. Department of Housing and Urban Development joined with the Treasury Department to host a series of meetings highlighting the work of successful partnerships that have advanced homeownership.

*Evaluation:*

Two roundtables were held (one in July 2006 the other in June 2007) but no results of those roundtables are available, only an agenda.

*Recommendation:*

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<sup>2</sup> The wording of the listed goals comes directly from FLEC's Web site.

Post results of the roundtable to the FLEC Web site, below the agenda, so the results are available to the public. As the housing situation has changed significantly in the two years since the last roundtable, a follow-up roundtable should be held to address how the economic crisis has impacted homeownership, especially given developments concerning mortgages and other outlets.

### ***III. Unbanked***

#### ***Goal:***

Between the second quarter of 2006 and the third quarter of 2007, the U.S. Department of the Treasury, along with the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Office of the Comptroller of the Currency, hosted a series of four regional conferences to share best practices on banking of the unbanked. The conferences will bring together community-based organizations, financial service providers, and Federal, state, and local regulators to broker partnerships and discuss the latest developments and strategies in bringing people into the financial mainstream.

#### ***Evaluation:***

Four regional conferences were held. Most of the presentations from the four conferences are available on the Office of the Comptroller of the Currency's Web site. However, recommendations and a report summarizing the conferences' findings are not posted to the site.

#### ***Recommendation:***

Post the summary and recommendations to the Web site as well, as it will enable nonprofits, government organizations, and other partners to access the resources to address the issue head-on. As California Gov. Schwarzenegger and President Clinton noted in their January 28, 2008, newspaper editorial, over \$40,000 will be spent by an unbanked, full-time worker, to change their paycheck into cash. These individuals need to be reached so that they can open a bank account and start to make good financial decisions.

### ***IV. Multilingual/Multicultural Populations***

#### ***Goal:***

Between the fourth quarter of 2006 and the fourth quarter of 2007, the Treasury Department hosted a series of roundtables on financial education topics of special concern to specific communities. The goal of each roundtable will be to raise awareness of the important financial education topics within the specific community highlighted.

#### ***Evaluation:***

Four roundtables were held focusing on African-Americans, Asian/Pacific Islanders, Hispanics, and Native Americans. The agenda and a brochure promoting the African-American Roundtable are posted on FLEC's Web site, but no results from the roundtables have been made public on the domain.

#### ***Recommendation:***

Again, posting the results of these conferences will enable financial education institutions to access helpful resources to be distributed to these groups, as well as evaluate current outreach efforts so that follow-up actions may be taken to assist each group.

### ***V. Kindergarten – Postsecondary Financial Education***

#### ***Goal:***

In 2006, the U.S. Department of the Treasury partnered with the Department of Education to host a summit focused on integration of financial education into the core school curriculum. The group also will survey promising practices in financial education and in teacher training in an effort to assist others who are starting or enhancing programs. This public meeting will bring together policymakers, educators, and other leaders in the fields of general education and financial literacy. Findings from this summit will be made available to educators and policymakers throughout the nation.

#### ***Evaluation:***

A summit was held on this topic in February 2007. A request for comments on the state of financial literacy in the country was made in the *Federal Register*; Choose to Save<sup>®</sup> submitted an evaluation and list of recommendations. The findings from this summit are currently being compiled and will be made available to the public.

In a more recent initiative, Treasury conducted that National Financial Literacy Challenge for high school students in May and November of 2008. The first challenge (May 2008) attracted 46,000 students and the second (November 2008) attracted 75,000 students. Results released in January 2009 revealed that 362 students received perfect or near-perfect scores.

#### ***Recommendation:***

It is essential for financial literacy efforts to begin at the earliest stages in life. Since every child is required to and generally does attend school, elementary and secondary schools are one of the surest venues to provide all Americans with financial education. Age-appropriate and segmented financial curricula could include matters such as budget creation, compound interest, savings goal formation, cash versus credit, and long-term planning. Any education program designed for schoolchildren could have a companion “Parents Guide,” designed to either inform the parents about what their child is learning in school or offer suggestions on how they can integrate these lessons into managing their own household finances. Children learn their financial habits from their parents and other adult role-models in their lives.

### ***VI. Coordination Efforts***

#### ***Goal:***

The Office of Personnel Management and the Treasury Department established a network of state and local government officials to improve collaboration on financial education efforts among federal, state, and local levels.

#### ***Evaluation:***

FLEC hosted two meetings of this network in April and October of 2007. No results of these meetings are available. One outcome from these meetings is the creation of the National Financial Education Network Database for State and Local Governments (<http://www.flecnationalnetwork.org/>). This Web site was developed by the National Association of Government Defined Contribution Administrators (NAGDCA) in consultation with FLEC.

*Recommendation:*

Continue to ensure productive collaboration and communication between federal, state, and local governments to facilitate positive financial education efforts. The federal government and its agencies may want to change, but it is the state and local organizations that actually make the biggest difference in their communities.

**VII. International Perspective***Goal:*

Between the third quarter of 2006 and the second quarter of 2007, the Treasury Department hosted an international summit on financial education. To bring about this multi-national dialogue the Treasury Department will invite the central government authorities responsible for financial literacy in their respective nations to convene and discuss recent developments, innovative methods, and successful strategies for improving financial literacy in their home countries.

*Evaluation:*

In May of 2008, Department of the Treasury and OECD co-hosted the International Conference on Financial Education. FLEC's Web site posts the agenda but no additional content. However, a search on OECD's Web site reveals a detailed agenda with links to the speakers' presentations, a summary record of the two day conference, and conference video-casts.

*Recommendation:*

A link to the posted results on OECD's Web site should be included on FLEC's page. Follow-up to last year's conference would be ideal.

**VIII. Academic Research and Program Evaluation***Goal:*

The U.S. Department of the Treasury, along with the U.S. Department of Agriculture Cooperative State Research, Education, and Extension Service, convened a symposium of researchers who specialize in financial education in October 2008. The goal of the symposium is to raise awareness of existing academic research and to define questions that require additional analysis. The symposium will result in a white paper that will survey current financial education research and will also identify areas of potential future research.

*Evaluation:*

The results of this symposium are available on the FLEC Web site in a one-page document highlighting 10 research priorities, along with a longer, more detailed report.

*Recommendation:*

Begin to focus resources (time, attention, funds) on the aforementioned research priorities.

**C. Recommendations for Improvements to FLEC****1. Improve communication efforts**

- *Make the information presented at the FLEC meetings available to the public.*

- FLEC has a mixed record of making information available on the results of the meetings. Some information from the meetings is available on FLEC's Web site, some from other organizations' Web sites, and some is simply not available at all.
- *Increase communications beyond the meetings.*
  - As part of their mandate to 'encourage the synchronization of efforts between the public and private sectors,' FLEC could distribute a monthly electronic newsletter, create a blog space, and distribute information in e-mail alerts. Many organizations currently perform such functions; for example, the Office of the Comptroller of the Currency has an electronic newsletter on financial literacy, while ASEC sends out e-mail alerts to its partners on new initiatives, program updates, and research developments.

## **2. Make Financial Literacy a Priority**

- *The current economy escalates the need for financial literacy in the United States.*
  - Americans need to change their actions by creating wealth, not debt, through savings efforts. The platform must be heightened and attention drawn to this issue.

## **3. Work Cooperatively with Other Government Agencies and Non-Profits**

- *FLEC cannot work alone*
  - The bulk of the successes it has had are a result of working cooperatively with government agencies and non-profits, such as ASEC, to release financial literacy resources such as PSAs, surveys, brochures, and other helpful content.
- *ASEC and its partners would happily assist FLEC with any of their endeavors.*
  - Oftentimes the best work is a result of cooperative efforts on multiple levels between individuals and organizations with similar missions and passions. Working cooperatively is a way to divvy up responsibility and resources—and because each organization has its own contacts and networks, they are able to branch out and spread the word to an exponentially greater amount than if FLEC worked alone.

## **4. Web site Improvements**

- *Improvements are needed to the FLEC site<sup>3</sup>*
  - As this testimony was compiled, it took quite a bit of effort to find documents related to FLEC's goals and past events—as the information was not on FLEC's site, but on other agencies' sites. Links to results from events, such as the International Conference on Financial Education, that are posted on other sites, should be included on FLEC's site so that interested parties do not have to browse the Internet for a while until they find the content for which they are looking.

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<sup>3</sup> Note: These recommendations refer to the FLEC site, not mymoney.gov

**Conclusion**

I have attempted to provide a picture of the very extensive efforts underway within the public and private sectors on financial education. Thousands of organizations are involved in this effort across the nation. The Internet has provided a way to link them together, and much has been done, but more remains to be accomplished. The partners of ASEC provide linkages into communities across the nation, and seek to leverage each other, rather than to compete with each other. ASEC and its activities have proven to be a useful 'bridge of continuity' for the public and private sector when Administrations change, appointees change, and priorities change. We are continuing to play that role today.

FLEC was a worthwhile effort by the Congress to bring some structure to Federal involvement in financial literacy education. Ironically, the fact that its membership was largely political appointees decreased its ability to be the most effective approach. At senior levels there are just too many time obligations and crisis issues that dominate the calendar. Further, placement of the responsible office in one agency, while inevitable, creates its own challenges. It creates a special need for that agency to be inclusive and to deemphasize its own role. Second, the apparent legal restriction against [www.MyMoney.gov](http://www.MyMoney.gov) being able to include any resources or links to non-government entities limited its power and value.

I look forward to working with you Committee and all others on these important issues in the future.

**Addenda**

- A. Report on the Government Interagency Group (GIG) meeting, February 2009.
- B. Report on the Spring 2009 ASEC Partners Meeting, April 2009.
- C. Current listing of Spring 2009 ASEC Partners Meeting Participants.
- D. The Power of Partnerships

ADDENDUM A

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**ASEC-GIG Meeting of February 12, 2009**

The meeting began at 10:00 a.m.

**SECTION I – Discussion**  
**SECTION II – Agency Updates**  
**SECTION III – ASEC Updates**  
**SECTION IV – Attendees**

**SECTION I – Discussion**

Firms will be making many cut-backs during the current economic crisis. As a result, financial literacy budgets will be cut. Many firms will be leveraging financial literacy materials produced by federal government agencies. The need for the materials that federal government agencies produce has never been stronger.

The *2009 Retirement Confidence Survey* came out of the field in February. We have tabulations for the 2<sup>nd</sup> annual Saver Survey sponsored by the Consumer Federation of America; findings will be released February 23<sup>rd</sup>. Both of these surveys show that since summer 2008, Americans have realized they will be working longer than planned.

PBS' *NewsHour* has received a second year of funding from the Sloan Foundation for their financial literacy efforts.

SEC's new Chair, Mary Schapiro, is developing a new advisory committee on investor education.

*Congressional Hearings, Week of February 23, 2009:*

Senate Special Committee on Aging, February 25<sup>th</sup>: Boomer Bust? Securing Retirement in a Volatile Economy. EBRI President & CEO Dallas Salisbury testified at this hearing.

House Small Business Committee, February 25<sup>th</sup>: "Drop in Retirement Savings: The Challenges Small Business Face Funding and Maintaining Retirement Plans in a Struggling Economy."

House Committee on Education and Labor, February 24<sup>th</sup>: Strengthening Worker Retirement Security

*NABE Washington Economic Policy Conference*

March 1-3, 2009 National Association of Business Economists Washington Economic Policy Conference of leading economists will be held in DC. Discussions will be on the current state of the U.S. and world economies and how the economic crisis may unfold with implications for public and private-sector organizations finances. See the program for further details. ASEC partner CFA Institute is a partner organization in this conference.

*Media message of save vs. spend:*

The group had some discussion on whether the saving message is appropriate for the current economic situation. Dallas reflected on an interview he had with Paul Solman of PBS's *NewsHour*. The topic of the interview was this issue of save vs. spend. Dallas noted that there are two positions on this topic. First, more spending is needed for the economy as a whole. The economic stimulus plan is an attempt to address this issue with job creation funding (such as infrastructure spending) and corporate tax incentives to create employment. Second, for households, the issue is a personal one, depending on that particular circumstance; for example, a household with high debt and job insecurity will naturally be inclined to save more and spend less.

*When to receive Social Security Benefits:*

The group had a discussion on when to begin receiving Social Security benefits. Social Security Administration is engaging in a campaign to educate individuals on the things they should consider when they are planning when to begin receiving retirement.

Overall consensus was that retirement is a very personal decision. Some individuals may be in a financial position where they need the money from Social Security by age 62. Some may want to wait. Social Security Administration's information educates individuals on the long-term consequences of taking benefits early as opposed to waiting a few more years. Points to consider:

- 1) Focus on adequate lifetime income
- 2) For married couples, a widow(er) could receive a significantly reduced benefit upon the spouse's death
- 3) Many private sector defined benefit plan benefits coordinate with Social Security benefits
- 4) Need to consider the issue of health care. Medicare does not start coverage until age 65 and then only covers for about 56 percent of health care costs.

**SECTION II – Agency Updates****Department of Agriculture Cooperative Extension – Update of Activities**

- The Extension is promoting *America Saves Week* and has set the following goals which they expect to reach:
  - 1) 15,000 attendees at events
  - 2) Events in 31 states
  - 3) Media to reach 4.1 million individuals
  - 4) 100,000 reached through Web sites and e-mails
  - 5) 7,000 to open a new savings account

- Partnering with the IRS on tax payer education. Will utilize the Cooperative Extensions' network to reach low- to moderate income individuals. Earned Income Tax Credit (EITC) and Volunteer Income Tax Assistance (VITA) programs will be utilized.
- Incorporated a new site, Managing Money in Tough Times, into the personal finances section of the Extension site. In addition to information on financial matters the site contains information on coping with stress in difficult financial times.
- AFCPE article, "Personal Finance: An Interdisciplinary Profession" authors: Jane Schuchardt, Dorothy C. Bagwell, William C. Bailey, Sharon A DeVaney, John E. Grable, Irene E. Leech, Jean M. Lown, Deanna L. Sharpe, and Jing J. Xiao

#### **Department of Defense – Update of Activities**

- Developed a *Financial Readiness Challenge Road Show*. The purpose of this challenge is to assist troops and their families with planning their path to wealth. "It's not how much money you make, it's how much you keep." The Department of Defense, Office of Personal Finance and Transition is partnering with many non-profits and federal and state agencies. They created a library of materials to be used for a wide range of topics.
- In December 2008, the Financial Readiness Challenge Road Show was in Washington State. Additional Financial Readiness Challenge events are slated for Fort Belvoir, VA, Jan. 24; Naval Base Kitsap, WA, Feb. 23; Los Angeles Air Force Base, CA., week of Feb. 25; San Diego region, CA, week of Feb. 25; Norfolk, VA, Feb. 25; and Fort Polk, LA., March 7.
- The Military Saves Financial Fair and Financial Road Show event will be at the Pentagon from February 23-27, 2009.

#### **Department of Labor, Bureau of Labor Statistics – Update of Activities**

- Launched a new publication series in October 2008 called *Program Perspectives*. The first issue was on trends in health care benefits. The March 2009 issue covers retirement benefits, a complicated issue. Subsequent issues on retirement will address one aspect of retirement plans, resulting in several issues of *Program Perspectives* on retirement plans.
- Benefits data from March 2009 will be released in August 2009. You can go to BLS' Web site for the March 2008 data.

#### **Department of Labor, Office of Disability Employment Policy – Update of Activities**

- Developing an interagency working group on asset development and financial education for individuals with disabilities. First planning meeting was in January 2009 involving DOL, IRS, SSA, CMS, and Treasury. The interagency working group will be launched in March 2009.
- A goal of the working group is to facilitate the coordination and collaboration of Federal government research, policy, and programming in the areas of tax/financial incentives and asset development for individuals with disabilities. Similar coordination is occurring at the state level and with national non-profit organizations.
- Creating new products on tax, asset development, and Social Security benefits for individuals with disabilities. A release date is scheduled for Spring 2009.

#### **Department of Labor, Women's Bureau – Update of Activities**

- Currently working on updating the curriculum for the Wi\$e-Up program. The program has good participation, with about 60 percent of participants committing to increasing their savings and reducing their debt. Will try to follow-up with participants after 3 months. This is proved difficult in the past as many participants have changed their phone numbers or e-mail addresses but did not provide new contact information.
- January 2009 Wi\$e-Up call was titled *Work and Money: Making the Best of Hard Times*. Speakers were: Kristina Barsch, the Chief of the Division of Occupational Outlook in the Bureau of Labor Statistics (BLS) Employment Projections Program, Lisa Featherngill, Director of Financial & Estate Planning for the Winston-Salem, North Carolina, and Palm Beach, Florida offices of Calibre, and Nancy Granovsky, Regents' Fellow, Professor and Extension Family Economics Specialist at Texas AgriLife Extension Service, Texas A&M University System.
- Kristina spoke on rising unemployment and employment projections. She stated a job search takes about 5 months in the current economic climate.
- *Ask the Expert* received some questions on retirement funds. Should a person save for retirement or save for the down-payment on a house? Should a person use the funds in a Roth IRA for the down-payment of a house? Should a person use extra funds to pay down principal on a house or add it to savings? These questions proved to be quite complicated. Much depends on a person's individual tax situation. Staff at Wi\$e-Up work to maintain and verify the answers for these questions.
- Wi\$e-Up has some new PSAs posted on You Tube.
- May is older Americans month. Wi\$e-Up may have a May conference call on a topic geared toward older Americans. Social Security offered to provide a speaker. EBRI can provide some background data on sources of income for persons age 55 and over and age 65 and over.

**Department of the Treasury – Update on Activities**

- Developing a multi-party campaign to increase understanding of financial products and services. Products would include inserts with refund checks; radio PSAs, and text messages.
- Held a research symposium on financial literacy on October 6 and 7, 2008 with the Department of Agriculture Cooperative Extension. The Paper was released in January 2009, Research Priorities: Results of the National Research Symposium on Financial Literacy and Education. A summary of the report was also released: Ten Recommended Research Priorities.
- Creating *First Account Program* to promote and increase access to banks by low- and moderate-income individuals.

**Federal Citizen Information Center**

- The Federal Citizen Information Center just released its 2009 edition of its popular Consumer Action Handbook. Individuals wishing to order copies (no more than 10 per request please) may go to <http://www.consumeraction.gov> to submit their requests.
- FCIC is nearly ready to go to print with its Spanish version of the Consumer Action Handbook, the *Guía del Consumidor 2009*. We hope to have it ready sometime in April. Individuals wishing to place advance orders for copies (no more than 5 per request please) may go to [http://www.consumidor.gov/ordene\\_la\\_guia.shtml](http://www.consumidor.gov/ordene_la_guia.shtml).
- FCIC continues to support the Financial Literacy and Education Commission by operating its popular MyMoney.gov website and 1-888-MyMoney toll-free publications toolkit ordering hotline.

**Federal Deposit Insurance Corporation – Update of Activities**

- Promoting *America Saves Week*:
  - 1) Hosting Maryland Saves' *Roll in the Dough* savings campaign. A FDIC representative is on the Steering Committee for Kansas City Saves, is involved in event planning, and will be answering basic financial questions in a TV Call-in show in Kansas City, MO on February 23<sup>rd</sup>. Most of the FDIC regional offices are involved with local Saves campaigns in varying degrees; for example, FDIC is on the Working Committee of Maryland Saves.
  - 2) The edition of *Money Smart News*, slated for release the week of February 16<sup>th</sup>, will contain an article mentioning *America Saves Week*. *Money Smart News* reaches an estimated 20,000 subscribers.

- Released information in December 2008 on the new higher FDIC insurance coverage and how it impacts consumers. Developed two micro sites for the new higher coverage, one in English and another in Spanish.
- *Winter 2009 Issue of Consumer News* will contain articles on managing expenses and savings, housing and foreclosure frauds, and scams.
- Released a report on February 5, 2009 concerning bank efforts to reach the unbanked and under-banked. (Links to the press release, transmittal letters to the House and Senate, summary report, and full report.) Questions were asked on the effectiveness of financial literacy outreach efforts. Most respondents found that outcomes were difficult to measure. Of those institutions that were able to get some measurements, 85 percent found the financial literacy efforts were effective. See Chapter 4 of the Report.

#### **Federal Reserve Board – Update of Activities**

- Consumer education staff is providing savings tips on their Intranet site for *America Saves Week 2009*.
- Banners will be placed on the Federal Reserve's Web site for both *Consumer Protection Week* and *America Saves Week*, along with links to various Federal Reserve publications on savings topics.

#### **Federal Trade Commission – Update of Activities**

- Included a link to *America Saves Week* on the National Consumer Protection Week, March 1-7, 2009 site.
- Hosting Advertising Literacy Forum: Workshop Examines Kids in a Commercial World on March 12, 2009.
- Hosting Fraud Forum on February 25-26, 2009. The Forum will examine how the FTC can more effectively protect consumers from fraudulent schemes.
- Updating information on reverse mortgages in partnership with states' attorney generals and housing agencies. May 2009 is the target release date.

#### **Internal Revenue Service – Update of Activities**

- The IRS has been addressing questions from small employers on whether they can use their retirement plan assets for non-retirement purposes during hard economic times. Consequences of misuse of funds may result in stiff penalties.

- Small employers with safe harbor 401(k) plans have inquired whether they can reduce employer contributions to highly compensated employees but not lower compensated. IRS has advised they cannot do that.
- Developing information for participants and employers on how to access their retirement assets through loans, hardship withdrawals and waivers from minimum distribution rules.
- Developed a new publication with the Department of Labor, Employee Benefit Security Administration on setting-up auto-enrollment plans.
- Looking for publication distribution methods. Currently making the publication available to benefit practitioners and financial institutions. Experience shows employers general do not search for information on setting-up a retirement plan. Most get the information through a financial institution.
- Social Security Administration offered to help distribute the publication.

#### **Office of the Comptroller of the Currency – Update of Activities**

- Promoting America Saves Week:
  - 1) Partnering two events in Atlanta and New York City.
  - 2) Encouraging national banks to participate in the Week through local events in their area.
  - 3) Urging banks to use EITC to reach out to low- to moderate income individuals to open a savings account with their tax refund.
- *Financial Literacy Update for January/February 2009* is available on-line. These periodic updates contain information about upcoming financial literacy events, new initiatives of the Office of the Comptroller of the Currency and other organizations in the financial literacy field, as well as listings of financial literacy and consumer financial education resources. Have a financial literacy event coming up worth noting? Rolling out a new financial literacy initiative? Developing a new tool or product? E-mail OCC at [communityaffairs@occ.treas.gov](mailto:communityaffairs@occ.treas.gov).
- Partnering with the American Bankers Association (ABA) in April for Teach Kids to Save Day.
- Releasing a publication in March 2009 containing tips on how to avoid home foreclosure scams.

#### **Securities and Exchange Commission – Update of Activities**

- Will be participating in the Department of Defense's *Military Saves Week* financial fair at the Pentagon.

- Recently launched the SEC Investor Resource (1-866-358-6652), a free phone library with information on how to invest wisely and avoid fraud. Users may listen to a message on a particular topic and order SEC publications. The SEC is exploring opportunities for distributing non-SEC materials through this voice response system.
- In 2008, promoted the new resource through inserts mailed out with 3 million tax refund checks. The average call lasts about 4 minutes, indicating that the caller is listening to more than one message.
- In 2009, building on the success of 2008 insert cards, will be sending out 10 million cards with refund checks.
- Currently the cards and voice mails are in English only. Working with FLEC on a saving and investing message in Spanish.
- Utilization of the system is light yet there is a market for having the information distributed in this method.



### Check Out These Saving and Investing Tips

- Pay off credit card or high-interest debt. *Simply paying off your high-interest debt may be your best investment strategy.*
- Boost your emergency fund. *Many experts recommend keeping about six months of expenses in a federally insured account to cover an emergency, like sudden unemployment.*
- Beware of promises of "guaranteed returns." *Promises of high returns, with little or no risk, are classic warning signs of fraud. If it sounds too good to be true, it probably is.*
- Don't put all your eggs in one basket. *Think twice before investing heavily in shares of your employer's stock or any individual investment.*

IF YOU HAVE ANY QUESTIONS, DO NOT CONTACT THE  
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### Small Business Administration – Update of Activities

- Promoting *National Entrepreneur Week February 21-28, 2009*. The Nation is challenged to consider how "Entrepreneurial Skills Building" is essential to our future. In honor of the third annual *National Entrepreneurship Week*, the Consortium for Entrepreneurship Education is pleased to present "Entrepreneurship EMPOWERS Everyone, A Proposal for Entrepreneurial Skills Building".
- This proposal is about recognizing that entrepreneurship, the force that created the strongest economy in the world, needs champions now. The skills connected to making the "right decisions" for entrepreneurial success can and should be experienced and learned throughout education. It must also be recognized that entrepreneurial skills can be utilized in any workplace, not just when operating one's own business.

- Coordinating non-profit and federal government resources for small businesses through the U.S. Small Business Administration Web site, [www.sba.gov](http://www.sba.gov). Developing on-line assessments, as well as Facebook and YouTube pages.

#### **Social Security Administration – Update of Activities**

- Promoting *America Saves Week*:
  - 1) At offices nationwide, reaching over 60,000 employees.
  - 2) Added links to the *America Saves Week* Web site from the SSA site.
  - 3) Working at the local level to promote the Week. Regional offices are encouraged to participate in local events.
  - 4) Have 150 public affairs specialists across the country working to place articles promoting the Week in local newspapers.
- A new insert in the Social Security Statement targeting young workers will be released in February 2009.
- Created new podcasts on when to receive Social Security Benefits. The podcasts, available on iTunes, had over 40,000 downloads within the first month.
- Work with the IRS on distribution of SSA publications and IRS publications.
- Hosted a Webinar on January 29<sup>th</sup> about applying on-line for retirement benefits. The link will be available for 6 months. A DVD of the Webinar can be ordered.
- On March 20th, the Brookings Institution, Wharton's Pension Research Council and Boettner Center, the University of Michigan Retirement Research Center, and The Retirement Security Project will co-sponsor a conference on financial literacy and retirement preparedness entitled *Financial Literacy in Times of Turmoil and Retirement Security*. The conference will focus on how workers and retirees can better manage saving for and stay secure during retirement. Participants will identify research and policy directions for the future.
- Part of the Stimulus Bill is to distribute an additional amount, \$250, to all Social Security beneficiaries.

#### **SECTION III – Update of ASEC Activities**

#### **SECTION IV -- Attendees**

##### **Department of Agriculture, Cooperative Extension**

Jim Terry

##### **Department of Defense**

Mary Bell – on phone

##### **Department of Labor, Bureau of Labor Statistics**

Wayne Shelly  
**Department of Labor, Office of Disability Employment Policy**  
Kerry Lida  
**Department of Labor, Women's Bureau**  
Sarah Miller  
Jane Walstedt  
**Department of the Treasury**  
Dubis Correal – on phone  
**Federal Deposit Insurance Corporation**  
Luke Reynolds  
Bobby Grey  
**Federal Reserve Board**  
Yvonne Cooper  
Jyl DuPont – on phone  
**Federal Trade Commission**  
Colleen Tressler – on phone  
**Health Resources and Services Administration**  
Starrlese Jones – on phone  
Patricia Reese – on phone  
**Internal Revenue Service**  
Mark O'Donnell  
John Schmidt  
**Office of the Comptroller of the Currency**  
Karen Bellesi  
**Securities and Exchange Commission**  
Brian Mulford  
**Small Business Administration**  
Jack Bienko – on phone  
**Social Security Administration**  
Sheila Abrams-Jones – on phone  
Cheri Arnott  
Jason Fichtner  
David Timmons  
David Weaver  
**Veterans Administration**  
Chris Demorse – on phone

**ADDENDUM B**



**Spring 2009 Partners Meeting  
American Savings Education Council (ASEC)  
Wednesday, April 15, 2009**

**U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549  
(202) 942-8088**

**Presentations from the meeting:**

- I. Welcome and ASEC Report – ASEC
- II. “Roll in the Dough” Saving Campaign Drawing for the Winner – Maryland Saves
- III. How Long Will It Take for Retirement Savings (401(k) Accounts to Recover? – EBRI
- IV. Leveraging Social Networking to Promote Savings – AARP
- V. Research Priorities: Financial Literacy and Education – Financial Literacy and Education Commission
- VI. Amplifying Your Message Using New Social Media – AICPA
- VII. Power of Partnerships: Results Washington Saves Week 2009 – Washington State Department of Financial Institutions
- VIII. Oceana's Military Saves Approach to Putting the Fun Back into Savings Fundamentals – Oceana
- IX. Reaching Investors of All Ages: The Money Matters Campaign – North American Securities Administrators Association and Pennsylvania Securities Commission
- X. Lessons Learned from Outreach to Universities Applied to the Workplace – SFE&PD
- XI. Results of the 2009 Retirement Confidence Survey – Mathew Greenwald & Associates
- XII. **Partner Roundtable – Items mentioned during the Roundtable**
  - New micro-grant program from ICI Education Foundation
  - MetLife Mature Market Institute – Study: Broken Trust, Elders, Family, and Finance – A Study on Elder Financial Abuse Prevention
  - MetLife Mature Market Institute – Helpful Hints: Preventing Elder Financial Abuse: For Family Caregivers
  - MetLife Mature Market Institute – Helpful Hints: Preventing Elder Financial Abuse: For Older Adults
  - MetLife – The 2009 MetLife Study of the American Dream

- Federal Citizen Information Center 2009 Consumer Action Handbook order a copy in English and/or Spanish
- American Bankers Association new Web site Teach Children to Save
- U.S. Department of Agriculture, Cooperative State, Research, Education, and Extension Services, Managing Money in Tough Times
- NewsHour new web site demystifying the most complex issues in the economic and financial news: The Exchange: Economic News and Analysis. For a one page brochure promoting the site.
- Federal Trade Commission new Web site Money Matters is also available en Español
- Federal Reserve Board 5 tips for Avoiding Foreclosure Scams
- Federal Reserve Board's 30-second PSA promoting the 5 Tips for Avoiding Foreclosure Scams will be airing in theaters in 9 states with a high rates of foreclosure
- Federal Reserve Board new Credit Card Repayment Tool

**Additional Documents:**

Documents in packets:

- The Power of Partnerships, Washington State's America Saves Week Report
- Results of the National Research Symposium on Financial Literacy and Education – Ten Recommended Research Priorities (one page document)
- Choose to Save<sup>®</sup> on new media

Referenced during presentations:

- Results of the National Research Symposium on Financial Literacy and Education – Full Report
- Results of the 2009 Retirement Confidence Survey
- NAS Oceana's Military Saves 2009

Documents from the display table:

- Society for Financial Education and Professional Development 'About Us' brochure
- Investment Company Institute Education Foundation Microgrant Program for Investor Education Innovation within Metropolitan Washington, DC
- North American Securities Administrators Association -- Sandwich Generation: Caught in the Middle
- North American Securities Administrators Association -- Investor Ed Fall 2008
- Pennsylvania Securities Commission – Confessions of a Scam Artist

**Upcoming ASEC Partners' meetings are scheduled for:**

Wednesday, October 21, 2009

Wednesday, April 14, 2010

Wednesday, October 20, 2010

**ADDENDUM C**

**Spring 2009 Partners Meeting  
American Savings Education Council (ASEC)  
Wednesday, April 15, 2009  
9:30 a.m. – 11:30 a.m.**

**U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549  
(202) 942-8088**

*Attendees List**total listed: 82*

<i>Name</i>	<i>Affiliation</i>
Idriys J. Abdullah	District of Columbia Department of Insurance, Securities & Banking
Chris E. Anguelov	Social Security Administration
Cheri Amott	Social Security Administration
Nathaniel Bishop	U.S. Small Business Administration
Lisa Bleier	American Bankers Association
Robert C. Boggio	Centers for Medicare & Medicaid Services
Kelvin Boston	
<b>Dean Brassington</b>	<b>Fleet &amp; Family Support of Hampton Roads (USN)</b>
Elisabeth Buser	American Savings Education Council (ASEC)
Neal Carlton	
Vanessa CdeBaca	American Council of Life Insurers (ACLI)
Victor N. Claman	Advantage Publications
Sherri Clark	U.S. Administration on Aging
Thomas Collimore	CFA Institute
Carol Crecy	U.S. Administration on Aging
Chris Cummins	State Farm Insurance Companies
<b>Theodore Daniels</b>	<b>Society for Financial Education &amp; Professional Development</b>
Susan J. Duncan	Investment Company Institute
Jyl Dupont	Federal Reserve Board
Henry C. Eickelberg	General Dynamics Corporation
Duke Fanelli	Edelman Financial Services, LLC
Jason J. Fichtner	Social Security Administration
<b>Mathew H. Greenwald</b>	<b>Mathew Greenwald &amp; Associates</b>
Hope Hardy	Wendy's Financial Sense
Lonell Hardy	Wendy's Financial Sense
<b>Melora C. Heavey</b>	<b>American Institute of Certified Public Accountants</b>
Beth Hirschhorn	Metropolitan Life Insurance Company
Ellen Hoffman	
Jeanne M. Hogarth	Federal Reserve Board
M. Cindy Hounsell	Women's Institute for a Secure Retirement (WISER)
Patricia Humphlett	U.S. Department of Labor
Andrew Hung	U.S. Department of Treasury
Dan Iannicola	
Monte Ivey	RTL Networks
Karen Jaffe	MacNeil/Lehrer Productions
Starrlese Jones	DHHS Health Resources & Services Administration

Jinhee Kim  
 Ray Kirk  
 Barry Korb  
**Christina Kotsalos**  
 Brad Kunzweiler  
 Riaz Lanfullah  
 Joni Lavery  
 Richard Lewis  
 Jules Lichtenstein  
**Joan M. Lok**  
 Maxim Massenkoff  
 Brenda McDaniel  
**Kenneth McDonnell**  
 E. Irene Meader  
 Sarah Miller  
 Brian Mulford  
 Denise Murray  
 Karen Murrell  
 Elvis Ortiz  
 Camille Palacio  
**Lyn Peters**  
 Louisa Quitman  
 Kathryn Reddie  
 Patricia Reese  
 Ernest Roberts  
**Dallas L. Sallsbury**  
 Kirby Schell  
 Lori J. Schock  
**Jane Schuchardt**

**Melinda Semadeni**

Jean C. Setzfand  
 Barbara Smith  
 Jacqueline Snee  
 Mary Spear  
 Jay Sternberg  
 Wendy Stokes  
 Rene Taber  
 David Timmons  
 Colleen P. Tressler  
**Diane Ty**  
 Lois A. Vitt  
 Jane Walstedt  
 David A. Weaver  
 Alicia Willis  
 Christopher Yuen  
 James Zawada

University of Maryland  
 U.S. Office of Personnel Management (OPM)

**Pennsylvania Securities Commission**

AARP  
 National Academy of Social Insurance  
 RTL Networks  
 U.S. Small Business Administration  
**Federal Deposit Insurance Corporation (FDIC)**  
 Federal Reserve Board  
 U.S. Department of Defense  
**American Savings Education Council (ASEC)**  
 U.S. Office of Personnel Management (OPM)  
 U.S. Department of Labor  
 U.S. Securities and Exchange Commission

Federal Reserve Board

CFED

**Washington State Dept of Financial Institutions**

U.S. Department of the Treasury

BetterInvesting

DHHS Health Resources & Services Administration

CFED

**Employee Benefit Research Institute**

Advantage Publications

FINRA Investor Education Foundation

**Cooperative State Research, Education and Extension**

**Service, USDA**

**North American Securities Administrators Association**

**(NASAA)**

AARP

Federal Citizen Information Center

Fleet & Family Support of Hampton Roads (USN)

AARP

Wendy's Financial Sense

Putnam Investments

Social Security Administration

Federal Trade Commission

**AARP**

Institute for Socio-Financial Studies

U.S. Department of Labor, Women's Bureau

Social Security Administration

Employee Benefit Research Institute

U.S. Department of Treasury

U.S. General Services Administration

**Bold: Speakers**

**ADDENDUM D**

# “The Power of Partnership”

[Home](#) | [For The Media](#) | [Blog](#) | [Twitter](#) | [YouTube](#) | [Partners](#)



## WASHINGTON SAVES WEEK

**Feb. 22 - Mar. 1, 2009**

**“Build Wealth Not Debt”**

About WA Saves
Savings Tips
Event & Activities
Savings Resources
Get Involved



Governor Chris Gregoire has proclaimed the week of February 22 - March 01, 2009, as Washington Saves Week. The Governor is encouraging public and private organizations to work together to illustrate the importance of saving money.

Organizations across Washington are answering the call. View a [list of events](#) and activities to find out what others are doing.

**Join Us On Twitter**

Receive updates about what's going on across Washington [via twitter](#).




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**Savings Tips On YouTube**

Join us on [YouTube](#) and view our collection of savings videos.




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**More On Our Blog**

“Money Talks”, [our blog](#), will feature a new savings tips each day during Washington Saves Week.



**Information & Resources**

[Savings Tips](#)  
Tips on how to cut costs and start saving money today.

[Events & Activities](#)  
Classes and events in your local community to help you get in the saving mood.

[Savings Resources](#)  
Links to Web sites with more information about saving money and cutting costs.

**Get Involved**

[How You Can Get Involved](#)  
Ideas on how your organization can get involved in Washington Saves Week.

[Materials You Can Use](#)  
Savings tips, op-ed templates, logos, and more.

[Media & Blogosphere](#)  
Local stories, PSA's, savings tips, press releases, and more.

**Washington Saves Week Partners**

The Washington State Department of Financial Institutions and the Washington Asset Building Coalition collaborated and worked together to build this Washington Saves Week campaign and Web site.

[View Complete List Of Partners](#)

[Home Page](#)
[About WA Saves](#)
[Savings Tips](#)
[Event Calendar](#)
[Savings Resources](#)
[Get Involved](#)
[For The Media](#)

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## Washington State’s America Saves Summary Report

Submitted by Washington Department of Financial Institutions

**DO MORE WITH LESS: Focused, wider distribution/awareness, less effort**

Washington's Department of Financial Institutions (DFI) and department of Community Trade and Economic Development (CTED) joined forces this year to lead a Washington-specific America Saves campaign for 2009. The goal was to gain wider distribution and awareness of the campaign using existing resources.



We chose to focus, in particular, on bringing the Washington Asset Building Coalitions (WABCs) on board — enabling us to reach more people throughout our expansive state. The ABCs were already working to sign residents up, when eligible, for EITC during tax preparation sessions, so we felt it would be a natural progression for ABC members to discuss saving part of any tax returns as well.

A theme throughout was saving money during tough economic times and the importance to save in case of even tougher times (*this campaign came at a time when major employers in our state such as daily newspapers, Boeing, Starbucks, Weyerhaeuser and the State of Washington announced layoffs and deep budget cuts.*)

CTED headed up coordinating with the ABCs on communicating specific projects or programs and contacts willing to talk with media about Washington Saves Week and how their local ABC was helping Washington residents save money during this week.

And so, Washington Saves Week began to take shape.

**MEDIA/OUTREACH: Utilizing Web 2.0 and partner distribution**

DFI agreed to handle the media/outreach aspects. We did so in a variety of ways:

- We requested a Governor's Proclamation in December 2008 and received it January 2009.
- Washington Saves Week specific Web site at [www.dfi.wa.gov/financial-education/wa-saves/](http://www.dfi.wa.gov/financial-education/wa-saves/) that was essentially a "campaign-in-a-box" emulating the America Saves Week model, providing ABCs, partners, and media a fully-loaded Washington Saves Week "tool-kit" including "how-to" instructions. <http://www.dfi.wa.gov/financial-education/wa-saves/get-involved.htm>
- Requests for financial education partners to participate and submit information about events for calendar listings and possible media focus.
- The Web site housed a calendar of events including items from all WSW participants who submitted items.
- Media Release
  - Sent to print, radio, TV, bloggers and financial education partners for additional distribution.
- ABC-specific releases sent to their local media
  - Walla Walla
  - Cowlitz
  - Pierce
  - Okanogan
  - Snohomish
  - Yakima
- OPED written so ABCs could add quotes from local dignitaries and submit to local media.
- Regular posts on our financial education Twitter page [www.twitter.com/FinEd4All](http://www.twitter.com/FinEd4All)
- Regular posts and updates on our financial education blog [www.finlit.blogspot.com](http://www.finlit.blogspot.com)

**Washington Saves Week Summary — The Power of Partnerships**

**POWERFUL PARTNERS: Giving lift to a campaign with efforts already underway**

Washington is blessed to have several organizations already working to increase financial literacy and enhance financial education opportunities for Washington residents. Many partners already had events scheduled and others planned additional events for the week.

We were pleased to be able to cite **more than 30 partners** with ASW/WSW efforts:

**Local Government**

- [City of Yakima](#)
- [Community Trade and Economic Development](#)
- [Department of Financial Institutions](#)
- [Department of Retirement Systems](#)
- [Governor Chris Gregoire](#)
- [State Treasurer, James L. McIntire](#)

**Local Organizations**

- [AARP of Washington](#)
- [Bank on Cowlitz County](#)
- [Bank on Seattle-King County](#)
- [Consumer University](#)
- [JumpStart Washington](#)
- [Lower Columbia CAP](#)
- [Okanogan Community Action Council](#)
- [Pierce County Associated Ministries](#)
- [Tacoma Goodwill](#)
- [United Way Snohomish County](#)
- [United Ways of Washington](#)
- [Seattle King County Financial Education Providers' Network](#)
- [Washington Asset Building Coalition](#)
- [Washington Society of CPAs](#)

**Local Financial Institutions**

- [Kitsap Credit Union](#)
- [OBEE Credit Union](#)

**Military**

- [Bangor Naval Base](#)
- [Fort Lewis](#)
- [Whidbey Island Naval Base](#)

**National Partners**

- [America Saves](#)
- [Military Saves](#)
- [American Savings Education Council](#)
- [Employee Benefits Research Institute](#)
- [National Council for Economic Education](#)
- [North American Securities Administrators Association](#)
- [Financial Industry Regulatory Authority](#)

**EVENTS/CAMPAIGNS: Filling the calendar!**

When Washington financial education partners learned there was a state-wide calendar to share their information with all Washington residents, the calendar began to fill quickly. We're proud to say Washington had an event somewhere **EVERY DAY** during Washington Saves Week!

**Washington Saves Week Events & Activities****Week Long Events & Outreach****Media Outreach & Campaign Coordination**

The Washington Department of Financial Institutions (DFI) is encouraging the local media and bloggers to bring attention to Washington Saves Week. DFI is sending out PSAs, tip sheets, resources, and more. DFI is also working with the Washington Asset Building Coalition to help coordinate Washington Saves Week activities and bring attention to the importance of saving. For more information, contact Lyn Peters at [lpeters@dfi.wa.gov](mailto:lpeters@dfi.wa.gov) or (360) 902-8731.

**Financial Check-Ups At OBEE Credit Union**

[OBEE Credit Union](#) is sponsoring Financial Check-Ups for members to make sure they're getting the most bang out of their bucks at OBEE.

**Library Outreach & Community Presentations - Jump\$tart Washington**

[Jump\\$tart Washington](#) is promoting financial education in libraries across the state. Librarians will create displays of books focused on saving and investing, retirement planning and basic money management. In addition, Jump\$tart partners will host free community workshops.

**Free Tax Preparation - United Way Of Snohomish County**

The [United Way of Snohomish County](#) Free Tax Preparation Campaign is promoting and marketing saving via splitting tax refunds. Tax filers can use the split refund process to make a more targeted use of their tax refund. In addition to this outreach, tax customers can use this process to purchase US Savings bonds for long-term financial goals i.e. education, retirement, etc. To date 32 US Savings bonds have been purchased, totaling \$2400 in value, through this service.

**Yakima Money Matters Month**

Yakima Mayor David Edler has proclaimed March as Money Matters Month and is encouraging Yakima area residents to learn more about Earned Income Tax Credit.

**Cowlitz Saves Week**

Cowlitz County has declared the week of February 22 - March 01 as "Cowlitz Saves Week". Activities will include the launch of the Bank on Cowlitz County unbanked initiative with efforts to engage citizens in traditional banking services. The Bank on Cowlitz County is a strong collaboration of financial institutions, community organizations, financial education providers, federal, state, housing, and other social welfare agencies in Cowlitz County working together to expand access to financial education and financial services for county residents as a means to promoting individual, family and community economic well-being.

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**Saturday, February 21****Kitsap Super Saturday Financial Fair**

Free informational fair at West Park Community Center in Bremerton from 12:00 - 4:30 pm.

[More information about Kitsap Super Saturday](#)

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**Monday, February 23****Military Saves Event At Bangor Navy Base**

The Washington Department of Financial Institutions (DFI) and several other partners will be participating in a military saves event at Bangor. DFI will be on hand to answer questions and hand out information.

**Money Smart Class - Cowlitz Asset Building Coalition**

[Lower Columbia CAP](#), Cowlitz Asset Building Coalition and Work Source are sponsoring financial education for all adults with the intention of improving and increasing family wealth. Classes on Monday are from 5:15 p.m. - 6:45 p.m. at [CAP](#).

**Washington Saves Week Summary — The Power of Partnerships**

**EVENTS/CAMPAIGNS: Filling that calendar up!****Washington Saves Week Events & Activities (continued)****Tuesday, February 24****Credit University - Lake Washington High School, Kirkland**

Credit University: Western Washington Teens learn about saving, investing, credit management, and preventing identity theft, sponsored by Western Washington Credit Unions.  
Lake Washington High School, Kirkland

**Free Tax Preparation - Tacoma Goodwill**

Tacoma Goodwill will be offering free tax preparation from 9 a.m. - 4 p.m.

**Free Tax Preparation Details (PDF)****Military Saves Class At Fort Lewis**

Money and Divorce - 1300 - 1430, ACS Classroom at Waller Hall.

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**Wednesday, February 25****Estate Planning Workshop - Tacoma Goodwill**

Tacoma Goodwill will be offering a free estate planning workshop from 5:30 - 7:30 p.m.

**Estate Planning Workshop Details (PDF)****Thursday, February 26****Money Smart Class - United Way Snohomish County**

United Way has partnered with Cascade Bank, CityBank and Frontier Bank to provide families the opportunity to take charge of their economic futures through financial education. Money Smart class will take place on Thursday, February 26, from 6 - 8 p.m. at Lake Stickney Elementary. For more information and to register, call (425) 374-5506 or e-mail [ark.kesterke@uwsc.org](mailto:ark.kesterke@uwsc.org).

**Military Saves Class At Fort Lewis**

Savings and Investing - 1300 - 1500, ACS Classroom at Waller Hall.

**Credit University - Franklin Pierce High School, Tacoma**

Credit University: Washington Teens learn about saving, investing, credit management, and preventing identity theft, sponsored by Western Washington Credit Unions.  
Franklin Pierce High School, Tacoma

**Walla Walla Saves - Walla Walla Asset Building Coalition**

As part of Washington Saves Week, the Walla Walla Asset Building Coalition will kick off a local savings campaign. The campaign will feature financial rewards for area residents who open new savings accounts. Please contact Noah Leavitt, Coordinator, for more information [nleavitt@hotmail.com](mailto:nleavitt@hotmail.com) or (509) 529-4080. The kick off will happen at 9 am at the Blue Mountain Community Foundation Conference Room, Baker Boyer Building.

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**Friday, February 27****Money Smart Class - Cowlitz Asset Building Coalition**

Lower Columbia CAP, Cowlitz Asset Building Coalition and Work Source are sponsoring financial education for all adults with the intention of improving and increasing family wealth. Classes on Friday are from 9:00 a.m. - 10:30 a.m. at WorkSource Cowlitz.

**Military Saves Class At Fort Lewis**

Thrift Savings Plan - 1300 - 1500, ACS Classroom at Waller Hall.

**Credit University - Capital High School, Olympia**

Credit University: Washington Teens learn about saving, investing, credit management, and preventing identity theft, sponsored by Western Washington Credit Unions.  
Capital High School, Olympia

**Washington Saves Week Summary — The Power of Partnerships**

**EVENTS/CAMPAIGNS: Filling that calendar up!****Washington Saves Week Events & Activities (continued)****Saturday, February 28****Financial Fair - Pierce County Asset Building Coalition**

The Pierce County Asset Building Coalition is hosting a Financial Fair at Evergreen State College Tacoma from 9:30 a.m. - 2:30 p.m.

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**Sunday, March 01****Cowlitz Saves Celebration**

To complete the activities of "Cowlitz Saves Week" coalition partners will participate on Sunday March 1st at 2:00 PM in the Celebration of Literacy at Lower Columbia College. This is an annual event held to promote youth and young adult literacy. The Cowlitz Asset Building Coalition recognizes the need for increased financial literacy and education for youth and young adults and through "Youth Saves" events sponsored by America Saves, and Money Smart for Young Adults we will be providing savings account promotions and financial education activities.

**Note:** DFI, Consumer University and the Washington Society of CPAs also participated in the Whidbey Military Saves Day, conducted Feb. 12, prior to the actual Washington Saves Week dates. We offered presentations on Saving & Investing and "What you should know about Car Loans, Mortgages and Identity Theft."

**OUTCOMES: Knowing you made a difference**

Thousands of Washington residents were reached through the power of partnership during this year's joined efforts. We did not track the number who signed up to be savers and we did not receive reports from all partners regarding the number of Washington residents reached through this campaign, we are pleased with the information we have:

- Feb. 12: Military Saves Whidbey: **100+/- attended**
- Feb. 23: Military Saves Bangor: **100+/- attended**
- Feb. 23: Kitsap CU Military Saves Basic Budgeting Seminar: **45 attended**
- Feb. 24: Consumer University at Lake Washington High School: **100+/- students**
- Feb. 24: Tacoma Goodwill Free Tax Preparation: **14 people**
- Feb. 24: Tacoma Goodwill Fin Ed Classes (credit report/score): **15**
- Feb. 25 & 26: Kitsap CU at the Children's Carnival: **200+ youth ages K-6**
- Feb. 25 & 26: Kitsap CU high school classes: **40 teens**
- Feb. 25: Tacoma Goodwill Estate Planning Workshop: **16 adults**
- Feb. 26: Tacoma Goodwill Fin Ed Classes (2) (credit report/score): **30**
- Feb. 26: Ft. Lewis Military Saves Class: **unknown attendance**
- Feb. 26: Money Smart Snohomish: **unknown attendance**
- Feb. 27: Kitsap CU class "Solving the Mystery of the Credit Report": **15 adults**
- Feb. 27: Ft. Lewis Military Saves Class: **unknown attendance**
- Feb. 28: Pierce County "Connect With Your Money" Feb. 28: **200+/- attended**
- Washington Society of CPAs promoted to **9,600** WSCPA members
- WSCPA promoted to **300** teachers
- The United Way of Snohomish County Free Tax Preparation Campaign is promoting and marketing saving via splitting tax refunds. Tax filers can use the split refund process to target use of their tax refund. In addition, tax customers can use this process to purchase US Savings bonds for long-term financial goals i.e. education, retirement, etc. To date **32** US Savings bonds have been purchased, totaling \$2,400 in value, through this service.

Estimated Washington residents reached: **10,807**

**Washington Saves Week Summary — The Power of Partnerships**

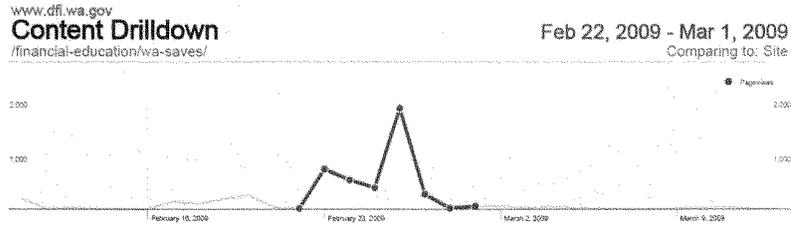
**OUTCOMES: Knowing you made a difference (cont'd)**

- Promoted partner events in press release, on Web site, Twitter and blog.
- Twitter and blog followers contacted DFI and partners for media coverage.
  - Media coverage included:
    - Tax preparers helping families save for rainy day  
(KING 5 © 02/24/2009)  
When it comes to personal savings, Americans rate at just about zero percent. That means most Americans do not have adequate savings for emergencies, let alone retirement. That's what's inspired "Washington Saves Week."
    - WA Saves Week  
(KAPP TV © 02/24/2009)  
The state of Washington is urging people to build wealth and not debt. This is "Washington Saves Week," and across the state financial educators are working to encourage money management. In WA the average personal savings rate is 0%. Educators are also emphasizing the Earned Income Tax Credit, a largely unclaimed tax incentive for lower income workers.
    - Walla Walla coalition kicks off savings campaign  
(Kennewick Tri City Herald © 02/24/2009)  
If you've been meaning to start a rainy day fund in case of emergency, now's a good time. This week is Washington Saves Week and state agencies are encouraging residents to find ways to save money - pack a lunch, skip the latte, carpool or collect change rather than spending it. The Bureau of Economic Analysis says the personal savings rate is slowing increasing after hitting negative territory
    - Small changes can mean big savings  
(KOMO TV © 02/24/2009)  
When it comes to saving money, little things can really add up. That's the theme of America Saves Week: Make small changes today and you'll have big bucks tomorrow.
    - Take heed: It's America Saves Week  
(The Olympian © 02/24/2009)  
It's taken a financial crisis, but it's starting to stick: Americans are saving more. Or at least trying.
    - Q13 Fox TV featured information on how to protect your money and had a brief Washington Saves mention.
    - Washington State Government featured Washington Saves Week on its official homepage (<http://www.access.wa.gov>) as well as on the state intranet. The Department of Retirement Systems and the Attorney General's Office also added a link to the campaign on their Web sites.
    - DFI ran savings tips of the day on our blog at <http://finlit.blogspot.com>
    - Puget Sound Energy loves the idea of saving on energy and is featuring tips on their Web site. <http://www.pse.com/Pages/default.aspx>
    - AARP announced that they are teaming up with DFI and other organizations to produce a taking charge in tough times campaign.  
[http://www.aarp.org/states/wa/articles/Taking\\_Charge\\_in\\_Tough\\_Times.html](http://www.aarp.org/states/wa/articles/Taking_Charge_in_Tough_Times.html)

**Washington Saves Week Summary — The Power of Partnerships**

**OUTCOMES: Knowing you made a difference (cont'd)**

- Web site had 2,296 unique visitors, 3,883 total page views



12 pages were viewed a total of 3,883 times

Content Performance						
Pageviews	Unique Pageviews	Avg. Time on Page	Bounce Rate	% Exit	\$ Index	
<b>3,883</b>	<b>2,296</b>	<b>00:01:13</b>	<b>46.71%</b>	<b>24.36%</b>	<b>\$0.00</b>	
% of Site Total: 9.11%	% of Site Total: 7.42%	Site Avg: 00:01:09 (+.98%)	Site Avg: 51.38% (-9.08%)	Site Avg: 31.88% (-23.59%)	Site Avg: \$0.00 (0.00%)	
Page	Pageviews	Unique Pageviews	Avg. Time on Page	Bounce Rate	% Exit	\$ Index
/savings-tips.htm	887	570	00:01:30	74.24%	33.26%	\$0.00
/default.htm	847	489	00:00:47	39.70%	33.88%	\$0.00
/	637	310	00:01:07	17.86%	12.24%	\$0.00
/savings-resources.htm	452	254	00:02:00	55.56%	28.10%	\$0.00
/events.htm	409	258	00:01:16	58.33%	16.67%	\$0.00
/about-saves.htm	204	119	00:01:11	33.33%	10.78%	\$0.00
/get-involved.htm	187	111	00:01:01	25.00%	10.70%	\$0.00
/partners.htm	81	63	00:00:41	100.00%	20.99%	\$0.00
/get-involved-old.htm	73	41	00:00:24	0.00%	4.11%	\$0.00
/materials.htm	67	50	00:01:10	100.00%	28.36%	\$0.00

1 - 10 of 12

**IF WE CAN DO IT – SO CAN YOU: Give up the “glory” and get more in return**

When organizations are less focused on who will get “credit” for a campaign and more focused on how to leverage existing resources to reach a larger audience, the true power of partnerships emerges. If you are willing to share the limelight, spread the media coverage around to more of your partners and split up the distribution of work, everyone wins.

Think about the organizations in your state already doing financial education: junior achievement, Jump\$tart, state agencies, schools, etc. What common theme can you all connect on to promote America Saves? We brainstormed on a conference call to included partners from the other side of the state. Webinars are good too.

Because this wasn't *just* a campaign being headed by state agencies, media was more inclined to ask questions and run stories. As a former reporter and editor, I can tell you first-hand -- stories coming from state agencies are seen as suspect, white-washed government “spin” -- and the last thing you want to add to your story budget. Seeing multiple agencies partner *and* involve non-profits piqued their interest.

Because this wasn't a single-city campaign, it carried more weight with media and made them more interested in doing a story with their local organization. It's not just another “Hallmark holiday” - so to speak -- when it's a state-wide effort. Local angles, however, are key in getting media to actually cover a campaign. It's best if you can offer a specific person or family as an example of how saving money changed their lives.

Media also was not getting hit with multiple press releases from multiple organizations -- something that tends to annoy editors into avoiding stories rather than running them.

Because we are meeting media on their turf using Web 2.0 methods, we gained more coverage in the blogosphere, and picked up a few reporters who never would have seen our press release. It also shed light for several of our state's legislators as to what was happening back in their home districts during session.

Presenting a unified front of partners working together to help Washington residents is what made this year's Washington Saves Week campaign a success. We hope to build upon this foundation next year, widening the circle of partners and including additional data collection for better assessment of the campaign success.

If you still think this is more than you or your organization can tackle ... DFI and CTED coordinated this campaign, each with only two staff members and most of the non-profit organizations coordinated their efforts with a single staff member. Cost was minimal as most communications were handled electronically. All organizations had the opportunity to personalize the outreach by adding their own logo and information.

Here's to next year -- with an even bigger and better America Saves Week campaign!

BACKGROUND  
THE FEDERAL GOVERNMENT'S ROLE IN EMPOWERING AMERICANS TO MAKE  
INFORMED FINANCIAL DECISIONS

April 29, 2009

**BACKGROUND**

Government and private studies, statistics, and national surveys indicate that far too many Americans of all ages lack the knowledge and skills necessary to make informed decisions regarding their personal finances. Without a sufficient understanding of economics and personal credit opportunities, individuals likely will not be able to manage their finances appropriately, effectively evaluate credit opportunities, successfully invest for long-term financial goals, or be able to cope with difficult financial situations.

These following statistics illustrate deficits in financial literacy:

- Approximately 72 percent of parents surveyed acknowledged that they are their children's primary source of personal finance education. Additionally, 44 percent admitted to needing more guidance on how best to teach their children the skills necessary to become financially responsible.<sup>1</sup>
- Only about one in three parents (34 percent) have taught their teen how to balance a checkbook, and even fewer (29 percent) have explained how credit card interest and fees work.<sup>2</sup>
- Nearly all (93 percent) of parents with teens, worry their teens might make financial missteps, such as overspending (67 percent), getting in over their head with credit card debt (65 percent), failing to save for emergencies (60 percent), or failing to live within a budget (57 percent).<sup>3</sup>
- The 2007 "Survey of the States" compiled by the Council for Economic Education found that only 23 States require high school students' knowledge of economics to be tested, three fewer than in 2004.<sup>4</sup>

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<sup>1</sup> The Hartford Financial Services Group, Inc., *Amid Economic Uncertainty, New National Survey Finds Parents Concerned About Children's Future Financial Independence*, April 14, 2008,

<http://ir.thehartford.com/releasedetail.cfm?ReleaseID=304399>.

<sup>2</sup> Charles Schwab, Schwab "Parents & Money" Survey Offers Prescription for Raising Financially Healthy Kids, March 26, 2008,

[http://www.businesswire.com/portal/site/schwab/index.jsp?ndmViewId=news\\_view&ndmConfigId=1010973&newsId=20080326005384&newsLang=en](http://www.businesswire.com/portal/site/schwab/index.jsp?ndmViewId=news_view&ndmConfigId=1010973&newsId=20080326005384&newsLang=en).

<sup>3</sup> Ibid.

<sup>4</sup> Council on Economic Education, *A Report Card – Survey of the States: Economic, Personal Finance & Entrepreneurship Education in Our Nation's Schools in 2007*, June 13, 2007.

- Only 30 percent of parents who know the amount they need to save to fund their children's college education, and those parents who do not know are less likely to be saving for their children's education.<sup>5</sup>
- Only 37 percent of people surveyed accessed their credit report in 2008, although it can be obtained for free and financial experts recommend checking it at least once per year.<sup>6</sup>

Not surprisingly, Americans are struggling to manage their personal finances as the following statistics illustrate:

- Americans now save, on average, less than 1 percent of their incomes, and the savings rate has been in almost continuous decline for more than two decades.<sup>7</sup>
- The average credit card debt per borrower (not per household) is \$5,729 as of the fourth quarter of 2008, about 2 percent higher than one year before.<sup>8</sup>
- The net worth of households in the United States fell in the fourth quarter, dropping \$2.8 trillion or 4.7 percent, which is the largest decline in the 57-year history of the report.<sup>9</sup>
- In 2008, more than 3.1 million foreclosure filings were issued, which means that one out of 54 households was sent a notice.<sup>10</sup>

#### Federal Financial Literacy Efforts

A wide range of federal agencies, such as the Department of Education, the Department of the Treasury, the Department of Agriculture, the Federal Reserve, the Securities and Exchange Commission, and the Federal Trade Commission, engage in a variety of activities designed to improve the economic and financial literacy of students, investors, and consumers. The Treasury Department has a partial listing of the Federal financial literacy efforts on its website at [www.treasury.gov/offices/domestic-finance/financial-institution/financial-education/resources/index.html](http://www.treasury.gov/offices/domestic-finance/financial-institution/financial-education/resources/index.html).

<sup>5</sup> College Savings Foundation, "The State of College Savings" Survey of Parents Finds Financial Education Pays, September 23, 2008, <[http://www.collegesavingsfoundation.org/pdf/CSF\\_Survey.pdf](http://www.collegesavingsfoundation.org/pdf/CSF_Survey.pdf)>.

<sup>6</sup> Prepared by Princeton Survey Research Associates International for the National Foundation for Credit Counseling and MSN Money, 2008 Financial Literacy Survey, August 29, 2008, <<http://www.nfcc.org/2008FinancialLiteracy.pdf>>.

<sup>7</sup> Pew Research Center, *Feeling Guilty: Americans Say They Aren't Saving Enough*, May 14, 2008, <<http://pewresearch.org/pubs/837/americans-not-saving-enough>>.

<sup>8</sup> TransUnion.com, *Transunion.com Quarterly Analysis*, March 9, 2009, <<http://newsroom.transunion.com/index.php?s=43&item=516>>.

<sup>9</sup> The Federal Reserve, *Flow of Funds Accounts of the United States: Flows and Outstandings, Fourth Quarter 2008*, March 12, 2009, <[http://money.cnn.com/2008/12/11/news/economy/flow\\_of\\_funds/index.htm](http://money.cnn.com/2008/12/11/news/economy/flow_of_funds/index.htm)>.

<sup>10</sup> CNN Money, *Foreclosures Up a Record 81% in 2008*, January 15, 2009, <[http://money.cnn.com/2009/01/15/real\\_estate/millions\\_in\\_foreclosure/index.htm](http://money.cnn.com/2009/01/15/real_estate/millions_in_foreclosure/index.htm)>.

Financial Literacy and Education Commission

Title V of the *Fair and Accurate Credit Transactions Act*, P.L. 108-15, signed into law on December 4, 2003, created the Financial Literacy and Education Commission. The Commission is tasked with reviewing financial literacy and education efforts throughout the federal government; identifying and eliminating duplicative financial literacy efforts; and coordinating the promotion of federal financial literacy efforts, including outreach partnerships between federal, state, and local governments, non-profit organizations, and enterprises. The Commission also established a Web site, [www.mymoney.gov](http://www.mymoney.gov), and toll-free hotline, 1-888-MyMoney, to serve as a clearinghouse and provide a coordinated point of entry for information about federal financial literacy and education programs, grants, and other information. In addition, the law requires the Commission to focus on certain topics of financial education, such as consumer awareness of budgeting, credit, investment, and banking.

The Commission in 2006 published its first national strategy to promote financial literacy and education. The law specifies that the strategy be reviewed and modified at least once a year. Furthermore, the Secretary of the Treasury must implement the strategy and conduct a pilot national public service multimedia campaign to promote financial education in the United States.

The Commission is composed of the Secretary of the Treasury and the heads of the:

- Office of the Comptroller of the Currency
- Office of Thrift Supervision
- Board of Governors of the Federal Reserve System
- Federal Deposit Insurance Corporation
- National Credit Union Administration
- Securities and Exchange Commission
- Department of Education
- Department of Agriculture
- Department of Defense
- Department of Health and Human Services
- Department of Housing and Urban Development
- Department of Labor
- Department of Veterans Affairs
- Federal Trade Commission
- General Services Administration
- Small Business Administration
- Social Security Administration
- Commodity Futures Trading Commission, and the
- Office of Personnel Management (OPM)

The Department of the Treasury's Office of Financial Education provides primary support to the Commission. The Commission must hold at least one public meeting every four months.

Office of Personnel Management's Retirement Financial Literacy and Education Strategy

The *Thrift Savings Plan Open Elections Act of 2004*, P.L. 108-469, signed into law on December 21, 2004, mandates that the OPM develop and implement a retirement financial literacy and education strategy for Federal employees as part of its retirement training. The implementation of the strategy must educate Federal employees on the need for retirement savings and investment, must provide information on how to plan for retirement, and must provide information on calculating the retirement investment needed to meet retirement goals.

OPM conducted a Retirement Readiness Survey of Federal Employees in 2005. Key findings of that survey included the following: 1) nine out of ten respondents participate in the Thrift Savings Plan; 2) less than half calculated how much they would need to save for a comfortable retirement; 3) four out of ten employees who have calculated retirement have estimated or guessed the need; 4) eight out of ten would be very or extremely interested in their employer providing additional information about retirement planning; and 5) almost four in ten workers are not confident about their ability to make investment decisions, while less than two in ten believe they have a lot or great deal of knowledge about investing.

OPM has developed several financial education programs for federal employees, such as the retirement readiness index profile, an education resource guide for benefits officers, benefits workshops, and a savings goal worksheet.

**Retirement Readiness Index Profile:** In collaboration with the International Foundation for Retirement Education (InFRE), the retirement readiness profile gives employees an age-based profile containing information about their state of readiness on what should be considered when planning for retirement, such as financial security and readiness, financial risk management, level of retirement planning, and personal preparedness.

**Education Resource Guide:** OPM has combined information that is already available regarding retirement planning into an education resource guide. This guide complements the retirement readiness index profile by addressing topics that are not covered in the index profile.

**Savings Goal Worksheet:** OPM has developed a worksheet that helps employees set retirement investment goals, called the Federal Ballpark E\$timate (<http://www.opm.gov/retire/tools/calculators/ballpark/menu.asp>). The worksheet is based on the Ballpark Estimate (<http://www.asec.org/ballpark>) that was developed by the American Savings Education Council (ASEC), but is customized to include Federal annuity benefits, TSP, post-retirement health benefits, and long-term care insurance. The worksheet helps employees to estimate how much they need to save for retirement.

**Understanding Your Benefits Workshops:** OPM provides a series of workshops designed to provide employees with a basic understanding of their retirement benefits,

health and life insurance options, long-term care insurance, Flexible Spending Accounts, and other benefits.<sup>11</sup>

Challenges Facing the Financial Literacy and Education Commission

The Government Accountability Office (GAO) assessed the Commission's effectiveness since its establishment in 2003, issuing a report in December 2006 and testimony before a financial literacy hearing this Subcommittee held in April 2007. GAO reviewed the Commission's progress in developing a national strategy; developing a website and hotline; and coordinating federal efforts with state, local, nonprofit, and private sectors.

GAO found that the National Strategy for Financial Literacy was a useful first step, but that it was more descriptive rather than strategic. The strategy lacked certain key characteristics that are needed in a national strategy, such as setting clear goals or performance measures, identifying the resources needed to accomplish goals, or establishing roles and responsibilities. Because of this, GAO observed that the National Strategy's effect on public and private entities that conduct financial education may be limited.

GAO reported that the Commission's website consisted largely of links to other websites but little original content, and it was constrained by limited resources and competing priorities. GAO also found that the Commission had not tested its website to measure usability and customer satisfaction; thus, the Commission did not know if visitors were able to find the information they were searching for. The website did attract a large number of visitors, averaging 57,000 visits per month from May through September 2006 and 69,000 visits per month from October 2006 through March 2007. GAO reported that use of the hotline was limited, possibly because of limited promotion.

Lastly, GAO reported that the Commission had taken action to coordinate the financial literacy efforts of federal agencies, bringing agencies together on a regular basis for formal and informal financial literacy meetings, and centralizing information on financial literacy. However, the Commission faced multiple challenges, including difficulty in reaching a consensus among 20 federal agencies, resource and staffing challenges, and limited legal authority.<sup>12</sup>

<sup>11</sup> U.S. Office of Personnel Management, *Retirement Financial Literacy and Education Strategy*, 2005, <<http://www.opm.gov/retire/pre/botdg/training/finlit.asp>>.

<sup>12</sup> United States Government Accountability Office, *Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy*, December 2006 (GAO 07-100), <[www.gao.gov/highlights/d07100high.pdf](http://www.gao.gov/highlights/d07100high.pdf)>; Testimony of Yvonne D. Jones, Director of Financial Markets and Community Investment, United States Government Accountability Office, Hearing on the Federal government's role in empowering Americans to make informed financial decisions: Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on the Oversight of Government Management, the Federal Workforce, and the District of Columbia, April 30, 2007, <<http://www.gao.gov/new.items/d07777t.pdf>>.

At the 2007 Subcommittee financial literacy hearing, Stephen Brobeck, Executive Director of the Consumer Federation of America,<sup>13</sup> testified that he agreed with GAO's assessment of the Commission. He stated that the Commission faced several challenges in developing a national strategy, including (1) inadequate funding for the Commission's financial education programs and requiring the Commission to use more than two-thirds of its appropriation for a national multi-media campaign; (2) Congress not providing adequate resources for the 20 agencies to participate in the Commission, nor giving the Office of Financial Education proper authority to require participation; (3) a lack of authoritative research to understand the most cost-effective financial education programs; (4) a financial marketplace too complex and a population too poorly educated for any financial literacy efforts to succeed without effective regulation on financial services products meeting certain minimum standards; and (5) diverse financial challenges making it difficult to create an effective operational national strategy.<sup>14</sup> The North American Securities Administrators Association (NASAA)<sup>15</sup> also agreed with the GAO's 2006 findings of the Commission. NASAA testified that the Commission should address how it will coordinate the existing programs of its member agencies, reach an agreement on one message, and find the best way to disseminate information to the public from one location in Washington, DC.<sup>16</sup>

#### LEGISLATION

S. 786, Improving Access to Mainstream Financial Institutions Act of 2009, introduced by Senators Daniel Akaka (D-HI), Charles Schumer (D-NY), Daniel Inouye (D-HI), and Joseph Lieberman (ID-CT) and referred to the Committee on Banking, Housing, and Urban Affairs. The bill would authorize grants with the intent to help low- and moderate-income unbanked individuals establish bank or credit union accounts. In addition, the bill would provide consumers with lower cost, short-term alternatives to payday loans.

S. 585, Taxpayer Abuse Prevention Act, introduced by Senators Daniel Akaka (D-HI), Jeff Bingaman (D-NM), and Richard Durbin (D-IL), and referred to the Committee on Finance. The bill would protect taxpayers by prohibiting refund anticipation loans (RALs) for earned income tax credit benefits. It would end the Debt Indicator program, which unnecessarily shares taxpayers' personal information with tax preparers. The bill also would prohibit mandatory

<sup>13</sup> The Consumer Federation of America is an advocacy, research, education, and service organization that protects the interest of the consumer. For more information go to: <http://www.consumerfed.org/about.cfm>.

<sup>14</sup> Testimony of Steven Brobeck, Executive Director, Consumer Federation of America, Hearing on the Federal government's role in empowering Americans to make informed financial decisions: Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on the Oversight of Government Management, the Federal Workforce, and the District of Columbia, April 30, 2007, <[http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110\\_senate\\_hearings&docid=f:35529.wais](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_senate_hearings&docid=f:35529.wais)>.

<sup>15</sup> The North American Securities Administrators Association (NASAA) is the oldest investor protection international organization. For more information go to: [http://www.nasaa.org/About\\_NASAA/](http://www.nasaa.org/About_NASAA/).

<sup>16</sup> Written Statement of the North American Securities Administrators Association, Hearing on the Federal government's role in empowering Americans to make informed financial decisions: Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on the Oversight of Government Management, the Federal Workforce, and the District of Columbia, April 30, 2007, <[http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110\\_senate\\_hearings&docid=f:35529.wais](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_senate_hearings&docid=f:35529.wais)>.

arbitration clauses for RALs and require the Treasury Department to provide the opportunity for low and moderate income taxpayers to open a low-cost direct deposit account.

**ADDITIONAL INFORMATION**

The Board of Governors of the Federal Reserve System Web site:  
[www.federalreserve.gov/](http://www.federalreserve.gov/)

The Department of the Treasury's Office of Financial Education Web Site:  
[www.treas.gov/offices/domestic-finance/financial-institution/fin-education/](http://www.treas.gov/offices/domestic-finance/financial-institution/fin-education/)

Financial Literacy and Education and Commission website:  
[www.mymoney.gov/](http://www.mymoney.gov/)  
(The one stop-shop for the Federal Government's financial education resources)

Financial Literacy and Education Summit 2009  
<http://www.practicalmoneyskills.com/summit2009/webcast.php>

GAO's December 2006 Report to Congressional Committees, *Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy (GAO-07-100)*:  
[www.gao.gov/highlights/d07100high.pdf](http://www.gao.gov/highlights/d07100high.pdf)

GAO's April 30, 2007 testimony by Yvonne D. Jones, Director of Financial Markets and Community Investment, before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, on the Financial Literacy and Education Commission:  
<http://www.gao.gov/new.items/d07777t.pdf>

Jump\$tart Coalition Web Site:  
[www.jumpstartcoalition.org/](http://www.jumpstartcoalition.org/)  
(Jump\$tart is a national coalition of organizations dedicated to improving the financial literacy of kindergarten through college-age youth by providing advocacy, research standards and education resources. Jump\$tart strives to prepare youth for life-long successful financial decision-making.)

Robert Manning, Director of the Center for Consumer Financial Services, has a Web site that focuses on credit card debts:  
[www.creditcardnationl.com/](http://www.creditcardnationl.com/)

**WRITTEN STATEMENT OF THE  
NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION**  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
Subcommittee on  
Oversight of Government Management, the Federal Workforce,  
and the District of Columbia  
"The Federal Government's Role in Empowering Americans to Make Informed  
Financial Decisions"  
Wednesday, April 29, 2009

**Introduction to NASAA:**

The North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. It was organized in 1919 and is a voluntary association with a membership consisting of 67 state, provincial and territorial securities regulators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico.

These state administrators are responsible for the licensing of firms and investment professionals, registration of certain securities offerings, examination of broker-dealers and investment advisers, enforcement of state securities laws, and investor education.

**NASAA Investor Education Section:**

The NASAA Investor Education Section was created in 1997 by the NASAA Board of Directors to help support the financial education efforts of our members. The Investor Education Section, along with a network of professionals from across the NASAA membership, is responsible for developing, coordinating, delivering, and supporting financial education initiatives that can be utilized by state securities regulators in their ongoing endeavor to improve the level of financial literacy in their jurisdictions. Currently, the Section has five focus areas: Youth, Pre-Retiree, Affinity and Military Outreach, and Research, and Coordination.

**At the Grassroots Level:**

Most state and provincial securities regulators have established investor education departments or divisions within their agencies. The result is a unique network of dedicated professionals delivering financial education at the grassroots level throughout North America. In the past two and half years (since November 2006) NASAA members have taken investor education tools directly to the public through more than 2,369 presentations reaching more than 324,391 investors. Our financial education professionals can be found at work in such venues as the classroom, the workplace, senior centers, and at trade and professional organization events. We partner with teachers, employers, and peer-based volunteer groups to deliver financial education to our constituents of all ages.

As part of the effort to educate our nation's youth in April 2009, state securities division staffs will join in celebrating "Financial Literacy Month" by visiting schools throughout their states to teach students about personal finance, the capital markets, investment choices and fraud. In addition, many states will issue proclamations in support of

financial literacy month and host events to reach investors where they shop, work, and live. This year, NASAA is expanding on a pilot affinity outreach program in Hawaii, which educates and empowers union members on how to prevent investment fraud, and plans to launch the “*United Against Investment Fraud (UAIF)*” program across North America this spring.

During Financial Literacy Month 2008, NASAA launched an outreach program to law enforcement officials providing them with a basic knowledge of the securities laws in their state so they can assist the fraud victims they encounter. Securities regulators distributed Securities 101 handbooks and offered presentations to educate law enforcement personnel on the methods to handle the investment fraud complaints they receive.

**Financial Literacy Education Commission:**

***Assessment***

NASAA supported the creation of the Financial Literacy and Education Commission (FLEC), and was grateful for the opportunity to make a presentation to the FLEC on May 20, 2004, and to participate in one of the FLEC’s national strategy meetings on March 4, 2005. In addition, in our ongoing effort to remain engaged in FLEC policy making, NASAA sent a comment letter concerning the formulation of its national strategy. NASAA continues to actively participate with FLEC at roundtables, summits and conferences that have brought individuals and organizations together to discuss ideas and outreach.

NASAA applauds the efforts of the FLEC and agrees with the GAO’s report (*Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy, December 2006*) that the “inherent difficulty of coordinating the efforts of 20 federal agencies, small number of staff devoted to operating the Commission and the limited funding” do provide constraints to their effectiveness.

While the Commission, in the GAO’s words, has taken “some positive first steps,” there has been slow but deliberate progress in integrating the commission’s national strategy for financial literacy. One challenge to be addressed is how to organize the existing financial literacy programs of the Commission’s members and how best to reach a consensus on a harmonized message. Another challenge the commission faces is disseminating the programs/information to the public from a centralized location in Washington, DC. In this regard NASAA members stand ready to partner with the Commission to mobilize their respective grassroots networks to reach more people in need of financial education.

***Coordination of Efforts and Partnerships***

NASAA was honored to be invited as a panelist in the April 17, 2007 inaugural meeting of the National Financial Education Network (NFEN). The Commission stated the network is intended to create an open dialogue and advance financial education at the state and local level. NASAA continues to encourage the FLEC to move forward in establishing effective ways of connecting all parties both electronically and through face

to face meetings throughout the year. This on-going dialogue and communication could be facilitated electronically through a list serve, web site and quarterly conference calls and in person meetings.

Currently the structure of the NFEN is less formalized than the FLEC (mandated by the FACT Act) or President's Advisory Council (Presidential Executive Order). This presents a constraint which doesn't afford the network the same structure to officially notify the public of its meetings, facilitate in person meetings and conference calls, and incorporate calls to action. We recommend the NFEN receive resources similar to their counterparts on the FLEC and President's Advisory Council on Financial Literacy (PACFL).

It is essential that the NFEN be fully integrated into the framework of how the Commission operates thus utilizing and mobilizing the vast resources of both state and private and nonprofit organizations and their extensive networks. Full integration of the network would ensure that events held across the nation include all members of the financial literacy community that wish to participate. Creation of a liaison from the NFEN to report and coordinate activities with the FLEC and PACFL could help facilitate this integration.

To expand their outreach to state and local members we encourage the NFEN to reach out and coordinate with NASAA. NASAA members provide unbiased, relevant, and timely information for anyone interested in the investment markets, which is critical in light of the notoriety of recent investment frauds. Our members also disseminate this information to the public at no cost given our vast grassroots network of IE coordinators across North America. One example of how the network could facilitate this outreach is to coordinate joint events with both Treasury and state officials as participants. That way, we could leverage resources, and members of the audience have a local point of contact for future questions and requests for information.

NASAA agrees with the GAO's assessment in 2006 that "greater collaboration by the Commission with state and local governments may be particularly important given the critical role that school districts can play in improving financial literacy." Further consideration should also be given to the GAO's recommendation that "the Commission consider how the federal government can influence or incentivize states or school districts to include financial education in school curriculum."

The President's Advisory Council on Financial Literacy (PACFL) also offers an opportunity to coordinate the efforts of NASAA's grassroots network with the initiatives undertaken at the national level. In May 2008, NASAA submitted a [comment letter](#) to the PACFL encouraging them to consider the resources and experience state securities regulators and their staffs have at the local level when pursuing new programs and partnerships.

Complete coordination with federal, state and local government and private organizations should not be considered just a step in the national strategy, but viewed as a crucial and integral part of the Commission's mandate. The existing grassroots network available to the Commission provides the entire picture of financial literacy efforts that we believe Congress intended when creating the FLEC. The many participants in the financial

education community and the considerable amount of resources that they provide are remarkable. The Commission has a unique opportunity to unite these groups, foster dialogue, and promote cooperation. Nothing short of complete cooperation with these groups will fully constitute a fully integrated National Financial Literacy Strategy.

**Specific Examples of Successful State and Provincial Programs:**

To better frame the nature of our work in the area of financial education and why integration of the National Financial Education Network would prove mutually beneficial to the Financial Literacy Education Commission members, we share highlights of several of our financial education initiatives focusing on youth, pre-retirees, seniors, and the military.

***Youth Outreach***

Teaching youth the principles of sound investing and fraud prevention is the thrust of a NASAA produced program targeted to high school students titled, "*FSI: Fraud Scene Investigator*." *FSI* is an interactive online investor education program that teaches and empowers students how to detect and stop investment fraud. The *FSI* program is designed to help students learn how to fight fraud firsthand, by delving into newspaper stock tables, researching companies through online news, and deciphering the truth of an investment from fraudulent sales pitches. In the initial *FSI* program titled, "Suitable Investments," students help uncover a million-dollar fraud in progress and put the mysterious con man, "Mr. X," behind bars. NASAA's grassroots member investor education network is working with educators to integrate the *FSI* program into schools across the nation. Teachers from Arizona to West Virginia report students are getting hooked on the program, teachers like the curriculum, and students want to know what's next in the interactive game. This spring NASAA and their partners at the Newspapers Association of American Foundation (NAAF) and the Investor Protection Trust (IPT) will launch a new element to the *FSI* series in newspapers across the country.

***Pre-Retiree Outreach***

In November of 2008 the NASAA Pre-Retiree Project Group launched an outreach program, "*Sandwich Generation: Caught in the Middle*" to provide members of the Sandwich Generation—adults who are raising children while taking care of aging parents—with the information and tools they need to be financially prepared and protect their assets from fraud. An estimated 16 million members of the Sandwich Generation face the financial challenge of balancing their own economic needs with those of their families. NASAA's program urges adults to conduct a "Financial Check-up" for themselves, their children and their parents. NASAA members are conducting presentations across the country in an effort to help the Sandwich Generation understand and meet the financial challenges they face. For more information about the program, visit the Sandwich Generation Resource Center at [www.nasaa.org/investor\\_education/](http://www.nasaa.org/investor_education/).

***Senior Outreach***

In the area of Senior Outreach, our California member has developed a highly successful anti-fraud education program that utilizes peer-based volunteerism. *The Seniors Against Investment Fraud program (SAIF)* provides seniors with a toll-free call center to utilize

before purchasing or investing in any type of “financial” product. The *SAIF* program takes a leadership role in alerting and educating Californians over the age of 50 about investment and telemarketing fraud and how to avoid being victimized. The state of Florida developed a similar grassroots program, which uses a “train the trainer approach” to utilize regional directors and train Senior Sleuths to spot crime in their own communities and present fraud prevention seminars. Our member in Pennsylvania has also found success by creating a Senior Investment Fraud Bingo game, which serves as an interactive way to engage and teach seniors practical tips on fraud prevention.

#### ***Military Outreach***

In times of heightened deployment, United States service members have become targets of financial scams. These scams can directly affect unit morale and readiness as well as military service members’ credit history and military career. In response to fraud among military service members in New Jersey, our member created a fraud prevention guide tailored to the military called “*A Salute to Smart Investing*.” The 28 page guide acts as a one stop resource for military members with information on safe investing, balancing risk and return, retirement planning, red flags for fraud, scams that target the military, and a listing of state securities regulators nationwide. Already the guide has been distributed to more than 90,000 military members across four branches of the military at installations around the world. Our Pennsylvania member continues to combat investment fraud head on with their *Operation ASAP* program (Armed Services Assets Protection Program). The program run by the Pennsylvania Securities Commission is an online resource to give military personnel and their family members the tools they need to invest wisely and avoid scams. Other NASAA members have created similar programs such as California’s “*Troops Against Predatory Scams*,” or TAPS.

#### **Partnering Relationships/Collaborations:**

NASAA looks for opportunities to join forces with other members of the financial education community. NASAA believes it is essential to pool our resources and share our expertise on these joint ventures.

Recently, NASAA partnered with AARP to combat the rising investment fraud among seniors with the “*Free Lunch Monitor*” program which seeks to empower seniors to fight fraud. This national campaign is designed to monitor whether investors are being pressured into purchasing inappropriate or unsuitable investments. The *FLM* program gives individuals an opportunity to fight back against unscrupulous promoters by reporting to state securities authorities’ possibilities of questionable investment practices in their communities. NASAA joined the Consumer Federation of America for the second year as a partner in their annual “America Saves Week,” campaign bringing a fraud prevention and investor protection focus to the national saving initiative.

NASAA members utilize other avenues of educational outreach at events such as the Senior Olympics, the National Council on Aging Conference and in presentations to the Military at the AFCPE conference and annual meeting of the Office of Personal Management (OPM) Federal Benefit Officers. On a regular basis, our members work

with the American Savings Education Council (ASEC), the Councils for Economic Education, and are involved in state level Jump\$tart coalitions.

State securities regulators meet annually with the financial education professionals from the Securities and Exchange Commission to engage in a dialogue about our respective programs and progress in the ongoing quest to improve financial literacy. This meeting gives us an opportunity to learn what's new or under development, helps us identify gaps in financial education, leverage resources of our financial education colleagues, and further hone best practices. One example of this cooperation is the NASAA and the SEC partnership to protect senior investors. For the past three years NASAA and the SEC have co-sponsored a national Seniors Summit which has raised awareness and offered recommendations to combat the rising cases of investment fraud among seniors.

**Resources:**

The NASAA network of financial education professionals can be an excellent delivery vehicle for state/federal collaborative education programs.

NASAA offers a wide range of investor education resources on its website. Visitors to the site will find a wealth of information to help them build both financial knowledge and financial security. Among other educational experiences on the NASAA Web site, visitors can utilize the [Senior Investor Resource Center](#) and the [NASAA Fraud Center](#), and locate state specific resources available through individual NASAA members.

NASAA's investor education podcast series, "*The Alert Investor*," is as a valuable resource for the public to learn about investing wisely, avoiding fraud and how to exercise their rights as investors. The series, available on iTunes, has grown in popularity and currently features 12 episodes and has been downloaded nearly 10,000 times by listeners. These resources, along with brochures, investor alerts and other financial education materials are available in the Investor Education Section of the NASAA website, [www.nasaa.org](http://www.nasaa.org). In addition, NASAA developed and funds the Investing Online Resource Center, [www.investingonline.org](http://www.investingonline.org).

**Conclusion:**

State securities regulators have traditionally been and remain an extremely effective resource in the pursuit of greater financial literacy. They represent a nationwide network of highly trained, unbiased, non-commercial experts in financial services, products and fraud avoidance. They are on the front lines of financial education initiatives in every state, translating Wall Street to Main Street for small investors throughout the country. NASAA and its members welcome the opportunity to work more closely with both the Financial Literacy Education Commission (FLEC) and Subcommittee members in their ongoing efforts to improve the level of financial literacy throughout the country.

Post-Hearing Questions for the Record

Submitted to Sandra F. Braunstein, Director, Division of Consumer and Community Affairs,  
Board of Governors of the Federal Reserve System from Senator Daniel K. Akaka

"The Federal Government's Role in Empowering Americans to Make Informed Financial  
Decisions" April 29, 2009

1. Credit card statements fail to include all of the information necessary to allow individuals to make fully informed financial decisions. Additional disclosure is needed to ensure that individuals completely understand the implications of their credit card use. In your written statement, you mentioned that English and Spanish versions of credit card repayment calculators were launched recently to help consumers learn more about the true costs of making only the minimum payments. Have you tested what impact that this information has on consumers and, if so, what have you learned from that testing?

We launched the calculators on April 16, 2009 and by the end of May had 8800 visits to the English site and 1300 visits to the Spanish site. We believe the calculators have not been in existence long enough to know the impact. However in conducting usability testing as we developed the site, many of the consumers expressed shock that the median credit card balance of \$3,000 at the average credit card interest rate of 13% could take as long as 16 years to pay off. Our testers were also surprised that they would pay back nearly as much in interest as in principal (\$2,800 and \$3,000, respectively). While this is only anecdotal evidence, it does show that calculators such as this can be powerful tools when consumers use them.

The newly-signed Credit CARD Act requires that everyone receive payoff information for making minimum payments on their statements; we believe this will be a truly teachable moment for consumers, as they will immediately see the payback time and interest required to pay off their balance. As a point of comparison, consumers also will see the payments needed to pay off their balances in 36 months. Board staff are working on the regulations for these new disclosures.