

**RFI for Statewide Financial Literacy Initiative Response**  
**RFI 2017000036 (National Endowment for Financial Education)**

**1. Responder Identification**

- a. The National Endowment for Financial Education® (NEFE®), based in Denver, Colorado, 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, not tied to any products or services, and are provided free of charge. NEFE is a 501(c)(3) Private Operating Foundation. Learn more about NEFE at [www.nefe.org](http://www.nefe.org).
- b. NEFE is governed by a volunteer board of trustees and led by President and CEO Ted Beck. Our CFO and COO is David Kaus. More information about our leadership can be found at: <http://www.nefe.org/What-We-Do/Leadership>
- c. NEFE’s mission is to inspire educated financial decision making for individuals and families through every stage of life. NEFE envisions a world where people make informed, thoughtful, and beneficial financial decisions that are aligned with their values so that they can enjoy better, more secure, and more satisfying lives.
- d. The National Endowment for Financial Education® (NEFE®) launched its first financial education program in 1984 and has been creating programs to help consumers better understand their finances ever since. NEFE evolved from the Denver-based, nonprofit College for Financial Planning which was established in 1972 as the nation's first financial planning educational institution providing financial planning course work to professionals. At that time, the College also created the standard-setting CERTIFIED FINANCIAL PLANNER™ certification, which helped define the concept of financial planning and establish it as a profession.

The College grew, diversified, and advanced its interaction with the public over the next two decades. NEFE evolved from and served as the parent entity of the College from 1992 to 1997. In 1997 the board and trustees recognized the importance of focusing the foundation’s efforts primarily on educating consumers—particularly those segments of the population whose needs were not being met by others. NEFE transferred ownership, sold its assets—including all of its professional education programs—to the Apollo Group, Inc. and established NEFE as an independent, nonprofit foundation solely dedicated to educating consumers about personal finance.

With more than a quarter-century of dedication to the public good, NEFE continues its legacy of service with commitment to providing financial education and practical information to people at all financial levels, including:

- Youth and adult financial education resources
- Training tools from the classroom to the workplace
- Research and consumer surveys

For more information on NEFE, its history, its funding and other ways we work to support financial literacy, see the corporate website at [www.nefe.org](http://www.nefe.org).

- e. As a national private operating foundation, NEFE is wholly dedicated to improving the financial well-being of all Americans. We have a particular emphasis on underserved populations, but also work with key intermediaries that assist in delivering financial education and financial capability training. These intermediaries include, but are not limited to: teachers, social workers, pro bono financial advisors and planners, nonprofit professionals, human resource professionals, library professionals, and youth development workers. Other key audiences served by our work are the media, researchers, thought leaders, and policy makers.
- f. Please address any responses to:

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## 2. “Financial Literacy” Defined

According to the JumpStart Coalition for Personal Financial Literacy, there is no standard definition of what is meant by “financial literacy.” It is generally held to be, “the ability to use knowledge and skills to manage one’s financial resources effectively for lifetime financial security.”<sup>1</sup> It is distinct from the concept of “financial capability,” in that capability encompasses the numerous other factors (social, emotional, psychological) that influence how individuals manage their money.<sup>2</sup> The current term used to measure the degree of one’s financial capabilities is the Consumer Financial Protection Bureau’s (CFPB) concept of “financial well-being.”

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.

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<sup>1</sup> What is the Definition of Financial Literacy? <http://www.jumpstart.org/faq.html>

<sup>2</sup> What is difference between “financial literacy” and “financial capability”? Ibid

### The Four Elements of Financial Well-Being (CFPB):

	<b>Present</b>	<b>Future</b>
<b>Security</b>	Control over your day-to-day, month-to-month finances	Capacity to absorb a financial shock
<b>Freedom of Choice</b>	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).

### 3. Demographics in Need

The standard demographic categories of ethnicity, race, level of education, socio-economic status, etc., provide an ongoing framework in determining which populations require further financial literacy education and training. Traditionally, disenfranchised populations without experience, education, training, or access to financial advice and products have greater need for financial education. Some population groups have little inter- or multi-generational experience with traditional or contemporary personal finance issues such as investing, financial products/advice, insurance, tax codes, access to credit, emergency savings, basic banking, retirement saving opportunities, or employee benefits. Other challenges in personal finance include lack of current, in-demand job skills or education. This impacts a person’s employment and income generating opportunities to practice personal finance skills and decision-making to build for the future.

There is a need to go beyond the standard identifiers of population when identifying individuals that need help. From our experience in education and training, NEFE has identified several factors that may affect the personal finances of many Coloradans. Through NEFE’s work in creating collaborative personal finance programs with organizations such as Habitat for Humanity, the American Red Cross, and the National Coalition against Domestic Violence, we list “Events/Circumstances” as other indicators of people in need of financial literacy education:

#### **Events/Circumstances**

The events and circumstances of one’s life can dominate their personal finance present as well as their near and long-term future. An individual’s financial outlook is significantly impacted by circumstances during their lifetime. Some examples of situations where people may be exposed to financial hardship are:

- Jail/Prison, Juvenile Detention, Probation, Parole
- Shelters (Domestic Violence/Homeless)
- Transitional or Public Housing

- Natural or man-made disasters
- Fraud
- Unemployment or underemployment
- Disability or illness
- Providing financial help to family members
- Excessive debt
- Addictions (drugs, alcohol, gambling)

#### 4. Geographic Regions in Need

Isolated mountain communities, rural areas of the eastern plains/southern Colorado, and the western slope, may be impacted by a variety of factors including: the lack of transportation options, the small population of trained teachers, lack of affordable health insurance plans, and limited access to high-speed internet services. The isolation may exacerbate financial challenges such as changes in employment within certain industries such as plant closures and the lack of affordable housing. Access to mainstream banking, credit unions, and financial services may be limited by transportation concerns and population demand. On-line financial services might be relied on more in these isolated areas.

Some urban neighborhoods may not have mainstream bank or credit union branches, but instead have a proliferation of alternative financial services, such as payday lending, pawn shops, and check cashing stores. The lack of teachers and community practitioners trained in personal finance impacts many urban and rural school districts alike.

#### 5. Ranking of Components

Because of the distinct differences between K-12 students and older Coloradans, we created separate rankings for each. Potential components of a financial literacy program should be tailored to each group to ensure their needs are met:

Rank	K-12 Students	Older Coloradans
1	Financial responsibility and decision making	Fraud prevention strategies
2	Living within your financial means	Planning for retirement
3	Income and careers	Financial responsibility and decision making
4	Saving and investing	Planning for emergencies
5	Using credit	Saving and investing
6	Fraud prevention strategies	Managing debt
7	Planning for emergencies	Living within your financial means
8	Planning for retirement	Using credit
9	Managing debt	Income and careers

K-12 students should be taught decision making, choices, and consequences that are relevant to their lifestyle and for their coming years. For older Coloradans, in addition to fraud prevention, the preservation of capital and income streams should be emphasized and prioritized.

## **6. Gaps in Current Programs**

In Section Seven NEFE provides best practices and researched-based recommendations and tools to assist in a Colorado statewide financial literacy initiative. Using these documented findings and vetted programs can help fill gaps that exist in Colorado.

Understanding gaps needs to start with a look at the financial capability of Coloradans. The [FINRA Investor Education Foundation's Financial Capability Survey](#) provides data on the on financial capability of Coloradoans.

The report "[Financial Capability in the United States 2016](#)" contains 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. This third iteration of the study, with data collected in late 2015, builds on the findings and benchmarks established in 2009 and 2012 and adds to the growing conversation about how individuals can best manage and make decisions about their financial resources.

Here is a link to the Colorado state Survey data at a glance followed by a summary of the Colorado findings:

<http://www.usfinancialcapability.org/results.php?region=CO>

A significant part of financial capability is the ability to make ends meet through adequate savings. Having resources for immediate medical needs is also an important component. In Colorado, 19% of individuals reported that over the past year, their household spent more than their income (not including the purchase of a new home, car or other big investment), while 19% of individuals reported having medical bills that are past due. Individuals who are not balancing monthly income and expenses are not saving and thus may find themselves struggling to make ends meet. Overdue medical debt can further compound a household's ability to meet monthly financial obligations.

Many Americans are not planning ahead for their financial future. In Colorado, 50% of individuals lack a rainy day fund to cover expenses for three months, in case of emergencies such as sickness, job loss or economic downturn. Individuals without this emergency fund lack adequate protection against financial emergencies or other shocks which may threaten their financial stability.

The way financial products - such as non-bank borrowing, credit cards and home loans - are used and managed can illustrate a lack of financial capability for many Americans. In Colorado, 27% of individuals reported using one or more non-bank borrowing methods (e.g. payday loans) in the past five years. Additionally, 34% of those with credit cards paid only the minimum on their credit cards during some months in the last year; and 15% of homeowners owe more on their home than its current market value.

Americans demonstrate relatively low levels of financial literacy and have difficulty applying financial decision-making skills to real life situations. Study participants were asked five questions covering aspects of economics and finance encountered in everyday life. In Colorado, 60% are unable to answer more than three of the five questions correctly. Also, most Americans do not comparison shop for credit cards, with 61% saying that in obtaining their most recent credit card they did not collect and compare information about cards from more than one company. Individuals need at least a fundamental level of financial understanding. This knowledge, paired with financial decision-making skills, can best ensure an individual's financial capability.

## **7. Recommendations**

Based on a rigorous review of research in the field, we know that the amount, timing and quality of financial education matters. NEFE developed the following research-based summary of the five key factors for effective financial education:

### **Five Key Factors for Effective Financial Education**

- 1. Well-trained Educator (and/or tested e-learning protocol)**  
The creation and management of well-trained educators, tested protocols, and vetted and evaluated program materials should be a priority. Educators need to be confident, competent and knowledgeable about personal finance, demonstrating high levels of understanding financial capability — both content and pedagogy.
- 2. Vetted/Evaluated Program Materials**  
Content and program materials should be created with the consultation of field experts and tested for appropriateness for the intended audience.
- 3. Timely Instruction**  
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.
- 4. Relevant Subject Matter**  
Relevant subject matter should be used, not only for engagement with the content, but also toward the end goal of impacting behavior.
- 5. Evidence of Impact (Evaluation)**  
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 the Five Key Factors for effective financial education, please visit: <http://www.nefe.org/Who-We-Help/Educators/Five-Key-Factors-for-Effective-Financial-Education>

Here are other research-based findings and programs that can inform a Colorado statewide financial literacy initiative:

**K-12 Research-based findings and resources (Appendix A)**

**Older Americans Research-based findings and resources (Appendix A)**

**Measurement and Documentation, Public Awareness Strategy, and Fraud Prevention Tools (Appendix A)**

## 8. Resources Summary

Implementing a statewide financial literacy initiative will require a coordination of strategy, resources, and research-based programming (See Five Key Factors for Effective Financial Education referenced in Section seven). Here is a list of resources that can be considered when crafting the still undefined statewide financial literacy initiative.

### Money

Funding will be a driver of what initiative might be created. To put a dollar value on initiating a statewide financial literacy program would be difficult. However, other states have tried to estimate costs with various legislative and regulatory proposals. The staff at the Denver-based National Conference of State legislatures can provide examples of statewide initiatives where fiscal notes and estimates have been made by legislative council/services offices or departments. Here is an example of a fiscal note for a 2015 statewide financial literacy course proposal in the State of Maryland.

[http://mgaleg.maryland.gov/2015rs/fnotes/bil\\_0008/hb0248.pdf](http://mgaleg.maryland.gov/2015rs/fnotes/bil_0008/hb0248.pdf)

Options for funding include:

- Settlements under the Colorado Department of Law that relate to personal finance and/or education
- Line items in budgets (some could be matching money for grant funding)
- Seed money for matching funds and grants
- Creating an endowment from settlement funds for ongoing support
- Soliciting donations

### Personnel and Volunteers

Educators need to be confident, competent, and knowledgeable about personal finance, demonstrating elevated levels of understanding financial capability – both with content and pedagogy. The JumpStart Financial Foundations Program for Educators was piloted in

Colorado. It is used in live teacher training settings around the country. Soon an on-line version of this program will be available closing the accessibility gap throughout the United States, including rural and mountain areas of Colorado.

In developing a statewide initiative, consideration could be given to using trained teachers to work in the summer for the Colorado Dept. of Law as Financial Education Specialists, working with target audiences and training intermediaries and volunteers. Colorado has wide access to individuals with personal finance expertise who might be used or recruited in an organized volunteer program as trainers, financial coaches or presenters. There are numerous Colorado-based organizations in the financial area, as well many companies headquartered locally (or with significant regional operations) that could be tapped to provide volunteer support under predetermined ethical guidelines, (see Partners -- Section Nine).

A “Financial Literacy Corps” concept could be employed using professional volunteer expertise to marshal the talents of professionals and college students studying personal finance. This effort could be linked with other financial literacy initiatives through Metro Volunteers as well as Serve Colorado -- the Governor’s Commission on Community Service.

### Materials

There is no shortage of financial literacy and education content. There are several sources of free course material, of which NEFE is one, that could be adapted to serve a variety of audiences. Should the need for new or revised content be identified, it should be done with the consultation of field experts and tested for appropriateness for the intended audience.

NEFE’s free content include:

NEFE High School Financial Planning Program

<http://www.hsfpp.org/>

My Retirement Paycheck

<http://www.myretirementpaycheck.org/>

Smart about Money

<https://www.smartaboutmoney.org/>

Financial Education Evaluation ToolKit

<http://toolkit.nefe.org/>

Financial Workshop Kits

<https://www.financialworkshopkits.org/>

Three Community-based Financial Capabilities Workshops covering laying the groundwork, curriculum, and evaluation (developed with Catholic Charities)

<https://www.financialworkshopkits.org/Workshops/Details/ws/communitybasedfinancialcapabilitiespart1groundwork>

<https://www.financialworkshopkits.org/Workshops/Details/ws/communitybasedfinancialcapabilitiespart2curriculum>

<https://www.financialworkshopkits.org/Workshops/Details/ws/communitybasedfinancialcapabilitiespart3evaluation>

Other sources of material include:

Financial Literacy and Education Commission's:  
[www.mymoney.gov](http://www.mymoney.gov) <<http://www.mymoney.gov>

Jump\$tart Coalition for Financial Literacy's Clearing House  
<http://clearinghouse.jumpstart.org/>

## 9. Partners

Colorado is the birthplace of professional financial planning with the College of Financial Planning and the CFP® certification marks. NEFE was the successor organization from this college and converted to a private operating foundation. Significant energy and attention about financial education emanates from Colorado. It is important to consider relationships with the groups listed below to leverage the unique insights of national and international personal finance organizations to benefit Coloradans.

Possibilities include performing research and development as well as testing, piloting, and creating prototype solutions.

### **Personal Finance Education or Financial Planning Institutions/Associations (with headquarters in Colorado):**

- National Endowment for Financial Education (NEFE)
- Financial Planning Association (FPA)
- College for Financial Planning
- Financial Planning Standards Board (FPSB) (International CFP® standards setting board)
- Young Americans Bank
- Young Americans Center for Financial Education
- Junior Achievement USA
- Heartland Institute of Financial Education
- Investment Management Consultants Association (IMCA)

Additionally, three other organizations began in Colorado:

- CFP Board of Standards (now in Washington DC)
- Institute of Certified Financial Planners (Denver) -- merged with International Association for Financial Planning (Denver then Atlanta) to create the FPA (listed above)

Numerous other organizational sectors might be considered when identifying partners crucial to the creation of a statewide financial literacy initiative. These include:

- Corporate/Small Business Associations
- Nonprofit Community
- Volunteer Groups and Coalitions
- Cause-related nonprofits
- Education Nonprofits
- Education Sector (public, private, home, and online)
- Government Institutions (state, local, and district levels)
- Libraries
- Philanthropic Foundations
- Academic Institutions/Organizations (community college, colleges, and universities)
- Cooperative Extension (CSU and county extension offices)

## **10. Ability to Present**

Yes, NEFE would be able to meet with the Colorado Department of Law and present the information contained within this RFI should it be necessary. While our organization is located in Denver, Colorado, our work as a national foundation has us travelling and interacting with many institutions, partner organizations and thought leaders across the country. We can share these insights as well as new research with the Colorado Department of Law.

## **11. Feedback**

**Other areas that have relevance to a statewide financial literacy initiative include:**

- Behavioral Finance
- Financial Technology
- Tax preparation-based interventions/opportunities
- Problem Gambling and lottery issues
- Prize-linked savings opportunities/initiatives