

DRAFT

National Strategy for Financial Literacy 2010

Overview

The recent economic crisis has highlighted how essential it is that individuals and families be provided with the information, education, and tools that they need to make good financial decisions in our increasingly complex financial system. We have seen, through many examples, how financial difficulties of individual families can impact the financial health of their communities, and our nation. This crisis has illustrated that financial success for individuals and families is essential to our national financial stability.

The national strategy set forth in this document is designed to provide an overarching strategy, as well as concrete goals, that the non-profit, government, and private sectors can and should work together to achieve as we do our part in striving toward financial success for all. We recognize that many changes are needed to help ensure such success. Financial literacy is one piece of a larger set of actions needed to improve individual decision-making. This document focuses exclusively on the role of financial literacy.

The national strategy identifies five action areas—policy, education, practice, research, and coordination. Not every organization will engage in all five, but this national strategy relies on each finding its own balanced blend for effective work.

Congress established the Financial Literacy and Education Commission (FLEC) through passage of the Fair and Accurate Credit Transactions (FACT) Act of 2003. FLEC is comprised of twenty-one federal agencies¹ and is chaired by the Treasury Department. One of the primary responsibilities of FLEC is putting forward a national strategy to promote financial literacy and education. In 2006, FLEC developed its first national strategy, *Taking Ownership of the Future: The National Strategy for Financial Literacy*, which reviewed progress and proposed calls to action in four areas deemed crucial to the promotion of financial education:²

1. Building public awareness of available resources
2. Developing tailored, targeted materials and dissemination strategies
3. Tapping into effective partnerships
4. Supporting research and evaluation of financial education programs.

In July 2009, the Treasury Department convened a meeting of FLEC to review its approach to its purpose and role. FLEC members set up a working group to craft a new national strategy. Over the next few months, the National Strategy Working Group (NSWG) undertook a comprehensive and inclusive process that included reviewing strategic documents from other nations and other agencies as well as reaching out for input to a wide range of stakeholders in the field. From this

¹ FLEC member agencies are as follows: Board of Governors of the Federal Reserve System, Commodity Futures Trading Commission, Federal Deposit Insurance Corporation, Federal Trade Commission, National Credit Union Administration, Office of the Comptroller of the Currency, Office of Thrift Supervision, Small Business Administration, Social Security Administration, Department of Agriculture, Department of Defense, Department of Education, General Services Administration, Department of Health and Human Services, Department of Housing and Urban Development, Department of Labor, Office of Personnel Management, Department of the Treasury, Department of Veterans Affairs, Securities and Exchange Commission, and White House Office of Public Engagement.

² The 2006 strategy can be found online at www.mymoney.gov/pdfs/ownership.pdf.

process and building upon the 2006 strategy, the NSWG identified four goals for the *National Strategy for Financial Literacy 2010 (National Strategy 2010)*:

- Goal 1: Increase Awareness of and Access to Financial Education
- Goal 2: Determine and Integrate Core Financial Competencies
- Goal 3: Strengthen Provision of Financial Education
- Goal 4: Identify and Share Effective Practices.

Implementation of the National Strategy

The purpose of the *National Strategy 2010* is to create an overarching framework that all organizations involved with personal-finance education, research, practice, and policy will find useful to help guide their work over the next three to five years. In working together under the *National Strategy*, we share a vision of financial success for all people in the United States. Regardless of the scope, purpose, and role of your organization, we hope that one or more of the goals laid out below will resonate with your work.

By design, the *National Strategy 2010* is meant to provide a broad overview. Achieving the strategy's mission requires that each organization, individually and collectively, implement effective tactics. We suggest below some possible ways that the strategy can be implemented. However, this is not the final implementation plan. We are continuing to work on recommendations for how FLEC, its member agencies and other organizations can best incorporate the strategy into their activities and initiatives.

As a first step, we recommend that all organizations involved with personal-finance education, research, practice, and policy:

- distribute the strategy widely
- embrace the strategy mission
- choose one or more of the goals and build relevant, organization-level objectives
- seek opportunities to coordinate efforts with other organizations
- focus on evidence-based outcomes.

At the federal level, we recommend that FLEC member agencies use this national strategy to inform and complement their efforts in financial literacy and education. Detailed plans, where appropriate, can be crafted to outline these federal efforts.

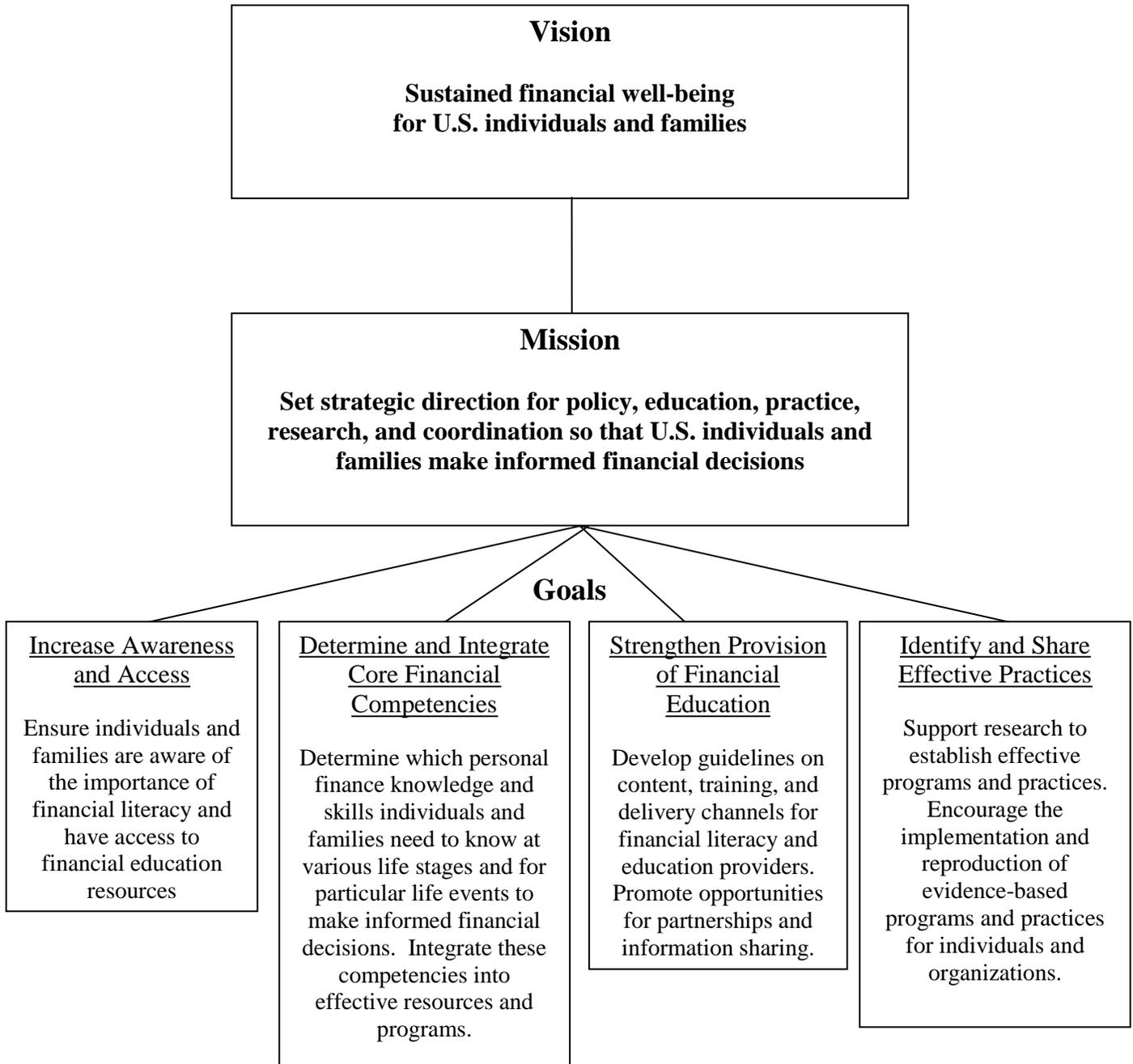
In addition, FLEC should take the following steps:

- Ask each FLEC agency to incorporate the mission, vision, and goals of the *National Strategy 2010* into their respective programs and activities as appropriate to promote financial literacy.

- Incorporate the *National Strategy 2010* goals and related objectives into the work of each FLEC working group so that FLEC can test approaches, provide best practices, and report on results.³
- Coordinate the *National Strategy 2010* goals and objectives that are national in scope, such as the national media campaign to raise awareness on financial literacy.
- Coordinate with the President's Advisory Council on Financial Capability on achieving the goals and objectives of the *National Strategy 2010*.
- Implement a pilot program of stakeholders to identify customized strategies that address local needs.

³ In July 2009, FLEC established three working groups, on Core Competencies, Research and Development, and Communication and Outreach, to support the key strategic areas it had identified.

National Strategy for Financial Literacy 2010



Vision:

Sustained financial well-being for all individuals and families in the U.S.

National Strategy 2010 establishes a long-term vision of financial success, financial stability, and financial security for the diverse U.S. populace. This national strategy seeks to foster a culture in which households take periodic stock of their financial situations, individuals seek information and ask questions before entering into financial transactions, and everyone has the information and tools needed to help manage debt, save to meet their financial goals, and plan for secure financial futures. The subsequent mission, goals, and objectives of the *National Strategy 2010* have been formulated to help move our nation toward this aspirational vision.

Mission:

Set strategic direction for policy, education, practice, research, and coordination so that individuals and families make informed financial decisions

The mission of the *National Strategy 2010* outlines the general areas of action that have been identified as critical in moving toward our vision. These action areas—policy, education, practice, research, and coordination—are influenced by all participants in the field of financial education, from the federal government and national organizations, to state and regional organizations, and finally to communities and neighborhoods. Not every organization will engage in all five of these action areas, but the *National Strategy 2010* relies on each organization finding its own balanced blend for effective work.

Goals:

The *National Strategy 2010* identifies four goals and related objectives to help move our nation toward the vision and mission outlined above over the next three to five years. Some of these goals might best be achieved by the federal government; while others might be better achieved by state or local governments, the private sector, or through collaborative efforts. Thus, the recommended goals are not necessarily a course of action for the federal government, but rather for the field as a whole.

Goal 1: Increase Awareness of and Access to Financial Education

Although financial education alone does not guarantee financial success, it is nevertheless important that individuals and families are aware of and have access to reliable, clear, timely, and relevant financial information and educational resources. Likewise, it is important that individuals and families be aware of the need to access these resources. A recent U.S. survey of financial capability showed that many individuals overestimate their financial knowledge and lack an understanding of key financial concepts.⁴

⁴ This survey was commissioned in 2009 by the FINRA Investor Education Foundation, in consultation with the U.S. Department of Treasury and the President's Advisory Council on Financial Literacy, to study the financial capability of American adults. A copy of the report on the survey can be found on www.finrafoundation.org/capability.

Objectives for Goal 1:

- Encourage the development and dissemination of financial-education resources and programs that effectively deliver relevant information to diverse constituencies. Build on traditional practices, community strengths, and research on effective approaches and delivery methods.
- Promote a national media campaign to raise awareness on financial literacy, including the use of venues and technologies to reach people where they are.
- Develop a coordinated support structure for distributing financial literacy and education information, including websites and other resources linking people to educational resources and services that are available on a local and national scope.
- Create safe, reliable, and easy-to-use consumer resources and tools that are aligned with model standards for financial literacy and education.
- Ensure that carefully-framed messages about financial literacy are included in consumer and employee materials.
- Provide unbiased and understandable financial-education resources at financial decision points, such as during the home-buying process.

Goal 2: Determine and Integrate Core Financial Competencies

The development of core financial competencies will provide individuals with information on what they need to know at critical ages and life events so that they are empowered to make informed decisions. Additionally, core competencies can be integrated into targeted financial education programs and services.

Objectives for Goal 2:

- Develop a key set of core competencies.
- Promote the use of transparent, plain-language, and user-friendly forms and information to express core competencies.
- Encourage financial education providers to align materials with core competencies.

Goal 3: Strengthen the Provision of Financial Education

Establishing guidelines for financial literacy and education practitioners will help legitimize the field and be a significant step toward ensuring that all financial education is consistent, unbiased, and effective. Additionally, fostering partnerships and other collaborative opportunities can help to strengthen the field of financial education providers.

Objectives for Goal 3:

- Recommend guidelines for financial-education providers and counselors related to research findings, core competencies, curriculum development, delivery methods, and program evaluation.
- Establish clear financial literacy training goals and strategies to enhance the consistency and quality of delivery.
- Develop recommendations for professional-development courses and incentives, and provide other support for financial education practitioners.

- Set up a network of financial education providers and counselors and provide opportunities for information-sharing.
- Create strategies for partnerships, mentors or coaches, and other mechanisms for enhancing the delivery and effectiveness of financial education, including in the workplace.

Goal 4: Identify and Share Effective Practices

Increasing rigorous, evidence-based research on financial literacy and education will lead to better understanding of how to establish effective programs and practices. Implementing and evaluating promising programs and practices in order to learn how to reproduce them effectively is also critical, as is sharing information among researchers and practitioners. Supportive research will also ensure that the field tracks trends, issues, and financial literacy needs in order to remain current.

Objectives for Goal 4:

- Build upon the research priorities identified at the FLEC National Research Symposium on Financial Literacy and Education in October 2008.⁵
- Encourage research on financial literacy and education strategies that impact consumer behavior.
- Establish a clearinghouse of current topics and trends on financial concerns of consumers, evidence-based research and evaluations, and best practices.
- Establish common evaluation metrics to measure key outcomes.
- Form a network for information-sharing and updating the evidence base
- Develop a way to periodically measure the financial knowledge of individuals and families.
- Identify customized programs that address local and other needs, such as those that place emphasis on low- to moderate-income, minority, unbanked, and underserved communities.

⁵ For a summary of the symposium and the ten recommended priorities, go to <http://www.treasury.gov/offices/domestic-finance/financial-institution/fin-education/commission/ResearchSymposiumpaper12-8-08.pdf>.