NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION

*Partnering for Financial Well-Being*

Office of the President

July 9, 2018

**Docket No. CFPB-2018-0015**

**Request for Information: <u>Consumer Financial Education</u>**

The National Endowment for Financial Education (NEFE) is pleased to provide the Bureau of Consumer Finance and Protection our response to the request for information regarding Bureau's Consumer Financial Education Programs: [Docket No. CFPB-2018-0015]

We hope that the Bureau finds the information provided relevant and useful in its goal to improve the efficiency and effectiveness of its consumer financial education programs.

Should the Bureau require any additional information or clarification, please contact me at (bjh@nefe.org 303-224-3505) or Brent A. Neiser, CFP®, Senior Director of Strategic Programs and Alliances (bneiser@nefe.org 303-224-3501).

Sincerely,

Billy J. Hensley

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**Respondent Identification:**

The National Endowment for Financial Education® (NEFE®), based in Denver, Colorado, is a 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 as a 501(c)(3) private operating foundation **is not a federal contractor** and **does not receive federal funding** or **seek federal funding**. Learn more about NEFE at www.nefe.org.

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'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.

With more than three decades 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

NEFE has a particular emphasis on underserved populations, but also works with key intermediaries who 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.

**1. The Bureau's focus on specific financial education topics and delivery channels, and use of technology and contractors.**

**a. Are the Bureau's financial education programs focusing on the right topics and areas to educate and empower consumers to make better informed financial decisions?**

Fundamental to focusing on the right topics and areas of education is that the amount, timing and quality of financial education matters in empowering individuals' financial capability. This is derived from NEFE's history of working and collaborating with partners, funding research and creating programs.

The Bureau shows a willingness to innovate and identify new approaches to financial education. The "Your Money, Your Goals" financial empowerment materials are an example of the Bureau's commitment to creating adaptive training and consumer programs that are content rich, adaptable, and expandable for future financial education programming. Additionally, the Bureau released "Effective Financial Education: Five Principles and How to Use Them" in June 2017.

Based on a rigorous review of research in the field, in 2015 NEFE developed the following summary of the five key factors for effective financial education, and encourages the Bureau to continue to use these in developing financial education programs:

**Five Key Factors for Effective Financial Education[1]:**

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.

[1] *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

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.

NEFE recognizes that the Bureau provides impactful financial education content and distribution capabilities that are beyond the financial and organizational capacity of nonprofits and local governments. NEFE supports the Bureau's consumer education mission and hopes to continue assisting the Bureau and partner organizations in identifying new audiences and topics, engaging in research, understanding emerging trends, and evaluating financial education products, technology and related regulatory requirements.

**b. What financial education topics should the Bureau address?**

Research can be an effective precursor to identifying and understanding the relevance, depth and nuance of financial education topics. NEFE is considering several areas for further research in the financial education/capability space where financial educators collectively need to know more.

Upon reviewing the Bureau's current financial education programs and our own research, NEFE has identified several opportunities for the Bureau to expand its focus of educational materials and programming. It is important that the Bureau consider the following when developing financial education topics, particularly the broad themes of:

- The use of technology in facilitating learning
- Improving effectiveness and impact in financial education practice and evaluation
- A focus on gender and an interest to build best practices and close gaps
- Workplace financial education
- How financial education and capability can help offset the growing trend of income volatility.

NEFE and the Bureau share an understanding of the importance of high quality research. Below is a NEFE-developed list of research-based initiatives and questions related to the Bureau's work. These represent more specific opportunities for the Bureau to expand its research focus, and can potentially inform topic and program selection.

***Evaluation***

- How do educational products impact learning and well-being?
- How do we overcome the self-selection bias?
- Why do those who most need financial education not utilize it?
- Is teacher professional development linked to student outcomes?

***Accessibility***

- What is the relevance of place (geographic, environmental setting) to financial capability?
- What are the unique opportunities to fill gaps and answer questions for those who are underserved?

***Financial Health***

- What are the specific factors that matter most to overall financial well-being?
- Can financial health be measured?

***Workplace***

- How do we encourage more organizations to provide access to financial education?
- How do we link learning to workplace-based decisions?

***Financial Technolgy***

- Does financial technology help the learner/consumer identify fraud?
- What does the “new world” of financial tech and financial products and services mean for the consumer/learner?
- In what ways does robo-advising supplement financial coaching, planning and education?

***Social Services***

- What are effective ways to link financial capability efforts to social services initiatives?
- What is the role of financial inclusion and financial education within financial stability efforts?

***Program, Coaching and Counseling Effectiveness***

- Within the context of financial education interventions, what works for whom, when and why?
- How do we scale effective interventions?
- How do we overcome the barriers to coaching follow-up?
- How do we best implement education when socioeconomic status, skills and current knowledge levels are myriad?

**c. What delivery channels should the Bureau use to conduct financial education programs?**

Currently, the Bureau operates expansive consumer and intermediary-facing delivery channels for its financial education programs. The Bureau can expand its distribution channels and reach more Americans by **interacting with like-minded networks and coalitions**.

From the November 2017 CFPB Financial Literacy Annual Report, the Bureau mainly interacts with intermediaries in “places where people already go in their local communities.” These include:

- Military recruiters
- Colleges and universities
- Libraries
- Workplaces
- Social services agencies
- Financial services providers
- Financial educators
- Tax preparers
- Volunteers
- Teachers, parents and caregivers of youth

Not on this list are the specific **organizations**, **associations**, **foundations**, **academic institutions**, **state and local governments** and **nonprofits** dedicated to improving Americans’ financial knowledge and capability.

There is an opportunity for the Bureau to formalize new networks with these various organizations. Mutually supportive promotion, trainings, and research between the Bureau and a network of financial education/capability organizations will advance the collective impact of the field, as well as prevent duplication of materials.

In addition, the Bureau has the opportunity to interact with other federal government agencies to deliver financial education content. The Bureau previously worked with the FDIC to develop MoneySmart for Young People, and MoneySmart for Older Adults. The Bureau, with the Department of Health and Human Services, Federal Trade Commission and youth advisory organizations, assisted youth in foster care to obtain necessary access to credit reports. These cooperative frameworks can be leveraged as a model for Bureau interaction with other Financial Literacy and Education Commission (FLEC) agencies, not only improving its distribution capabilities, but also reducing duplication of material and efforts. (More information on FLEC is presented in Question 3a. and 3b. of this RFI).

As the federal government looks to other unique approaches and legislative changes emerge to assist Americans with their financial health, the Bureau is uniquely situated to become a “financial education hub” and lead agency with regard to consumer education on personal finance.

As the Bureau expands its distribution channels through intermediaries, NEFE emphasizes that a "train-the-trainer" model be included to ensure the delivery of effective financial education. An example is the Jump$tart Financial Foundations for Educators (J$FFE), a collaborative endeavor designed to standardize teacher training in personal finance through a shared model. This approach ensures consistency and rigor in teacher training programs across the country. The J$FFE is administered by the JumpStart Coalition for Personal Financial Literacy on behalf of its partners and affiliates. The program is based on research showing that teachers of personal finance do best when they learn and understand personal finance basics that can be applied their own lives. NEFE believes this model has relevance to other intermediary settings like social workers, nonprofit community financial educators and human resource professionals.

The Community Financial Education Libraries Project appears to be the only facet of the Bureau that curates **non-federal** financial education programs and resources for the benefit of consumers. This is an area the Bureau can expand significantly with little resource expenditure. Broadening the scope and use of non-federal resources on Bureau projects is one example of how the Bureau might pool, promote and distribute the resources of others in the financial education space to broaden the exposure of financial education to newer and wider audiences, thus expanding its distribution channel.

**d. What technologies should the Bureau use to provide financial education?**

Both the internet and mobile technology have the capability to encompass a rich spectrum of financial services (including payments, banking accounts, savings, loans, investments, insurance, employment, identification verification, etc.) These technologies, colloquially known as mobile financial services (MFS), can extend the delivery of financial education to those who cannot be reached with traditional financial services.

Estimates from the 2015 FDIC's National Survey of Unbanked and Underbanked Households indicate that "7.0 percent of households in the United States were unbanked in 2015… represent[ing] approximately 9.0 million households." Additionally, "19.9 percent of U.S. households (24.5 million) were underbanked, meaning that the household had a checking or savings account but also obtained financial products and services outside of the banking system."[2]

These underserved/vulnerable people exist outside traditional financial system for the following reasons:

- Financial services are not yet affordable or designed to fit low income users
- Distance from a financial service provider
- Lack of necessary documentation papers
- Lack of trust in financial service providers

[2] Federal Deposit Insurance Corporation, "2015 FDIC National Survey of Unbanked and Underbanked Households," Division of Depositor and Consumer Protection. October 20, 2016. https://www.fdic.gov/householdsurvey/2015/2015report.pdf

The internet and MFS contain powerful applications and tools that can increase economic inclusion/access for vulnerable populations and the underserved. The Bureau is in a unique position to leverage these technologies to assist the banked and underbanked alike.

Leveraging internet and mobile technology to improve access to financial education and other services requires the consideration of four key elements. They include:

- Security
- Platform/device mobility
- Accessibility
- Consumer trust

Broadening the capability of MFS technology to cover the variety of needs of low-moderate income populations can reduce the informational imbalances between consumers and financial firms, thus leading to higher levels of financial capability and participation within the economy. NEFE developed additional insight into this topic with its Consumer Advisory Board (CAB) April 2018 presentation "Lessons Learned about the Needs of Vulnerable Populations around MFS and MFS's Features".[3]

**e. How should the Bureau use contractors in its financial education work?**

NEFE **is not** a Bureau contractor, **nor does it receive or seek federal funding**. That said, NEFE believes the Bureau could use contractors to its benefit in the creation of financial education content.

Contractors can augment the Bureau's work by assisting the Bureau in building and adapting new and existing technology for other applications. Furthermore, the Bureau can identify special expertise beyond its staff capabilities in focus groups, testing, program evaluation, language services, research and fine-tuning in order to extend the scale, effectiveness and utility of its programs.

**f. Should the Bureau's financial education work focus on other populations or audiences, in addition to the general population and those specific populations referenced in the statute?**

The Consumer Financial Protection Act of 2010 (Dodd-Frank Act) mandates that the Bureau develop programs to serve the **general public**, as well as specific populations including **service members**, **veterans and their families**, **older Americans, students** and traditionally **underserved consumers**. NEFE believes there is a need to go beyond the standard population identifiers when classifying other audiences that need assistance.

[3] Brent A. Neiser, CFP®, NEFE Senior Director of Strategic Programs and Alliances and CAB member. April 19, 2018

From our experience in education and training, NEFE has identified additional factors that affect the personal finances of many consumers. 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 have learned that special events and circumstances can heighten a need for financial education.

The events and circumstances of one's life can dominate and overwhelm 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 that transcend occupational, economic and demographic attributes. Some examples of situations where individuals may be exposed to financial hardship are:

- Jail/prison, juvenile detention, probation, parole
- Shelters (domestic violence/homeless)
- Transitional or public housing
- Natural, environmental or criminal/terrorist disasters
- Fraud
- Unemployment or underemployment
- Disability or illness
- Providing financial help to family members
- Excessive debt
- Addictions (drugs, alcohol, gambling)

NEFE recommends the Bureau expand its financial education work to focus on these traditionally overlooked populations; particularly, individuals and families of those who are **physically or mentally disabled, suffering long-term illness**, **formerly incarcerated individuals, people impacted by disasters**, **victims of abuse** and the **homeless**.

NEFE recognizes the financial impacts an individual's support networks (e.g., their family and friends) face during periods of hardship can be financially devastating. Families, caregivers and loved ones who assist individuals with disability, addiction, long term illness, aging diseases/conditions are particularly vulnerable.

These family members, caregivers, volunteers or even neighbors may find themselves forced to abandon their own personal finance and retirement goals, and sacrifice their financial stability to assist those facing these circumstances. The financial impact on the networks around these individuals have compounding effects.

The further upstream intervention occurs, the more it prevents the secondary and tertiary effects of depleting savings, taking on additional debt, increasing demand on public and government services, increasing caseloads for social workers and counselors, etc. Through research the Bureau and others need to identify the early warning indicators of financial peril, and the best practices of intervention.

**2. Measuring the effectiveness of the Bureau's financial education programs.**

**a. How should the Bureau measure the success of its financial education programs?**

The measures of success of financial education programs is an open research question still being addressed in the field today. It is an important question to ask, since it impacts all aspects of the strategic implementation, scale and effectiveness of consumer financial education interventions.

Program evaluation in the strict academic sense is "the systematic collection of information about the activities, characteristics, and results of programs to make judgments about the program, improve or further develop program effectiveness, inform decisions about future programming, and/or increase understanding." (Patton, 1997)

The central tenant of evaluation is the desire to make improvements. Evaluation empowers practitioners and others to improve practice, delivery, quality and outcomes.

The Bureau should measure the success of its financial education programs via the implementation of its financial education interventions and comparing learner achievements with program goals and objectives.

NEFE has written extensively on this subject. In the paper "Enhancing Links Between Research and Practice to Improve Consumer Financial Education and Well-Being," [4] published in The Journal of Financial Counseling and Planning Volume 26, Issue 1 2015, 94-101, a systematic examination of why timely educational approaches should coexist with longer-term financial education programming is proposed. The field also needs a more rigorous examination of factors that impact intervention effectiveness, including a call for improved research protocol and evaluation and a plea for greater visibility between researchers and practitioners.

From the paper:

*"A recent meta-analysis of the effect of financial literacy and financial education on downstream financial behaviors has shown a weak collective impact of the work of financial education (Fernandes, Lynch, and Netemeyer (2014). To have an impact, program goals, instructional tools, and course topics should link to decisions that learners are readily able to make (Rhine & Toussaint-Comeau, 2002; Taylor, 2008).*

*"Financial educators will never be able to control what learners/consumers hear, see or experience outside the context of their educational interventions. Nor will educators be able to establish regulations or create the architecture within which consumers make financial choices.*

*"However, the measureable impact lies within the workshops, counseling sessions, classrooms and webinars that are provided by well-trained instructors,*

[4] Billy J. Hensley, Ph.D., NEFE President & CEO

*counselors, and teachers. Financial capability is a broad concept with many moving parts; financial education is one part of the overall approach to empower financially capable consumers.*

*"Financial educators and counselors can embrace an approach for helping consumers achieve financial capability by implementing effective financial education at the same time that the experts in access, financial products, regulators and economists refine their strategies so that a comprehensive plan for consumers can move forward.*

*"The financial education and counseling community can implement effective financial education by increasing the number of well-trained educators, seeking out and using vetted program materials, using timely instructional opportunities, and executing regular program evaluations. There is no such thing as an effective one-size-fits-all approach to financial education, but we do have the capacity to scrutinize our current work, upgrade our efforts and remove barriers between practitioner and researcher. While education alone is not the single answer to improving financial capability, it is an essential component."*

**b. How should the Bureau measure return on investment of financial education programs?**

The primary measure for ROI of financial education programs should consist of an appraisal of the **program outcomes** in relation to the **program outputs**. NEFE has found that the most important aspect of measuring the success of financial education interventions are through measuring the changes in participants' behaviors that resulted from program activities (expressed in the short term, intermediate, and long term). Specific improved measures of preferred outcomes include:

- Attitudes
- Behaviors
- Knowledge
- Skills
- Performance

Secondary to the program outcomes should be the program outputs, i.e., the direct tangible products of activities or services. Examples of the quantitative aspects of program outputs include:

- Educational material development
- Modules covered
- Classes held
- Participants reached
- Hours of service

The learner outcomes or achievements as a result of participation in the intervention are of primary importance when measuring return on investment. Examples of appropriate measures to assess the impact of the Bureau's work on the financial capability of Americans could include:

- Less reliance on credit and/or reduction of excessive credit
- Fewer bankruptcies and/or foreclosures
- More retirement savings, more emergency funds
- More college/training savings accounts
- More small business startups
- Number of people coming out of poverty

NEFE encourages Bureau support and a strong role with the next OECD PISA study. This study is a critical benchmark for the overall financial education/capability field as well as the economic competitiveness of America's youth.

**c. How should the Bureau measure the benefit of its financial education work? Should the measures vary depending on the type of education, the topic or the delivery channel?**

Evaluation of Bureau financial education work should be both **formative** and **summative**. The programs should address participant needs, be relevant to their participants, and implemented as intended.

A good **formative** evaluation:

- provides data to support these areas
- helps educators make programmatic improvements

A **summative** evaluation will determine:

- if there is a significant change in participants' outcomes before and after participation in a financial education program
- if participants demonstrate better outcomes than nonparticipants
- if there are long-term benefits for participants

For valid evaluation, it is essential to ensure consistent quality. How the intervention is implemented can help explain changes in participant outcomes and impact summative evaluation processes.

**d. Is there one set of metrics for program effectiveness that the Bureau could use across its financial education programs, or should it use different metrics depending on the type of program and delivery method (e.g., online versus through a community channel)?**

There is no one set of metrics to determine the effectiveness of financial education programs on the whole, specifically because metrics of effectiveness can be derived and interpreted through myriad methods. Additionally, the individual needs of different populations will require specific program content and delivery methods that involve tailored evaluation methods.

Because there are so many outside factors in implementing programs (such as the quality of partners/contractors, etc.) and they are not always controllable, it is important the Bureau maintain and standardize:

- the **quality** of its financial education content
- **accessibility** to its materials
- **consistency** across its
    - **materials**
    - **message**
    - **platforms**

This will ensure measures of program effectiveness are easier to observe and track.

**e. How can the Bureau's financial well-being scale be used to measure the effectiveness of financial education programs?**

The Bureau's financial well-being scale is a tool that could be married with technology in the form of an app or "bolt-on" approach to various financial education programming. A helpful feature that would make it easy to use for program providers is adding an email function. An informative progression tracker for consumers to learn about progress to date and "next step" actions to take would be another enhancement.

**f. Should the Bureau consider adopting any measures of success for financial education that are used by others? What are those measures?**

The Bureau has the expertise and capacity to provide evaluation of its programs and can set an example of best practices to others in the field.

Measures of success for financial education are examined in the Financial Industry Regulatory Authority's (FINRA) National Financial Capability Study. In 2009 the FINRA Investor Education Foundation conducted the first national study of the financial capability of American adults to benchmark key indicators of financial capability and determine how these indicators varied demographically. The original study and its subsequent iterations, the most recent published in 2015, have identified that:

> "Financial capability cannot be measured simply by looking at one indicator, such as demonstrated knowledge of specific terms or concepts. Instead, financial capability encompasses multiple aspects of behavior relating to how individuals manage their resources and how they make financial decisions (including the factors they consider and the skill sets they use). It is a multi-dimensional concept that requires looking at individual behavior from various angles."

Similarly, since 2013, the Federal Reserve Board has conducted the Survey of Household Economics and Decisionmaking (SHED) to measure the economic well-being of U.S. households and identifies potential risks to their finances. The survey includes modules on a range of topics of current relevance to financial well-being including credit access and behaviors, savings, retirement, economic fragility, and education and student loans. The most recent report, published in May 2018, highlights how "the long-standing measures of objective outcomes of subjective well-being and emerging issues can be missed." One example is how the understanding and measurement of full employment does not reflect the realities of the employed.

For more information on financial education evaluation, please see the revised Financial Education Evaluation Toolkit.

**3. Avoiding duplication in financial education between the Bureau and other federal agencies or other entities.**

**a. Are there programs at other federal agencies that are similar to the Bureau's programs? Are these programs or aspects of these programs more or less effective than the Bureau's? If so, how and why?**

The Bureau can take a more prominent role in the Financial Literacy Education Commission (FLEC). The FLEC is a gathering point that shows support from the government for financial education/capability. It has an emphasis on evaluation, measurement and what works in regards to leveraging financial education, and would be an excellent avenue for the Bureau to incorporate its goals. The Bureau's Director is vice chair of FLEC and should ensure that more departments and agency principals attend FLEC meetings to build an expectation that FLEC meetings are a place of consequence and action.

To identify where there may be overlap in financial education programming, the Bureau can create, in cooperation with the Treasury Department staff under the FLEC a matrix of financial education programs by agency or department, (as well as audience served, subject matter, method of interaction, technological attributes, evaluation/effectiveness, etc.). Overlap and gaps may be identified whereupon financial education programs can be eliminated, consolidated, updated, created or augmented.

Another way for the Bureau to drive value and assume leadership is to make connections outside the federal government. Many **special districts, state and local governments, organizations**, **associations**, **foundations**, **academic institutions** and **nonprofits** are dedicated to improving Americans' financial knowledge and capability. Coordinating research priorities, identifying new audiences and topics, researching emerging trends and evaluating financial education products, technology, and related regulatory requirements as a community will elevate the Bureau's ability to affect positive change. A unified vision among partners and other stakeholders will have a collective impact larger than the sum of its parts. Stakeholders with common agendas have the ability to solve large problems through structured collaboration.

In addition to other federal agencies, the Bureau can refer to other noncommercial sources of information and assistance (without endorsing them).

**b. Are there ways to improve coordination in financial education activities between the Bureau and other agencies?**

The Bureau and the Department of the Treasury are in a unique position to set evaluation criteria for other federal personal finance initiatives and programs. The Bureau previously has worked with other federal agencies, for instance, the FDIC's MoneySmart programs, and can lead others again in the future. The Bureau's consumer financial education programs and materials are available in print and online serving a critical need among vulnerable populations.

**4. Are there other perspectives or information that will assist the Bureau in its financial education work?**

**A.** Implement Recommendations of Bipartisan President's Advisory Councils

The Bureau should implement the recommendation of previous President's Councils on Financial Literacy and Financial Capability. These three bipartisan efforts in 2008, 2013 and 2015 engaged thought leaders from many societal sectors: private, state and local government, nonprofit, faith-based, association, financial services, academic, technology and philanthropy.

The final reports are presented below. Their recommendations illustrate the progress in the field of financial education and capability and the need to do more. Both big ideas and local/entrepreneurial concepts constitute the recommendations accompanied by themes and principles developed by these Councils in public hearings and deliberations.

- President's Advisory Council on Financial Literacy 2008
- President's Advisory Council on Financial Capability 2013
- President's Advisory Council on Financial Capability for Young Americans 2015

The Bureau is in a unique position to thoroughly review and coordinate the implementation of these recommendations through public-private partnerships, state and local governments, pilot programs, research, consumer education and public awareness.

**B.** Bureau Civil Penalty Fund

When the Bureau collects a civil penalty through an enforcement action, that penalty is deposited into the Bureau's "Civil Penalty Fund." The fund only can be used for two purposes: to compensate eligible harmed consumers and to provide funding for consumer education and financial literacy programs. After harmed consumers are compensated, funding for additional consumer education can be allocated from this fund. Careful planning and prioritization of consumer education and financial literacy programs should be done to use such available funding for new opportunities.

**C.** NEFE-funded Research

NEFE-funded research identifies several interesting and useful topical findings and learnings for the Bureau to consider as it develops new or updated programmatic content. This is a select list of key findings from recent NEFE-funded research projects.

**Financial Fragility in the US: Evidence and Implications**
George Washington University
Principal Investigator: Annamaria Lusardi, Ph.D.
Primary Purpose: To analyze financial fragility measures across two different datasets — the 2015 National Financial Capability Study (NFCS) and the 2015 Survey of Household Economics and Decisionmaking (SHED) — and to conduct focus groups to gain additional insights about people's capacity to cope with unexpected expenses.
Publication Date: 2018

**Key Findings**

- More than 36 percent of working adults in the United States are financially fragile and cannot come up with $2,000 in 30 days. This vulnerability is more prevalent among women and those with low income or low education, but this study shows that a broad cross-section of the American population is at risk, including middle-aged and middle-income families.
- The likelihood of being financially fragile drops steadily with rising income levels. However, having higher income does not necessarily translate into being financially resilient. Almost 30 percent of middle-income households and 20 percent of those with income in the $75,000-100,000 range are financially fragile.

**Untangling the Determinants of Retirement Savings Balances**
The New School
Principal Investigator: Teresa Ghilarducci, Ph.D.
Primary Purpose: To determine how life events (such as unemployment spells, disability, marriage and divorce) impact retirement savings and how these impacts differ by race, sex and income categories.
Publication Date: 2017

**Key Findings**

- It is typical for a person to experience significant setbacks in their retirement savings throughout their lifetime. Almost all – 96 percent – of Americans experience four or more income shocks by the time they reach age 70.
- 401(k)s serve more than one role for many households. The 401(k) is used for two main purposes: to save for retirement, and to self-insure against income shocks prior to retirement. Retirement plans often are treated as liquid savings during times of hardship.

**Enhancing Retirement Savings with School-Based Financial Education**
George Washington University
Principal Investigator: Annamaria Lusardi, Ph.D.

Primary Purpose: To analyze findings from the Organization for Economic Cooperation and Development (OECD)'s 2012 Program for International Student Assessment (PISA) financial literacy data and their implications for the development of sustainable retirement systems.
Publication Date: 2016

**Key Findings**

- Fifteen-year-old Americans do not have an adequate level of financial literacy for the United States to maintain a retirement system that relies heavily on individual decision making.
- Countries with lower income replacement rates tend to perform better in financial literacy, while students in countries with higher income replacement rates score lower in financial literacy. There is one exception: The United States has comparatively low retirement replacement rates among the participating countries and economies, but students do not demonstrate above-average proficiency in financial literacy. The impact of this mediocre performance likely is greater on Americans, who have more individual responsibility to augment Social Security with personal savings.

**Cognitive Capabilities, Decision-Making Ability, and Financial Outcomes Across the Lifespan**
Columbia University
Principal Investigator: Ye Li, Ph.D.
Primary Purpose: To explore how differences in decision-making traits translate to real-world financial outcomes.
Publication Date: 2015

**Key Findings**

- Fluid intelligence – the set of cognitive abilities related to generating, transforming and manipulating new information – falls significantly from age 20 to 70. But a person's accumulation of knowledge and experience, particularly in the financial domain, provides an alternative pathway to making sound financial decisions. In fact, financial literacy's effect on financial decision-making outcomes is more than twice the effect of fluid intelligence.
- This study is the first to combine credit report data with multiple standard measures of fluid intelligence, crystallized intelligence (including financial literacy) and economic preference assessments, such as how much risk people are willing to take and how patient they are in making decisions. Three factors were shown to affect credit scores: age, fluid intelligence and financial literacy, a domain-specific measurement of financial crystallized intelligence. By far, financial literacy had the greatest impact.

**Early Warning Signs of Impaired Financial Skills in Older Adults**
University of Alabama at Birmingham
Principal Investigator: Daniel Marson, Ph.D.
Primary Purpose: To identify very early declines in financial skills among cognitively normal aging adults through the analysis of a unique federally funded longitudinal dataset.
Publication Date: 2015

**Key Findings**

- The early warning signs of financial decline, all representing a change from the older person's prior financial functioning, are as follows:
  1. **Taking Longer to Complete Financial Tasks**
     Examples include preparing bills for mailing; completing checks and check register; and filing income taxes.
  2. **Missing Key Details in Financial Documents**
     Examples include identifying a bill that is overdue and needs prompt attention; scanning/finding details in complex documents like a bank statement; and completing sections of a check register.
  3. **Experiencing Difficulty with Everyday Math**
     Examples include determining a return on an investment; calculating a medical deductible; doing two related calculations at the same time, especially making change; and figuring a tip in a restaurant.
  4. **Showing Decreased Understanding of Financial Concepts**
     Examples include health care concepts like a medical deductible and terms in a bank statement like interest rate and minimum balance.
  5. **Identifying Risks in Investment Opportunities**
     Examples include identifying a key risk in an investment purchase and emphasizing benefits/return and minimizing risks.

**APLUS Wave 3: Transitioning to Adulthood in Rough Economic Terrain**
University of Arizona
Principal Investigator: Soyeon Shim, Ph.D.
Primary Purpose: To understand how the transition to full-time responsibilities of adult social roles affects personal financial capability and well-being, and document the factors that facilitate and inhibit the transition.
Publication Date: 2014

**Key Findings**

- Financial instability constrains self-sufficiency. More than half of the participants overall reported relying on financial support from family to meet current financial demands, including nearly half of those employed full time.
- Financial challenges may chip away at well-being. While full-time employees rated their financial well-being and life satisfaction higher compared to other participants, participants with debt reported lower well-being in every domain regardless of employment status. Also, while higher income minimized the impact of debt on psychological and physical well-being, both financial well-being and life satisfaction remained significantly lower for participants in debt.

**Financial Behavior, Debt and Early Life Transitions: Insights from the National Longitudinal Survey of Youth, 1997 Cohort**

The Ohio State University
Principal Investigator: Randy Hodson, Ph.D.
Primary Purpose: To follow the 1997 cohort from the National Longitudinal Survey of Youth to explore financial behavior, debt and early life transitions among young adults coming of age in the 2000s.
Publication Date: 2014

**Key Findings**

- Young adults – specifically the oldest Millennials born around 1982 – face distinctive challenges and financial concerns as they come of age, enter employment and form families. Young adults often must take on debt to finance investments in the future. This debt has a dual nature: It can be both an accelerator and a deterrent to major life transitions and milestones.
- This cohort faces particularly distinctive economic conditions and financial challenges different from earlier cohorts – especially increasing indebtedness.