NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION

Partnering for Financial Well-Being

Office of the President

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Department of the Treasury
Office of Financial Education
1500 Pennsylvania Avenue, NW
Washington, DC 20220

To whom it may concern:

The National Endowment for Financial Education® (NEFE®) is pleased to offer the following comments in response to the Department of the Treasury comment request for the Financial Literacy and Education Commission (FLEC) on the draft national strategy update entitled *Promoting Financial Success: National Strategy for Financial Literacy Update* per the Federal Register Vol. 81, No. 69 April 11, 2016 Notice.

The National Endowment for Financial Education® (NEFE®) is the only private, nonprofit national foundation wholly dedicated to improving the financial well-being of all Americans. All NEFE resources and initiatives are research-based, noncommercial, and not tied to any products or services. NEFE inspires empowered financial decision making for individuals and families through every stage of life. Learn more about NEFE at www.nefe.org.

NEFE provides comments on each section of the *Update* to assist the Treasury Department and FLEC in developing an approach to personal finance education in coming years. Following the outline of the *Update*, NEFE answers the following questions:

(1) *Does the outlined* Update *reflect current research findings and practice regarding financial education, capability and financial well-being?*
(2) *Are there other elements that should be included in the* Update*?*
(3) *Do you have any other comments regarding the* National Strategy Update*?*

I. Introduction

As the *National Strategy* is updated, NEFE recommends a thorough review of the bipartisan recommendations from the President's Advisory Council on Financial Literacy (PACFL), the President's Advisory Council on Financial Capability (PACFC), and the President's Advisory Council on Financial Capability for Young Americans (PACFCYA) with special emphasis on research, K-12, college, and workforce-related recommendations.

The *National Strategy* should be relevant to Americans' daily decisions and should emphasize timely personal financial education, coaching, messaging and public awareness. The *Strategy* also should advocate for financial education opportunities in homes, schools, libraries, community and faith-based settings in coordination with traditional and emerging FinTech financial innovators and products at key points of financial decision making.

NEFE also recommends placing a strong emphasis on rigorous research and evaluation within the field of financial education. For a model of a successful research initiative, reference the positive effects of the Financial Literacy Research Consortium (FLRC) sponsored by the Social Security Administration in 2009. The consortium consisted of three multidisciplinary research centers: the Financial Literacy Center (RAND Corporation, Dartmouth College, and the Wharton School); the Center for Financial Literacy (Boston College); and the Center for Financial Security (University of Wisconsin). The FLRC developed innovative materials and programs to help Americans plan for a secure retirement. NEFE recommends a similar model for consideration by the Department of the Treasury.

II. Financial Education Today: Toward Capability and Well-Being

> *Define what the FLEC means by financial literacy and education, as well as terms like financial capability and financial well-being, and how these concepts are related and inform the work of the Commission.*

NEFE supports the CFPB's definition of financial well-being, which focuses on financial security and financial freedom of choice both in the present and in the future. According to the CFPB, financial well-being is a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and can make choices that allow enjoyment of life.

Four Elements of Financial Well-Being (CFPB):

	Present	Future
Security	Control over your day-to-day, month-to-month finances	Capacity to absorb a financial shock
Freedom of Choice	Financial freedom to make choices to enjoy life	Ability to stay on track to meet your financial goals

This definition supports concepts of balance (living within one's means); asking (gathering information and evaluating results); planning (focusing on the future); and action (setting up for success).

> *Recap what is known about Americans' financial knowledge and capabilities, based on reliable sources of information.*

In line with the PACFC Final Report from 2013, NEFE encourages the FLEC and Treasury to actively and continually fund the United States' ongoing participation in the OECD Programme for International Student Assessment (PISA) financial literacy assessments. The financial capability of all Americans is important to our country's competitiveness in the global economy and progress needs to be benchmarked. This recommendation was also made in the PACFCYA Final Report from 2015.

NEFE would like to draw attention to another recommendation from the 2013 report, which is to continue the FINRA-funded National Financial Capability Study (NFCS). The NFCS presents survey findings that underscore the need to ensure all Americans have access to the education, resources and tools they need to manage their money with confidence. The NFCS sets the foundation for additional research, such as a NEFE funded-research project conducted by George Washington University. The study, *Financial Capability Among Young Adults*, provides an encompassing overview of Millennials' personal finances and financial capability by analyzing data from the 2012 NFCS.

The U.S. Financial Diaries (USFD) study illustrates how current financial capability programs and policies aimed at achieving financial stability for poor and middle class households are based on outdated ideas about the reality of low- and middle-income households' financial practices. This qualitative/anthropological analysis raises insights and opportunities for better access, messaging, FinTech innovations and further research.

> *Summarize the factors of financial well-being and how children and youth develop the skills, attitudes and habits that lay the foundations for well-being later in life.*

The JumpStart Coalition's National Standards delineate the personal finance knowledge and abilities that young people should acquire in their kindergarten through 12th grade school years (K-12) in order to emerge as independent adult consumers, fully prepared to make wise financial decisions for a lifetime of economic well-being.

NEFE believes that The United States Congress or state legislatures should strongly encourage financial education in all schools for students in grades K-12, which is a recommendation made in the PACFL Final Report from 2008. Research on mandated financial education is covered later in our comments.

Outside of school-based financial education, the Money as You Grow website (www.moneyasyougrow.org) and associated tools offer essential, age-appropriate financial lessons – with corresponding activities – covering content that parents, relatives and guardians ideally should impart to children.

NEFE also recommends, as did the PACFC in the Final Report from 2013, that the Department of the Treasury evaluate the merit of the Roth at Birth concept, intended to encourage families to begin early savings for their children, and consider whether legislation to allow children to use their immediate families' earned income to start a savings program would be advisable.

We would like to raise awareness of a NEFE-funded project, Arizona Pathways to Life Success (APLUS), which is a landmark longitudinal study that has followed a large, diverse college student sample since 2008 with the goal to understand how young adults form financial behaviors and, through longitudinal tracking, to find out how these financial behaviors affect later life outcomes.

By APLUS Wave 3, released in 2014, researchers were able to identify distinct pathways to success in the transition to adulthood. Predictors of future self-sufficiency include better attitudes about responsible financial behaviors; higher perceived parental expectations; higher perceived control over their finances; and more financial education through personal finance or economics classes.

To reiterate a passage in the PACFCYA Final Report from 2015: "All American children must be equipped with the knowledge and skills necessary to make smart decisions about their finances. This is a basic right that must be integrated throughout children's Pre-K-12 learning experience to assure that all youth in America have the tools necessary to make sound financial decisions that will allow them to pursue their dreams. Whatever their life's aspirations, whether college bound, career ready or thinking entrepreneurially, this knowledge will enable our young people to compete in a global economy and enhance our nation's economy."

> *Address how the creation of the Consumer Financial Protection Bureau (CFPB) has contributed to the efforts of the Commission.*

The CFPB is a valuable member of the FLEC community with its director serving as vice chair of the Commission. The CFPB's key activities touch a wide variety of audiences, financial topics, and emerging issues impacting Americans now and in the future. In particular, the CFPB Financial Education Exchange (FinEx), research agenda, audience-focused offices, community roundtables and regional hearings add value to the work of the *National Strategy*.

> *Highlight findings from recent research and discuss emerging trends and effective practices in this field and the implication this research has for financial educators and those in related fields.*

Research drives thoughtful, evidence-based policy and practice. Knowing what works is critical to advance any strategy. The Treasury Department has overseen and funded the $6.2 million Financial Empowerment Innovations Fund consisting of 11 research projects. Coordination of the financial education and capability community's research agenda is important to support, align with, and advance the *National Strategy*. This coordination should involve all significant players in the financial education and capability community. We recommend the convening and coordination of a multi-dimensional and multi-year research agenda with the FLEC member agencies (especially Treasury, CFPB, and the Federal Reserve System including 12 Federal Reserve banks) and key nonprofit funders and research innovators such as the FINRA Investor Education Foundation and NEFE.

The APLUS study mentioned earlier shows that financial education has a cumulative effect and that high school financial education is a gateway to ongoing financial learning. The more financial education one has, the better, and in most cases one-time interventions are not going to produce the best results. Every financial interaction provides an opportunity to learn about the system and how it works. This is supported by findings from a NEFE-funded meta-analysis of existing research on the effectiveness of financial education: The amount and timing of financial education matter and have corresponding effects on behavior.

A Meta-Analytic and Psychometric Investigation of the Effect of Financial Literacy on Downstream Financial Behaviors, conducted by the University of Colorado, reveals that the impacts of financial education programs vary based on the amount of instruction people receive in relation to relevant decisions or behaviors. Financial education is shown to be more impactful when linked to decisions that learners are prepared and able to make. The meta-analysis indicated that a lifetime of education may have more impact than single-dose interventions, much like 20 years of advertising has more effect than exposure to a single billboard.

A study on state-mandated financial education funded by the FINRA Investor Education Foundation, *State Mandated Financial Education and the Credit Behavior of the Young*, shows that young people in schools where state mandates for financial education have been implemented show evidence of modestly greater credit scores and lower delinquency rates on credit. The study, which focused on three specific states that implemented personal finance course requirements in 2007, notes that previous assessments of the effectiveness of state-mandated financial education may have understated positive effects due to gaps in data about the timing and quality of financial education program implementation. Such assessments have used the date a state mandate passes as the start date for assessment of financial education programs, but often at the moment a mandate is passed curriculum is not yet in place and instructors are not yet trained to teach the material. Therefore students do not receive the full effects of the curriculum. In addition, the quality and rigor of financial education program evaluations have varied widely in scale and scope. It is difficult to make comparisons when the type of mandate is not specified and there is no standard against which to measure a program's effectiveness.

III. Vision Mission and Goals

> *Goal: Increase Awareness and Access to Effective Financial Education – This goal focuses on ensuring individuals and families are aware of the importance of financial literacy and have access to financial education resources.*

The Advisory Committee on Economic Inclusion (ComE-IN) of the FDIC is an excellent source of research and initiatives focused on expanding access to banking services for underserved populations. This covers retail financial services such as check cashing, money orders, remittances, stored value cards, short-term loans, savings accounts, and other services that promote asset accumulation by individuals and financial stability.

NEFE recommends the creation and distribution of a "National Financial Check-up" that would allow Americans to assess their own financial knowledge, as well as provide links to trustworthy sources of information to fill in any gaps. This recommendation first appeared in the PACFL Final Report from 2008.

Another recommendation made from the same report bears mention here: "The United States Congress should appropriate funds to the United States Department of the Treasury to coordinate active and ongoing media and marketing outreach to promote more widespread knowledge of general financial education concepts among the American people. These efforts should include direct outreach as well as multi-media campaigns."

> *Goal: Determine and Integrate Core Financial Competencies – This goal focuses on determining the personal finance knowledge and skills that individuals and families need to employ at various life stages and for particular life events to make informed financial*

decisions. It also addresses integrating these competencies into effective resources and programs.

NEFE has several recommendations for the integration of core financial competencies at various life stages. Many Americans are saddled with numerous and varied issues concerning personal finance, but don't know where to turn. More than ever, people need a place to go to find highly credible advice and referrals to help understand diverse financial issues. NEFE recommends that FLEC provide a condensed list of trusted, quality resources (both government and nonprofit) and act as an honest broker to connect consumers with unbiased, quality information and resources that increase core knowledge and encourage critical thinking. NEFE envisions this list accompanying the *National Strategy*.

Additionally, NEFE believes that intermediaries (teachers, community educators, social workers, etc.) need access to trusted, objective financial information to use with consumers. FLEC and member agencies (www.MyMoney.gov) should refer and link to quality, noncommercial sources of information, research, and consumer and intermediary tools — without endorsing them — from nonprofit organizations.

NEFE also recommends considering cross-generational and two-generational learning, which are being practiced and studied at the Ascend Program of the Aspen Institute, the National Center for Family Learning, and Generations United. Here personal finance is being adapted to fit various life stages and life events in new and effective ways among diverse population cohorts.

Workplace financial education is another way to integrate financial competencies for individuals outside of school-based financial education. The PACFC Final Report in 2013 recommends "that the President encourage private sector, nonprofit and state/tribal/local government employers to make it a priority to improve the financial capability of their employees, and recommends the President support that effort by: 1) Designating the Department of Labor and the Small Business Administration as the federal government's lead agencies in the effort to expand workplace financial education; 2) Directing the Department of Labor and the Small Business Administration to dedicate staff and resources to the dissemination and promotion of *Financial Capability at Work: A Strategic Framework to Guide Employers,* a PACFC-produced guide and resource document to help employers provide quality financial capability information and programs to their employees; and 3) Directing the Department of Labor to revisit Interpretive Bulletin 96-1 ("Participant Investment Education") to provide more clarity to employers on the range of financial education topics and activities that are permissible under the Employee Retirement Income Security Act (ERISA) of 1974." These recommendations are consistent with the work that the U.S. Government Accountability Office has produced, most notably through a 2015 forum convened by the Comptroller General of the United States on financial literacy and the role of the workplace.

Goal: Improve Financial Education Infrastructure – This goal focuses on the need to develop guidelines on content, training and delivery channels for financial literacy and education providers and to promote opportunities for partnerships and information sharing.

NEFE supports teacher training to improve financial education outcomes in students. For example, the new Jump$tart Financial Foundations for Educators (J$FFE) initiative is a collaborative endeavor designed to standardize teacher training in personal finance through a shared model. J$FFE ensures consistency and rigor in teacher training programs across the country and is administered by the JumpStart Coalition for Personal Financial Literacy on behalf of its partners and affiliates.

Teachers of personal finance do best when they learn and understand personal finance basics that can be applied to their own lives, according to NEFE-funded research. This teacher-training model helps teachers educate students on personal finance with more confidence. In a recent study, J$FFE material focused on content knowledge proved successful in improving teachers' confidence by 139 percent and resulted in significantly higher student test results in financial literacy and other topics. For more information on J$FFE, see the December 2015 research report, *Prepped for Success: A Study of Teacher Training, Financial Literacy and Classroom Outcomes*, published by the Champlain College Center for Financial Literacy.

Teachers also should be provided high-quality, vetted financial education materials to use in the classroom. MoneyTeach (www.moneyteach.org) is a resource center housed at the University of Arizona offering K-12 educators a variety of personal finance lesson plans, course guides and other financial education materials. Educators new to teaching personal finance can accelerate their lesson planning by learning from experienced peers who share their insights and best practices in regards to specific lessons and activities.

The social work field may have overlap with the models described above, especially regarding teacher training. NEFE recently agreed to fund a research study to inform the expansion of financial education in Bachelor's and Master's degree social work programs. The financial education of students and practitioners will better prepare social workers to improve financial and economic well-being in vulnerable households.

Finally, NEFE recommends that the FLEC coordinate with state and local governments and their associations to gather state and local feedback on best practices and delivery mechanisms for the *National Strategy*. States, regions, counties, and cities have initiated creative, innovative and locally unique approaches to most of the strategic issues being presented in the *Strategy* outline.

> *Goal: Identify, Enhance, and Share Effective Practices – This goal focuses on the need to support research and evaluation to identify effective programs and practices. It encourages the implementation and production of evidence-based programs and practices for individuals and organizations.*

NEFE has identified five key factors for effective financial education: a well-trained educator and/or tested e-learning protocol; vetted and evaluated program materials; timely instruction; relevant subject matter; and evidence of impact. To increase effectiveness:

- Educators need to be confident, competent and knowledgeable about personal finance, demonstrating high levels of understanding financial capability — both content and pedagogy.
- Content and program materials should be created with the consultation of field experts and tested for appropriateness for the intended audience.

- Program goals, instructional tools, and instruction topics should link to decisions that learners are readily able to make. If topics cover concepts that are many years away from the capability of those participating in the instruction, relatable alternatives should be substituted. In addition, learners should have access to program materials beyond the classroom to encourage relevant content and appropriate exercises at opportune times.
- Relevant subject matter should be used, not only for engagement with the content, but also toward the end goal of impacting behavior.
- Program outcomes should be continuously tracked and evaluated. Without evaluation, instructors rely on anecdotes to inform their work. Robust assessments can show where immediate improvements can be made and which areas of success can be optimized.

To learn more about improving financial education and influencing behavior; the importance of integrating timely education approaches with long-term financial education programming; the benefits of rigorous inquiry into factors that impact intervention effectiveness; and the need for improved research protocol and evaluation, please see *Enhancing Links between Research and Practice to Improve Consumer Financial Education and Well-Being*, written by Billy J. Hensley, Ph.D., and published in the *Journal of Financial Counseling and Planning* Volume 26, Issue 1 2015, 94-101.

Finally, NEFE would like to see more effort to create venues for practitioners and researchers in the financial education field to share ideas and learn from each other.

IV. Accomplishments and Next Steps

Looking at personal finance education from a strategic point of view shows that many diverse sectors need to come together to move Americans toward financial well-being. Financial education, behavioral finance, public awareness (with smart messaging), improved access, technological innovation, consumer protection, financial product regulation, reliable data, measurable goals, and trusted advisors all should play a part in the *National Strategy*. Additionally, the *National Strategy* should go beyond the FLEC's youth-oriented focus of the last few years to reach all age groups and life stages — including pre-retirement and retirement. As more Americans live longer, more families will struggle to manage the effects of cognitive decline on financial decision making, and will need guidance on how to help their parents and themselves achieve and maintain financial well-being into their later years.

Most importantly, there is a need for rigorous evaluation and research in the field of financial education. Beyond the consideration of a research consortium, NEFE recommends the prioritization of a research agenda that focuses on identifying the factors of effective financial education as well as improving evaluation standards for the field. With better measurement and improved interventions, the positive effects of financial education will increase into the future.

The National Endowment for Financial Education is prepared to provide more information about any of the resources included in this response. For more information, contact me at TBeck@nefe.org or (303) 224-3519; or Brent A. Neiser, CFP®, Senior Director of Strategic Programs and Alliances at ban@nefe.org or (303) 224-3501. We appreciate this opportunity and look forward to hearing from you.

Sincerely,

Ted Beck

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President & CEO
National Endowment for Financial Education