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Subcommittee on Financial Institutions and Consumer Credit

House Committee on Financial Services

"Improving Consumer Financial Literacy Under the New Regulatory System"

Thursday, June 25, 2009
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2128 Rayburn HOB

Testimony by Dallas L. Salisbury

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and
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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.

Opening Statement

Mr. Chairman and members of the subcommittee, it is a pleasure to appear today. I want to stress that the views I express today are my own. My employer since 1978, the Employee Benefit Research Institute, does not lobby or take positions for or against proposals. Nor do our savings and financial literacy education programs, the American Savings Education Council founded in 1995, or Choose to Save, started in 1997. EBRI exists to provide facts, and my full statement for the record includes many survey and study findings.

In response to your invitation to testify and provide comment based upon my own 34 years of experience in the financial education area, I will highlight four points.

First, as a consumer of financial services my reaction is positive to creation of an independent consumer financial protection agency if the "consumer" is the dominant presence on the board and on advisory council positions. For example, "deep experience in financial services" should be interpreted broadly enough to include lifetime consumers of financial services. I would personally prefer regulation and protection by an entity that is not governed by the regulated, or "captured" by the regulated, a problem found at the Federal Reserve and other existing agencies. I currently see no such independent regulator, which if properly implemented, the CFPA could become. If the consumer is not dominant at CFPA, however, CFPA would likely be a waste of time, money and effort, and would only serve to mislead the public into thinking they will be protected.

Second, the "plain language" financial products proposed need to be what my Grandmother would have termed "plain vanilla". For example, a 20 percent down, 30 year fixed rate mortgage, with clearly specified closing costs, and that can be paid off with no penalties. Or, a three year fixed rate car loan that can be paid off anytime without the complexity of the "rule of 78". Or, a charge or credit card that tells you any and all fees in advance, and cannot change fees without giving you notice and the opportunity to cancel the card and get a pro-rata refund for any annual card fee. Research has found that individuals make the same choices with a one page disclosure as multiple pages of fine print. Thus, require one plain English summary page with all key facts.

Third, the President's Advisory Council on Financial Literacy has proven to be a worthy effort. It has also provided direct input to the Treasury and the Financial Literacy Education Commission. Long term value will depend upon some formalization of role by the White House and some level of dedicated funding and staffing. The current approach of heavily depending upon those appointed to donate time, money and other resources, or to raise it from others, leads to potential conflicts of interest and confusion of roles. Related to FLEC, I find myself in agreement with a critical review by the General Accountability Office. The administration may already contemplate integration of FLEC into CFPA, but if it has not focused on the issue, the Administration and the Congress should do so as details of CFPA are developed.

Fourth, as your request letter notes the Presidents document states: "the CFPA should review and streamline existing financial literacy and education initiatives government-wide." Based upon my work on savings and retirement issues beginning in 1975, giving one agency the absolute responsibility for direction of all executive branch activities in the area of financial literacy and education, could possibly add needed coordination and consistency, but that would only occur if the leadership of the agency was committed to the issue and to the approach set out in the legislation.

Over the past 34 years, I have watched multiple agency programs and priorities on financial education shift dramatically as political leadership changes. This is not just true when party control changes, but occurs within a party with new staffing as well. Thus, the role being set out for the CFPA may or may not add value in this area, depending upon the specificity of the legislation, the attitudes and priorities of the board and the director, and adequate staff and budget resources being provided for funding. Assurance that most of those appointed to the Board and the Advisory Committee with "deep experience in financial services" are there as individual financial services consumers, not as financial services industry representatives, would make success most likely. Needed technical expertise can be hired, but policy direction from the appointed leadership and advisors will determine ultimate results.

I look forward to working with your committee and all others on these important issues in the future. I thank you again for the invitation to testify and look forward to your comments and questions.

Full Statement Begins Here

Mr. Chairman and members of the subcommittee, I am Dallas Salisbury, president and CEO of the Employee Benefit Research Institute (www.ebri.org) and chairman of its saving education programs, the American Savings Education Council® (ASEC) (www.asec.org) and Choose to Save® (www.choosetosave.org). I want to stress that the views I express today are my own, and should not be attributed to my employer or anyone else.

It is a pleasure to appear before you today to discuss the important topic of improving consumer financial literacy under the new regulatory system. The need for broad-based financial education across the population is well established, and I will not repeat data here, but have included summary data in my full submission.

The American Savings Education Council is the primary vehicle through which EBRI conducts its financial education activities. 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, at the time that the secretaries of Treasury and Labor launched a national campaign for savings education.

ASEC conducts its work through partnership with public and private organizations as it encourages savings, debt management, financial planning, financial education, health education, health and retirement plan sponsorship, for the entire population.

Our Choose to Save® public service announcements have run nationally since the first PSA was shown at the National Summit on Retirement Savings in 1998, and our Savingsman™ character was featured on PBS in 2009 and received an Emmy Award in 2008.

As an example of our partnership approach, ASEC was one of the founding organizations of the Jumpstart Coalition for Youth Financial Literacy, and still serves on its board. I personally serve on the FINRA Investor Education Foundation Board of Directors, the SEC Investor Advisory Committee, and the Advisory Committee to the Comptroller General of the United States.

Your request made specific reference to the financial regulation reform proposals announced by the president last week. The president has called for the creation of a Consumer Financial Protection Agency to "give consumer protection an independent seat at the table in our regulatory system," and added complementary program efforts.

1. "The CFPA would be the primary federal consumer protection supervisor to protect consumers of credit, savings, payment, and other consumer financial products and services, and to regulate providers of such products and services."
2. "The establishment of a Financial Consumer Coordinating Council."
3. "A permanent role for the SEC's Investor Advisory Committee."
4. "an outside advisory panel, akin to the Federal Reserve's Consumer Advisory Council….Members of this Council should have deep experience in financial

> services and community development and be selected to promote a diversity of views on the Council."

As a consumer of financial services, and having talked to others who are also consumers of financial services, my reaction is positive to these initiatives if the "consumer" is the dominant presence in all of these representative board and council positions, not the financial services organizations that the consumer is to be protected from, or financial services organizations representatives. Too much of the financial and economic crisis we are in the midst of appears to be a result of the "capture" of current regulators by the regulated, instead of the citizens the regulators should be protecting. "Deep experience in financial" services should be interpreted broadly enough to include lifetime consumers of financial services, not just those who design or provide them.

The "plain language" financial products proposed also need to be what my Grandmother would have termed "plain vanilla". For example, a 20 percent down, 30 year fixed rate mortgage, with clearly specified closing costs, and that can be paid off with no penalties. Or, a three year fixed rate car loan that can be paid off anytime without the complexity of the "rule of 78". Or, a charge or credit card that tells you any and all fees in advance, and cannot change fees without giving you notice and the opportunity to cancel the card and get a pro-rata refund for any annual card fee. Research has found that individuals make the same choices with a one page disclosure as multiple pages of fine print. Thus, require one page with all key facts.

Our nation needs to mandate financial literacy education in K to 12 public and private education programs. And, as long as we have No Child Left Behind exams, testing for basic knowledge should be included. The basics of money, interest, compounding, budgeting, saving, debt, living within your means, the virtue of thrift, stock, bonds, loans, and much more. National surveys over many years make it clear that this basic knowledge is missing. While we need to find ways to increase the financial literacy of adults, the long term cost effective strategy is to begin when formal education begins. Then, people might at least be able to understand the plain language products.

The President's Advisory Council on Financial Literacy has proven to be a worthy effort. Given no full time staffing, and 18 months of tenure, it has begun a number of efforts in partnership with private organizations. It has also provided direct input to the Treasury and the Financial Literacy Education Commission. Long term value will depend upon some formalization of role by the White House and some level of dedicated staffing. Depending upon those appointed to donate time, money and other resources, or to raise it from others, leads to potential conflicts of interest and confusion of roles.

Regarding the broad issue of avoiding the "regulatory capture" mentioned in the Administration document, personally, I would suggest that ownership of, and membership on the regional Federal Reserve Bank Boards, be included in this examination of financial regulation and "capture," since a majority of those directors are now appointed by the financial institutions the Federal Reserve regulates, and it is infrequent that any financial services consumers (who are not affiliated with a financial institution in their employment) are appointed to those positions, or to the positions on the regional Boards appointed by the Federal Reserve in Washington. As an individual financial services consumer and credit card user, I would prefer regulation and protection by an entity that is not governed by the regulated. From a financial services consumer perspective, I currently see no such independent regulator, which if properly implemented, the CFPA could become. If not, it would be a waste of time, money and effort, and would only serve to mislead the public. I stress, as noted in my introduction, that these are my personal views.

As your request letter notes, related to financial education, the administration document states:

> "The CFPA should play a leading role in efforts to educate consumers about financial matters, to improve their ability to manage their own financial affairs, and to make their own judgments about the appropriateness of certain financial products. Additionally, the CFPA should review and streamline existing financial literacy and education initiatives government-wide."

Based upon my work on savings and retirement issues beginning in 1975, when I joined what is now the Employee Benefit Security Administration at the U.S Department of Labor, giving one agency the absolute responsibility for direction of all executive branch activities in this area could possibly add needed coordination and consistency—but that would only occur if the leadership of the agency was committed to the issue and to the approach set out in the legislation.

Over the past 34 years, I have watched multiple agency programs and priorities on financial education shift dramatically as political leadership changes. This is not just true when party control changes, but occurs within a party with new staffing as well. Thus, the role being set out for the CFPA may or may not add value in this area, depending upon the specificity of the legislation, the attitudes and priorities of the board and the director, and adequate staff and budget resources being provided for funding. I provide information below on the Ontario, Canada Investor Education Fund, for example, which is funded by enforcement settlements from the Ontario Securities Regulator, and which has a single purpose.

We have recent experience in the United States of the difficulty in meeting objectives in the area of financial education. The Financial Literacy and Education Commission (the Commission, or FLEC) was established under Title V, of 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 to include 19 other federal agencies and bureaus. The Commission was intended to coordinate the financial education efforts throughout the federal government, and support the promotion of financial literacy by the private sector, while also encouraging the synchronization of efforts between the public and private sectors.

I find myself in agreement with a review by the General Accountability Office which concluded that the Commission had not achieved these objectives. I believe that it could have done so with sufficient resources and clear interest and involvement at the level of senior Treasury officials, but instead it became a low priority. A simple comparison of attendance at the first meeting of FLEC, compared to the most recent meeting, would serve to prove this point. (A full section on FLEC appears below).

Government-wide responsibility for review and streamlining of financial education will be *more* confused, not *less,* if CFPA is given authority while at the same time FLEC continues to exist within Treasury, with the directives of the Financial Literacy and Education Improvement Act. The administration may already contemplate integration, but if it has not focused on the issue—and it (and the Congress) should do so as details of CFPA are developed. At the same time, consultation with GAO (based upon the work GAO has already completed) for insights on how legislation on the new financial regulatory structure can most effectively address financial education across the executive branch, could prove invaluable for both Congress and the administration.

Congress has acted many times, as have various administrations, to move the ball forward on financial education: The Financial Literacy and Education Improvement Act; the 1997 SAVER Act (The Savings Are Vital for Every American Act); the creation of the President's Advisory Council on Financial Literacy in 2008; and this year with creation of the Advisory Committee on Investor Education at the SEC. The recently enacted credit card law also requires the development of new inventories of what protections currently exist. And the Social Security Administration has announced its intent to fund at least one "Financial Literacy Research Consortium," and possible more (*Federal Register*, Vol. 74, No. 76, April 22, 2009, page 18424). With each passing week, the need grows for meaningful coordination to avoid overlap and the waste of resources. I encourage you to address this need as you reform financial regulation.

The FINRA Investor Education Foundation National Baseline Financial Capability Survey, developed in consultation with the U.S. Treasury Department and the President's Advisory Council on Financial Literacy, is a national and state-by-state survey of American adults' financial capability. When results are available later this year, the nation will have the most comprehensive picture ever of the issue, which will provide an invaluable baseline for future financial education of the adult population. It will assist all of us in working toward our common goal of enhanced financial literacy, so that individuals can be better prepared to see through sales smoke screens and avoid fraud.

Conclusion

Thousands of organizations are involved in financial education 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 sectors when administrations change, appointees change, and priorities change. We are continuing to play that role today. We will continue to seek to play that role within any new financial regulatory structure.

I look forward to working with your committee and all others on these important issues in the future.

Dallas Salisbury
Washington, DC
June 23, 2009

Bio / Resume Follows

Full Statement Information Sections Follow Bio

Biography of
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Dallas Salisbury, President and CEO of the Employee Benefit Research Institute (EBRI), joined EBRI as the chief staff executive at its founding in 1978.

EBRI provides "just the facts": objective research, data, education and insight to inform decision making. The overall EBRI mission is "to contribute to, to encourage, and to enhance the development of sound employee benefit programs and sound public policy through objective research and education." EBRI has earned widespread regard as an organization that "tells it like it is."

EBRI is supported financially by for-profit and non-profit corporations of all types, foundations, unions, government organizations, and international organizations seeking to better understand U.S economic security programs.

The Institute does not lobby and does not advocate or oppose any policy position. The task of EBRI is to provide objective information regarding the employee benefit system and related financial security issues, to achieve its primary goal: "that policy and design decisions be based on verifiable facts." Researchers, policymakers and the media rely heavily on EBRI research. Dallas regularly testifies at congressional and commission hearings and appears in print and broadcast media around the world. EBRI is one of the 20 most frequently cited "think-tanks" in the nation using www.fair.org methods.

Dallas serves on a number of advisory groups and boards. He is currently a member of the Securities and Exchange Commission Investor Advisory Committee, the Board of Advisors to the Comptroller General of the United States, and the Board of Directors of the FINRA Investor Education Foundation. He is a Fellow of the National Academy of Human Resources and a member of the Board of the NAHR Foundation. He has served on the Secretary of Labor's ERISA Advisory Council, the presidentially appointed PBGC Advisory Committee, Board of Directors of the Society for Human Resources Management, the U.S. Advisory Panel on Medicare Education, the Board of Directors of the National Academy of Social Insurance, and numerous other commissions and advisory groups.

He has been honored with the Award for Professional Excellence from the Society for Human Resource Management, the Plan Sponsor Lifetime Achievement Award and the Keystone Award of World at Work. Dallas was a delegate to the 1998, 2002, and 2006 National Summits on Retirement Savings and to the 2005 White House Conference on Aging. Dallas accepted a National Emmy Award for Savingsman® and the ChoosetoSave®org public education program.

Dallas has written and lectured extensively on economic security topics. His most recent books are: *Retirement Security in the United States: Current Sources, Future Prospects, and Likely Outcomes of Current Trends*, *The Future of Retirement Income in America*, *The Future of Social Insurance: Incremental Action or Fundamental Reform?, IRA and 401(k) Investing* and *Managing Money in Retirement*.

Dallas is interviewed regularly by all media, has appeared in all major media and on all major networks, specialty channels such as CNN, CNBC, MSNBC, Fox, Fox Business, and PBS, as well as radio and on-line networks and programs. *Plan Sponsor* magazine recognizes him as "one of fifteen legends"; *401(k) WIRE* as "one of the ten most influential"; and *Pension &*

Investments as “one of the 30 who have made the most difference to retirement in America.” The PBS Lehrer News Hour did a feature piece on Dallas: “Dallas Salisbury takes Savingsman® to the nation.”

Prior to joining EBRI, Dallas held full-time positions with the Washington State Legislature, the U.S. Department of Justice, the Employee Benefits Security Administration of the U.S. Department of Labor, and the Pension Benefit Guaranty Corporation (PBGC).

Dallas holds a B.A. degree in finance from the University of Washington in Seattle, Washington, and an M.P.A. from the Maxwell School of Citizenship and Public Affairs at Syracuse University. Dallas grew up in Everett, Washington, and now resides in Washington, D.C.

Full Statement Information Sections Follow:

I. The American Savings Education Council

The American Savings Education Council (ASEC) (www.asec.org) is the primary vehicle through which EBRI (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 & 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*® 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, including the annual *Retirement Confidence Survey* (now in its 19th year) and the *Health Confidence Survey* (now in its 12th year), and access to analysis from the world's largest database on 401(k) plan participants. Our Ballpark E$timate® retirement planning worksheet and calculator is used by consumers daily and 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 & federal government and media attention onto 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 19th 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 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…
- Forty-eight percent report that the statement, "I enjoy financial planning" applies well or very well to them.
- Twenty-one 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, 44 percent of workers reported they did a retirement needs calculation.
- In 2009, 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, 47 percent reported they will need less than $500,000 in total savings to live comfortably in retirement.

Over the years, a number of sub-set surveys have been conducted using the RCS and applied to specific groups. 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. Among the key issues are earlier access to credit, rising costs of higher education, upward inflationary pressures, rising health care costs, increasing life expectancies, 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 money 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.

A) Professional Partnerships:

- **Government Interagency Group**

  The ASEC Government Interagency Group (GIG) was created in 1996 to facilitate coordination and open the lines of communication between our government partners. As administrations come and go and personnel turn over at the agencies, GIG provides a consistent meeting forum.

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. 14 organizations are paid partners, 61 are mission partners (consisting of non-profits 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 makes funding decisions on financial literacy projects.

A founding member of the Jump$tart Coalition for Personal Financial Literacy, ASEC holds a seat on their Board of Directors.

ASEC 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 can other ASEC partners 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, 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.

- **Retirement Summits:**

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 gathering.

Historic in many ways, the Summit was a truly bi-partisan 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, Representative Benjamin L. Cardin, and Representative Rob J. 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 (1961-1981), the Baby Boom Generation (1943-1960), and the Silent Generation (1925-1942). They were challenged to develop action plans with compelling messages, approaches, and potential partners for implementing the action steps.

<u>2006 National Summit on Retirement Savings:</u>
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.

2) 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 rising awareness about the need to plan and save for long-term personal financial security.

- **Choose to Save® Web Site:**[1]

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

- Ballpark E$timate retirement planning worksheet and interactive tool.
  - Please see sub-section below: "Ballpark E$timate® 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 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:

[1] 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.

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.
- 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® PSAs.

Radio:

- All of Choose to Save® 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® PSAs.

Internet:

- All of Choose to Save® PSAs are available through the PSA viewer on the Choose to Save® Web site.
- ASEC *Savingsman*™ 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® *Savingsman*™ 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® PSAs are currently available on YouTube. Our account name is **ctspsas**.
- Washington State Department of Financial Institutions has created a YouTube page that includes the Choose to Save® PSAs and *Mission Retirement*.

Other Outlets:

- Choose to Save® *Savingsman*™ 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® Web site.

- YouTube:
  - All of the Choose to Save® PSAs are posted to our account (www.youtube.com/ctspsas). 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® 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$timate® Worksheet:**

The Ballpark E$timate® comes in two formats, 1) an easy-to-use, two-page worksheet, and 2) an on-line interactive worksheet. Both help you quickly identify approximately how much you need to save to fund a comfortable retirement. The Ballpark E$timate® 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$timate®* 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$timate®* for use during their workshops. IPERS serves over 100,000 participants.
- Jean Chatzky's new book, *The Difference: How Anyone Can Prosper Even in the Toughest Times*, will feature the *Ballpark E$timate.®*
- FC&A Publishing is recommending the *Ballpark E$timate®* to their readers in an upcoming book, *Retiring Well on a Poor Man's Budget*. The book will have an initial print run of 50,000 copies. Readers who do not have access to a computer can order a hard copy of the *Ballpark E$timate®* by sending a self-addressed stamped envelope to EBRI.
- The International Foundation for Retirement Education requested permission to reprint the *Ballpark E$timate®* as part of a tool kit for retirement professionals.

- Cemex, a Mexican cement manufacturing company, requested permission to use the *Ballpark E$timate®* in a financial literacy initiative the company is undertaking with their 12,000 employees.
- *Ballpark E$timate®* was mentioned in a CFP Board Newsletter article on *America Saves Week.*
- *Ballpark E$timate®* 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$timate®.

In 2007, ASEC developed, for the U.S. Office of Personnel Management, a version of the Ballpark E$timate® for federal government employees. For October 1, 2007 through September 30, 2008, the number of views for the Federal Ballpark E$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 (ctspsas). 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 only been on these two new media tools for a little more than a month, this is excellent progress. We hope to not only "teach old dogs new tricks" but to educate the 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, 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, conducted 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 website, 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 Congresswoman Stephanie Tubbs Jones (D-OH), 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

The following is the number of individuals reached through various media. These numbers will be revised upward as we get results from more participating organizations.

- Marketing posters, flyers, etc ─ 10,706,451
- Web sites ─ 4,520,858
- Postal mail ─ 46,055
- Emails ─ 358,514
- Ads, PSA, media appearances ─ 15,380,393

- Tax site outreach ─ 17,746
- Events ─ 67,009

Support of Elected Officials

- Representative Ruben Hinojosa (D-TX) introduced a resolution (H. Res. 180) of support of America Saves Week. The Resolution was passed by the House on February 25th.
- 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: Governor 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's role in Washington is a support role. ASEC materials such as the *Ballpark E$timate*®, PSAs, and brochures are used by various organizations at their events. For Washington Saves Week 2008, Washington Society of CPAs conducted an essay contest in the schools of Washington. Students were to write a 500 word essay on a personal experience with saving. The winners were given savings bonds. The savings bonds were 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 who donated the savings bonds for that contests winner.

- *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.

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.

To learn more about Money Week Houston, please visit their Web site www.moneyweekhouston.org

- 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

At these events ASEC staff speaks with 150 to 500 individuals, 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 that ASEC gets invited back.

II. 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:[2]

1. ***General Savings***

   Goal:
   In the first quarter of 2006, the Treasury Department will partner with a non-profit 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

   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.

2. ***Homeownership***

   Goal:
   Between the second quarter of 2006 and the second quarter of 2007, the U.S. Department of Housing and Urban Development will join 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:
   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.

3. ***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

[2] The wording of the listed goals comes directly from FLEC's Web site.

Comptroller of the Currency, will host 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 non-profits, government organizations, and other partners to access the resources to address the issue head-on. As Governor 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.

4. ***Multilingual/Multicultural Populations***

Goal:
Between the fourth quarter of 2006 and the fourth quarter of 2007, the Treasury Department will host 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.

5. ***Kindergarten – Postsecondary Financial Education***

Goal:
In 2006, the U.S. Department of the Treasury will partner 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 Registry; Choose to Save® 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.

6. Coordination Efforts

Goal:
The Office of Personnel Management and the Treasury Department will partner to establish a network of state and local government officials to improve collaboration on financial education efforts among federal, state, and local levels. The first meeting of the network will be held by the third quarter of 2007.

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.

7. International Perspective

Goal:
Between the third quarter of 2006 and the second quarter of 2007, the Treasury Department will host 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.

8**. *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, will convene a symposium of researchers who specialize in financial education. 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:
In October 2008, U.S. Department of the Treasury and U.S. Department of Agriculture convened a national research symposium. 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*[3]
    - 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.

III. The FINRA Investor Education Foundation

The FINRA Investor Education Foundation is the largest foundation in the U.S. dedicated to investor education. Its mission is to provide investors with high-quality, easily accessible information and tools to better understand the markets and the basic principles of saving and investing. To further this mission, the Foundation awards grants to fund educational programs and research aimed at segments of the investing public who could benefit from additional resources. To date, the Foundation has approved $10.4 million in grants and an additional $10.2 million in direct investor education programming.

Formerly known as the NASD Investor Education Foundation, the FINRA Investor Education Foundation is a nonprofit, 501(c)(4) organization established in December 2003 in response to both the current environment in the markets and a survey showing that investors still have fundamental questions and misunderstandings about important investment issues. In 2007, the Foundation's parent, NASD, consolidated with NYSE Member Regulation to form FINRA, the Financial Industry Regulatory Authority. At that time, the NASD Investor Education Foundation became the FINRA Investor Education Foundation—but its mission of serving investors remains the same.

FINRA and the FINRA Investor Education Foundation do not sell investment products, promote products or firms, or offer specific investment advice. For more information about the Foundation, please visit www.finrafoundation.org

[3] Note: These recommendations refer to the FLEC site, not mymoney.gov

SaveAndInvest.org: A Financial Education Program for Military Personnel and Their Families

Financial preparedness is a key component of military readiness. Whether on-base or deployed overseas, it is crucial that military personnel have access to financial education information that will enable them to make prudent saving and investing decisions for themselves and their families.

FINRA Investor Education Foundation
National Baseline Financial Capability Survey

Primary Objectives

In consultation with the U.S. Treasury Department and the President's Advisory Council on Financial Literacy, the FINRA Investor Education Foundation is conducting a national and state-by-state survey of American adults' financial capability.

The primary survey working group is comprised of:

- Applied Research & Consulting
- Dartmouth College Economics Professor Annamaria Lusardi
- FINRA Investor Education Foundation
- U.S. Department of Treasury, Office of Financial Education
- Employee Benefit Research Institute (EBRI)
- American Institute of Certified Public Accountants (AICPA)
- University of Michigan Research Professor Robert Willis

The overarching research objectives are to:

1. Benchmark the distributions of key measures of financial capability
2. Evaluate how those key measures vary with underlying demographic, behavioral, attitudinal, and literacy characteristics

The key measures of financial capability are:

- "banked" status (i.e., having a checking and/or savings account)
- access to and participation in pension and/or retirement savings plans
- home ownership
- debt burden, with particular focus on mortgage and credit card debt
- insurance participation

The underlying demographic characteristics are standard (e.g., age, race and ethnicity, education, geography, marital status, income, occupational status).

The underlying behavioral characteristics cover a range of practices that might be positively or negatively correlated with financial capability:

- credit card payment habits
- saving and planning
- usage of expensive non-bank borrowing mechanisms
- decision influencers (e.g., usage of financial advisers)

The underlying attitudinal characteristics fall into two categories:

- personal engagement with financial matters (e.g., willingness to refinance, attention to rates and fees, keeping up with financial news)

- self-perceptions (e.g., satisfaction with financial condition, appetite for risk, perception of one's one skills and financial knowledge)

The underlying literacy characteristics fall into 3 categories:

- ability to do financial calculations (e.g., compound interest)
- understanding of financial concepts (e.g., relationship between interest rates and bond prices)
- awareness of financial instruments (e.g., reverse mortgages, annuities)

IV. The Canadian Investor Education Fund

Investor Education Fund http://www.investored.ca/about/Pages/default.aspx

About Us

The Investor Education Fund helps people make effective use of financial information. The Investor Education Fund was established by the Ontario Securities Commission, the province's securities regulator, and is funded by OSC enforcement settlements. It operates separately from the OSC with its own Board of Directors.

Paul Bates, chair of the Board of Directors of the Investor Education Fund, discusses how both the Fund and the Ontario Securities Commission help investors. Watch the video.
For more information about the Fund, please contact us

OUR BOARD

The Investor Education Fund is guided by an independent team of Directors.

OUR CONTENT

Find out more about the content on our website.

OUR PARTNERS

Find out who our valued project, content, education and linking partners are.

PRESS RELEASES

Check out the latest news here.

FUNDING FINANCIAL LITERACY

Information on how our funding program can help your stakeholders increase their financial know-how.

TEACHERS' PROGRAM

For classroom-ready resources and more to help your students develop their money management skills.

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V. Financial Literacy and Retirement Planning: New Evidence from the Rand American Life Panel

by Annamaria Lusardi and Olivia S. Mitchell

Abstract

The present paper introduces a new dataset, the Rand American Life Panel (ALP), which offers several appealing features for an analysis of financial literacy and retirement planning. It allows us to evaluate financial knowledge during workers' prime earning years when they are making key financial decisions, and it offers detailed financial literacy and retirement planning questions, permitting a finer assessment of respondents' financial literacy than heretofore feasible. We can also compare respondents' self-assessed financial knowledge levels with objective measures of financial literacy, and most valuably, we can investigate prior financial training which permits us to identify key causal links. By every measure, and in every sample we examine, financial literacy proves to be a key determinant of retirement planning. We also find that respondent literacy is higher when they were exposed to economics in school and to company-based financial education programs.

WP 2007-157

VI. 2009 Retirement Confidence Survey – *EBRI Issue Brief* no. 328, April 2009

(http://www.ebri.org/publications/ib/index.cfm?fa=ibDisp&content_id=4293)

Attitudes about financial planning:

- Over the long run – 10 to 20 years – you believe stocks in general will be a very good investment. In 2009, 17 percent of workers stated that described them well compared with 28 percent in 2000.
- You think anyone can have a comfortable retirement if they plan and save. In 2009, 24 percent of workers stated that described them well compared with 35 percent in 2000.
- Have you tried to calculate how much you will need to save for retirement? In 2009 44 percent of workers reported they have compared with 43 percent in 2007.
- Among workers who reported they did a retirement needs calculation the following are the reported methods used:
  - Guess – 14 percent
  - Did your own estimate – 46 percent
  - Ask a financial advisor – 33 percent
  - Read or heard how much is needed – 9 percent
  - Used an on-line calculator – 16 percent
  - Filled out a worksheet or form – 11 percent
  - Advice of friends/family – 1 percent
- How much do you think you will need to save for retirement? Among all workers percentage who reported they will need:
  - Less than $250,000 – 28 percent

- $250,000 - $499,999 – 19 percent
- $500,000 - $999,999 – 23 percent
- $1 million - $1.49 million – 8 percent
- $1.5 million - $1.9 million – 3 percent
- $2 million or more – 6 percent

VII. ING Direct Parents Financial Behavior Survey

Tough economic times have forced parents to cut back on their kid's savings while also reaching into their kid's pockets to pay daily household expenses, according to a new survey released by ING DIRECT. The new survey also showed while parents are tapping into their kid's savings accounts, they're more prepared to talk to their children about drugs and alcohol or sex and dating than money and finances.

According to the survey results, one in three parents (34 percent) have reduced the contributions they make to their children's savings, and nearly one in five (18 percent) parents who have savings set aside for their children have taken money from their children's savings to cover bills or pay off debt.

"It's clear that parents are struggling with their expenses during these difficult times, but tapping money put aside for their kids will only exacerbate a family's problems when it comes time to pay for college," said Arkadi Kuhlmann, President of ING DIRECT USA, the nation's largest direct bank. "Parents need to set an example by setting up an automatic savings plan. A 'set it and forget it' savings mentality makes it easy for parents to save, while teaching their children about the importance of putting some money aside for future needs."

Even as parents tap their children's savings accounts, many are not preparing for their children's financial future.

One in four (27 percent) parents with children under the age of 18 do not have any savings set aside for their children.

The number increases to one in three (33 percent) for parents in the 35 to 44 age bracket who typically have children approaching college age.

When it comes to speaking to children about finances:

- Two in five (39 percent) parents are more prepared to talk to their children about drugs and alcohol than money and finances.
- Nearly three in ten (27 percent) parents are more prepared to talk to their children about the birds and bees or dating than money and finances.

Although a large number of parents feel they are not prepared to talk about finances with their children, nearly all (94 percent) parents believe that they are primarily accountable for educating their children about the importance of money and responsible spending.

However, the survey results showed that 96 percent of parents feel financial education should also be taught in school. Almost half (42 percent) of parents think schools should start teaching financial education before fifth grade, and eight in ten (82 percent) think it should happen before high school.

An advocate for greater financial education, ING DIRECT is committed to helping Americans understand the importance of savings at an early age and develop long-term, common sense savings practices.

The national online survey was conducted within the United States by Harris Interactive on behalf of ING DIRECT between April 6-8, 2009 among 2,123 adults age 18+, 535 of whom were parents of a child under 18 years old. No estimates of theoretical sampling error can be calculated; a full methodology is available.

VIII. Military RCS (sponsored by FINRA and fielded October–November 2008)

Approximately half of service members are very (11 percent) or somewhat (36 percent) confident that they will have enough money to live comfortably throughout their retirement years.

Calculating how much they will need in retirement:
Forty-three percent of service members report they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably, which is in line with the general population (44 percent of 2008 RCS workers).

- 39 percent of service members (vs. 19 percent of workers in general) calculated their own estimate.
- 24 percent of service members (vs. 7 percent of workers) report using an on-line calculator to predict how much they will need to accumulate for retirement.
- Only 33 percent of service members (vs. 49 percent of workers) simply guess at how much they will need to accumulate.

Service members are more likely than workers overall to provide a realistic response when asked how much money they will need to accumulate for a comfortable retirement. Only 10 percent cite an amount under $250,000, while 32 percent expect to need $1 million or more.

Knowledge of Thrift Savings Plan:
While a large majority of service members are aware of the military pension (86 percent) and what it takes to qualify for it (94 percent of those aware), knowledge of the Thrift Savings Plan (TSP) is lower:

- 22 percent of respondents state that they did know that the military offers them a retirement savings plan that allows them to make contributions to an individual account set up in their name.
- 60 percent of those aware of the plan contribute to it.

The large majority of service members who participate in the TSP state that a personal decision led them to begin contributing to the plan (68 percent).

Education also clearly plays a role in convincing service members to contribute:

- One-quarter (26 percent) say that a finance briefing given by military financial educators encouraged them to participate.
- Furthermore, advice from superiors (16 percent) and peers (14 percent) also leads service members to participate.

Sources of Education and Advice:

Not only are service members more likely to use the advice of a financial professional when making decisions about their retirement savings and investments (68 percent), they are also more likely to consider this source of guidance to be most helpful (37 percent).

	Use	Most Helpful
The advice of a financial professional	68%	37%
Information from the Thrift Savings Plan (TSP), such as benefit statements, other written materials, or the TSP Web site	62%	10
The advice of family, friends, or co-workers	59%	12
An objective financial education website	54%	12
Information from the media, such as newspapers, magazines, television or radio	48%	5
Military financial educator or military Personal Financial Manager (PFM)	41%	11
Online professional investment advice services	34%	3
Information from seminars	32%	3

IX. The National Endowment for Financial Education® (NEFE®)

The only independent private, nonprofit, national foundation wholly dedicated to improving the financial well-being of all Americans.

Mission

The mission of the National Endowment for Financial Education is to help individual Americans acquire the knowledge and skills necessary to take control of their financial destiny. NEFE's mission is grounded in the belief that regardless of background or income level, financially informed individuals are better able to:

- Take control of their circumstances,
- Improve their quality of life, and
- Ensure a stable future for themselves and their families.

Guiding Principles

NEFE's guiding principles are stated in eight initiatives.
These initiatives:

- Describe how NEFE achieves its mission, and
- Outline the goals and standards that guide the foundation's activities.

Every project or program undertaken by NEFE must fit within the scope of at least one initiative.
NEFE accomplishes its mission primarily by partnering with other organizations to:

- Provide practical, reliable, and unbiased financial education to members of the public.
- Accomplish research in the field of financial literacy education.
- Create demand for financial education.

NEFE's activities place special emphasis on those who face financial challenges that are not being addressed by others. Among our target audiences are:

- Youth,
- Low-income individuals and families, and
- People in difficult or unusual life circumstances.

NEFE's partnerships and the foundation's own efforts result in a wide range of free and low-cost activities and materials, including:

- Resources for consumers.
- Materials for educators and facilitators.
- NEFE High School Financial Planning Program®
- Joint efforts with numerous nonprofit, for-profit, and government entities to develop financial literacy resources for specific audiences.
- Research, conferences, and think tanks on a variety of financial literacy topics.
- Grant awards to organizations and academic institutions whose work can contribute to the field of financial literacy.
- Pro bono financial assistance to individuals who cannot afford a financial advisor or who are facing an immediate or unusual financial need.
- Resources for the press.

New activities are covered in each issue of the foundation's newsletter, NEFE Digest, and in the New at NEFE section.

Organizational Structure

The National Endowment for Financial Education is a nonprofit 501(c)(3) foundation governed by a volunteer Board of Trustees and led by president and CEO Ted Beck. A staff of fewer than 25 individuals guides NEFE's public-service work at its headquarters in Greenwood Village, Colorado. To learn more, visit the History section of this Web site.

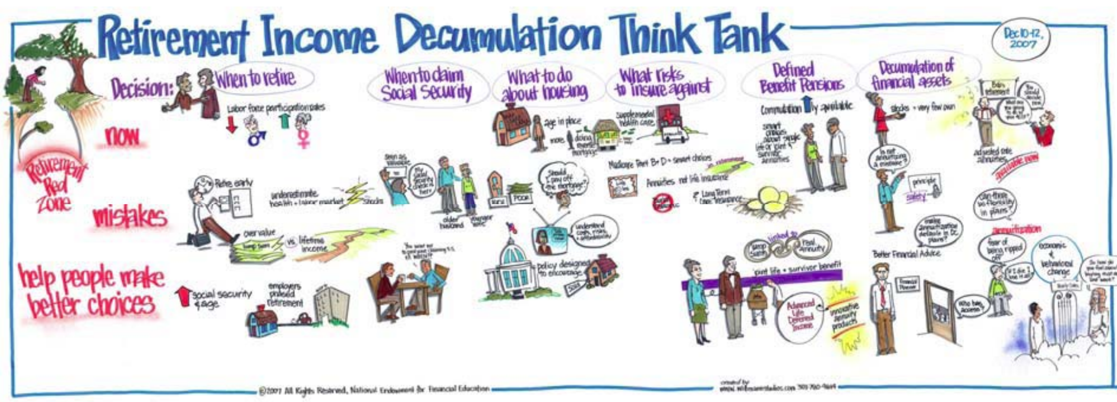
NEFE organizes its activities **into four action areas**, which flow from the foundation's mission and initiatives.

NEFE defines its action areas as:

- **Education Programs**. Although not restricted to a particular age group, the Education Programs area has been oriented primarily to providing financial planning information to youth, including NEFE's longest-standing public service effort, the NEFE High School Financial Planning Program® (HSFPP).
- **Strategic Programs and Alliances**. This action area works to help Americans improve the quality of their lives through financial education provided in cooperation with other nonprofit organizations and foundations, and occasional corporate sponsors.
- **Multimedia Access**. This action area represents NEFE's commitment to sharing its expertise in financial planning education with all those who might benefit from it, including consumers, educators, and the media.
- **Innovative Thinking**. The goal of this action area is to inspire creative ideas and new perspectives on personal finance, to communicate them broadly, and to assist in their actualization where appropriate. This action area supports fellowships programs, grantmaking, and research and strategic activities.

NEFE has worked innovatively on the issue of spending in retirement. It established a one of a kind website, www.decumlation.org which has a white paper link: http://www.nefe.org/LinkClick.aspx?fileticket=sTqM6emZXgI%3d&tabid=529 with recommendations on financial literacy in this critical life stage.

The think tank on decumulation produced graphics that make clear how complex a topic this all is for the individual.



See pages 8 and 9 of the document at
http://www.nefe.org/LinkClick.aspx?fileticket=sTqM6emZXgI%3d&tabid=529

NEFE has a program, CashCourse, directed towards college students, we recently conducted a Symposium on the Financial Realities of young adults, and we have three grant projects that are also of relevance.

The University of Arizona just released their first report on their longitudinal study on young adults and the forces that shape their attitudes and behaviors, influencing them in ways that will determine their financial success or failure as adults.

Financial Management Practices of College Students from States with Varying Financial Education Mandates.

Teachers' Background and Capacity to Teach Personal Finance: Results of a National Study; Final Report.

Information on each the three grant projects can be found further down in this email.

University of Arizona: Arizona Pathways to Life Success for University Students (APLUS)
Many college graduates will enter young adulthood poised for success. Some may stumble at first, and still others will fall. What sets them on different pathways?

To answer this question, University of Arizona started a landmark longitudinal research study to look at the connections between financial success and well-being in a diverse group of first-year college students: A*rizona Pathways to Life Success for University Students* (APLUS).

APLUS examines the factors that help shape students' financial attitudes and behaviors and, in turn, how those attitudes and behaviors affect their current and future success in life. Using data from 2,000 students, this report summarizes our findings to date regarding how students spend their time and money, financial literacy and practices, debt management and well-being.

Read more of the Executive Summary or the final report of the study.

If you would like the APLUS final report mailed to you for future reference, please let me know.

NEFE Symposium: Financial Realities of Young Adults: Building a Financial Education Framework that is Relevant and Accessible
From November 12-14, 2008, NEFE brought together an eclectic mix of financial education leaders and young adult experts. The event drew attention to the financial realities of the nation's young people between the ages of 18-34 and challenged participants to re-think financial education assumptions, messages, media, and attitudes about today's young people transitioning to adulthood.

The gathering included presentations and panel discussions devoted to the developmental, economic, social, and political jungle transitioning adults must navigate as they pursue their futures in a world that is much different from that of their parents or grandparents.

Dr. Jeffrey Arnett, known for defining the term "emerging adulthood" in several books and articles, provided his insight and analysis of this audience by presenting his research. Click here to access a summary of his presentation & presentation materials. Michael Townsend presented Charles Schwab & Company's research on Generations X & Y from the perspective of financial marketing. Research findings showed 45 percent of Gen X & Y think they have too much debt to save and 35 percent think they will be in debt forever. Schwab has used this research to shape their outreach, and retirement tools and information to better fit the needs of young adults. Click here to access a summary of his presentation and presentation materials.

Sessions were salted with videos from focus groups NEFE conducted earlier in the fall to "put a face" on the eroding safety nets, burdensome debt, and variety of financial decisions competing for the limited resources—both time and money—of the nation's emerging households.

Lisa Greenwald, a Senior Research Associate at Mathew Greenwald & Associates, shared highlights of her firm's extensive research as part of AARP's "Divided We Fail" campaign. Click here to access a summary of her presentation and presentation materials.

Way, Wendy; Holden, Karen; (2008). Teachers' Background and Capacity to Teach Personal Finance: Results of a National Study; Final Report. Research funded by National Endowment for Financial Education® (NEFE)®.

Background: As part of a national study Way and Holden analyzed responses from 504 K-12 in-service teachers and 627 pre-service teachers (e.g. young adults finishing college and taking their teaching practicum).

- While in-service teachers are more likely than is the average for US households to practice financial behaviors that are typically recommended to ensure financial security (Page 61), pre-service teachers were more likely than the average household to pay bills on time and pay credit cards in full each month, but less likely to practice other positive financial behaviors (page 84)
  - 44.1% of pre-service and 48.9% of in-service k-12 teachers were concerned about whether they would have enough for retirement. (pg 85)
  - The percentage of pre-service and K-12 teachers who expressed concern about retirement-related issues (e.g., knowing whether I will have enough money for retirement and understanding insurance options and costs during retirement) was surprisingly similar; this finding suggests students are future oriented and would welcome assistance in addressing personal financial issues using long-term as well as short term planning horizons. (page 86)

Gutter, Michael; Eisen, Joseph; Way, Wendy L.(2009—final report pending). *Financial Management Practices of College Students from States with Varying Financial Education Mandates.* Research funded by National Endowment for Financial Education® (NEFE)®.

Background: In advance of conducting a survey of more than 15,000 college students nationwide, Gutter analyzed the data set collected by Angela Lyons (circa 2005) comprised of 8,861 college students from two land grant universities who responded to survey questions about their credit card use and behaviors. To the extent that college students who demonstrate the riskiest credit card behaviors can be compared to the general population with similar risk factors, the findings may suggest that targeting the riskiest populations with relevant financial education programs may be appropriate.

Gutter found that although his analysis showed that most students were not financially at-risk, it did reveal that some subgroups are more prone to Financially Risky Behaviors (FRB) and could reduce financial risk by improving credit card behaviors. It also showed that having taken personal finance education is associated with less financially risky behavior. It follows that college students, and especially those engaging in FRB, would benefit from personal financial education. Much more needs to be learned, however, about the impact of personal financial education on college students' financial behavior, particularly in relation to other opportunities for and avenues of financial socialization. (page 10)

<u>CashCourse</u>

CashCourse is a financial education Web site directed at college students and recent grads. Key benefits of the program include:

- It is free of charge to universities and students.
- The program was created with significant practical input from students and universities.
- Signing up for the program is easy and efficient.
- Branding of the school can be integrated into the Web site through the school's logo, color scheme, and resources.
- Promotional materials are provided and can be customized (although schools using the materials cover the printing costs).
- Five workshop kits that cover key financial topics, and include PowerPoint presentations and facilitators guides.
- NEFE is committed to maintaining the Web site in the future.

Currently, over 260 colleges and universities across the country are enrolled in CashCourse. More information about this program can be found at www.CashCourse.org

X. Financial Maturity Survey (aka Preparing for their Future)

- Financial education *could* be targeted to occur when young Americans become "financially independent." Financial independence occurs at a median age of 20. It tends to coincide with major life events like high school graduation (23%), college graduation (10%) or when taking a first job (24%).
- In January 2008, only 38% of Gen Xers and Yers reported having an "emergency savings fund" for unexpected expenses or in case of a job loss.
- 67% believe that they can rely on friends and family to help them financially if they are in a tough situation.
- Parents are the number one source of financial advice (70% say parents are a major or minor source of financial advice). 36% say parents are their *primary* source, compared, for example, to 20% who say a financial professional is their *primary* source and 16% who say the internet is their *primary* source of financial guidance.
- "Some of the questions designed to gauge financial literacy replicated questions used in the 2003 Financial Industry Regulatory Authority's (FINRA's) Investor Literacy survey, conducted among 1,086 investment decision-makers ages 21 to 69 who had completed at least one stock, bond, or mutual fund transaction within six months of participating in the survey. When comparing FINRA's results to the findings of this study, it becomes clear that financial literacy increases with experience. The investors in FINRA's study are significantly more likely than the young adults in this study to provide the correct response to each of these questions. In both studies, similar shares of respondents offer incorrect answers. However, for each of the five investment concepts tested, experienced investors are significantly less likely to say they are uncertain of the answer. This suggests that with more experience (i.e., having made a recent transaction and/or being the household investment decision-maker) comes greater investment knowledge. For the respondents in this study, theoretically, that means that with more experience their responses should change from "not sure" to correct." – Pg. 50 of Financial Maturity report

Financial Literacy and Retirement Planning: A Literature Review

401(k) plan participants reveal a lack of investment understanding (John Hancock, 2002), and this lack of investment knowledge (leading to or investment mistakes) is more likely to appear among poorer and less-educated households (Campbell, 2006).

Financial knowledge and planning are interrelated (Lusardi and Mitchell, 2006). Lusardi and Mitchell (2006) found that people who displayed financial knowledge were more likely to plan for retirement, and those who did plan were more likely to rely on formal planning methods such as retirement calculators, retirement seminars, and financial experts, and less likely to rely on family/relatives or co-workers. The differences in planning behavior play an important role in explaining differences in savings and why some people have very little wealth in retirement (Ameriks, Caplin, Leahy, 2003; Lusardi and Mitchell, 2007).

Planning is shaped by past own personal experience as well as the experience of other individuals (Lusardi, 2003). In particular, unpleasant events, such as financial difficulties, can provide incentives toward for planning. Lusardi (2003) found that respondents who experienced those negative past shocks are much more likely to plan for retirement. She examined the responses to a question of "in the last 20 years there were any really large expenses or events that have made it very difficult to meet your financial goals" from the first wave (a representative sample of individuals born in the year from 1931–-1941) of Health and Retirement Study. She also found that one could learn from the mistakes of others. Respondents are more likely to plan for retirement if the financial situation of sibling is worse than their current situation.

In sum, retirement planning is closely related to financial literacy and past negative events from own personal experience and/or observations of other people. Furthermore, past negative experiences may be interrelated with financial literacy. For example, past negative events might provide incentives for putting effort in trying to increaseing financial knowledge by participating in retirement seminars in the workplace. Many studies (e.g., Bayer, Bernheim, and Scholz, 1996; Madrian and Shea, 2001; Clark et al., 2003) found demonstrated the positive effects of financial education programs on participants' participation and contribution rates. Thus, many people experiencing the recent recession would be likely to plan for retirement and thereby increase savings for retirement.

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