

WORKING DRAFT – October 6, 2008 – WORKING DRAFT

This draft is a working document only. It will be reviewed by the President's Advisory Council on Financial Literacy on Oct. 14, 2008, and is therefore subject to change. The Council will use this working document to create a preliminary report. After a subsequent review and approval by the Council, the preliminary document will become the Annual Report to the President. Therefore in its present form, this document does not reflect the views of the Treasury Department.



2008 ANNUAL REPORT TO THE PRESIDENT

of the

**PRESIDENT'S ADVISORY COUNCIL
ON FINANCIAL LITERACY**

WORKING DRAFT – October 3, 2008 – WORKING DRAFT

November 15, 2008

The Honorable George W. Bush
President of the United States
The White House
1600 Pennsylvania Avenue NW
Washington, D.C. 20500

The Honorable Henry Paulson, Jr.
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Mr. President, Secretary Paulson, Members of Congress and fellow citizens:

On January 22, 2008, President George W. Bush signed an Executive Order creating, for the first time, a President's Advisory Council on Financial Literacy. The charge was simple, yet daunting: improve financial literacy among all Americans. After an exciting year of work toward this goal, I believe we have made tremendous progress at laying the groundwork for a comprehensive effort to achieve this goal. I am pleased, on behalf of the Council, to present the panel's first Annual Report to the President, which details the progress we made this year and outlines a series of recommendations for future initiatives that will help the country achieve the level of financial literacy that is imperative in today's global economy.

We believe the market turmoil and credit crisis of 2008 underscores the critical need for improved financial literacy in the United States. While there are many causes to the economic problems facing the country, it is undeniable that a lack of financial literacy is a contributing factor. Far too many Americans entered into home and other loan agreements that they did not understand and ultimately could not afford. More broadly, the lack of basic skills such as how to create and maintain a budget, understand credit, or save for the future are preventing millions of Americans from taking advantage of our vibrant economic system. And tens of millions of our citizens are either unbanked or underserved, which leaves them outside the economic mainstream. Addressing these issues is critical to the future of our nation's economy.

The recommendations in this report focus on improving financial literacy among children of all ages, from pre-school through post-secondary education; supporting and enhancing the increasingly important role of employers in providing financial education to their employees; increasing access to financial services for the unbanked and underserved; undertaking critical research in the area of financial literacy; and increasing public awareness both of the problem and of the many resources available to combat it.

We urge the incoming Administration and the new Congress, regardless of party, to consider seriously these recommendations and to work together to implement them. Particularly in these times of economic uncertainty, improving financial literacy must be a national goal that unites us all.

Sincerely,



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Charles R. Schwab
Chairman

Acknowledgements

Add acknowledgements here – Council members to provide list of people they wish to thank.

Executive Summary

On January 22, 2008, President George W. Bush signed Executive Order 13455, creating the 16-member President's Advisory Council on Financial Literacy. The Council Members represent a broad array of organizations, including corporations, non-profits, faith-based organizations, state government agencies, regulatory authorities, and academic institutions. Each brings extraordinary experience and expertise to the table; most members have spent much of their careers dedicated to the goal of improving financial literacy in this country. Even more importantly, all of the members of the Council bring, in addition to their expertise, a willingness to listen to the opinions and input of others, from a variety of outside sources. The recommendations in this report reflect the enormous amount of feedback from the public that has been received.

The Executive Order, for the first time, established that it is “the policy of the federal government to encourage financial literacy among the American people.” The President and the Secretary of the Treasury tasked the Council to work with the public and private sector to help increase financial education efforts for youth in school and for adults in the workplace, increase access to financial services, establish measures of national financial literacy, conduct research on financial knowledge and to help strengthen public and private sector financial education programs.

The Council has embraced these assignments with enthusiasm – our first year of existence has been an extraordinarily busy and productive one. At its first meeting, the Council created five committees to focus on key areas of financial literacy and execute the goals outlined in the President's Executive Order: the Youth Committee, the Workplace Committee, the Outreach Committee, the Research Committee, and the Committee on the Underserved. Through that structure, the Council has been able to address effectively a wide variety of financial literacy issues and put in place a number of programs that are already making an enormous difference in the lives of countless Americans by giving them the skills needed to take full advantage of the most vibrant economy in the world.

The creation of the Council could not have come at a more opportune time, as the nation plunged into an unprecedented mortgage crisis that quickly engulfed the entire credit system. While the crisis has many causes, it is undeniable that one of the root causes is the massive lack of financial literacy in America. Far too many Americans signed loan agreements they did not understand. More broadly, far too many Americans do not have the basic financial skills necessary to develop and maintain a budget, to understand credit, or to take advantage of our banking system. Basic financial education is critical to creating stability in families and allowing people to better navigate a crisis such as the one that faces our economy today.

Financial illiteracy is not an issue unique to any one population. It affects everyone – men and women, young and old, across all racial and socio-economic lines. No longer can we stand by and ignore this problem. The economic future of the United States depends on it.

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In this report, the Council details its accomplishments during its first year of existence, and makes a series of recommendations for steps that should be taken in the coming year to further enhance the state of financial literacy in the United States.

Accomplishments

Among the key accomplishments of the Council in 2008:

1. Launching of the first-ever National Financial Literacy Challenge, administered by the Treasury Department, an exam on personal finance issues that was taken by more than 46,000 American high school students in May 2008. A second Challenge will be available to teachers in November 2008.
2. Endorsement of “Money Math: Lessons for Life,” an easy-to-use, readily available financial literacy curriculum for middle-school students that has been downloaded more than 92,000 times from the Council’s website.
3. Creation of the “President’s Council Financial Literacy Corps,” a partnership with the USA Freedom Corps that provides a centralized resource for information on financial literacy volunteer opportunities across the country
4. Endorsed the launch of the “Community Financial Access Pilot,” a program in eight communities that partners local community organizations, government resources and local financial institutions in a program to get unbanked and underserved individuals into a relationship with a financial institution.
5. Solicited comments from the public on the best ways to improve financial literacy in the United States and received more than 150 comment letters, with a wide variety of information and suggestions.
6. Agreed to recommend to Treasury a “Statement of Principles and Recommendations for the Future of Subprime Lending,” which included three foundational principles: 1) that financial literacy must be at the foundation of all subprime lending; 2) that a key goal of all subprime lending must be to move subprime borrowers to prime borrowers; and 3) that lending products should have straightforward disclosures and be understandable to the consumer.
7. Approved to recommend to Treasury the creation of the Workplace Honor Roll program, to honor employers that have innovative and effective programs to provide financial education to employees, and the creation of the Post-Secondary Honor Roll program, to recognize colleges and universities that are providing high-quality financial education to students (while this has been recommended to Treasury, it is still in the implementation stages).
8. Collaborated with the U.S. Small Business Administration on the establishment of the SBA Office of Entrepreneurial Education.
9. Hosted or participated in dozens of town hall meetings, roundtables, conferences and “listening sessions,” in which one or more Council members met with local community, business, education and non-profit leaders to explore ways to enhance financial literacy in the community.
10. Participated in the first-ever White House Roundtable on Financial Literacy, which brought together nearly 150 government officials, policymakers, business leaders, foundation representatives, philanthropists and faith-based and community leaders in a robust discussion of the most effective means to improve financial literacy.

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As the Council looks ahead to 2009 and the leadership of a new Administration, it proposes a series of recommendations to be undertaken in the new year.

Recommendations

Recommendations 1-6: Expand financial education for students from kindergarten through post-secondary education.

Recommendation 1 -- Mandate financial education in all schools for students in grades Kindergarten through 12.

Recommendation 2 -- Institutionalize and expand the National Financial Literacy Challenge, with the goal of significantly increasing participation in this personal finance exam for high-school students.

Recommendation 3 -- Implement the Post-Secondary Honor Roll program, approved by the full Council in 2008.

Recommendation 4 -- Conduct additional research into the feasibility of requiring college students to take a course in financial literacy or pass a competency test as a condition of receiving government-backed student loans.

Recommendation 5 -- Develop a corporate/financial institution "Adopt-a-School" program.

Recommendation 6 -- Promote the availability of financial education resources for parents, caregivers and teachers to use with pre-school and early elementary school children.

Recommendations 7-10: Support the increasingly important role of employers as providers and conduits of financial education to their employees.

Recommendation 7 -- Implement the Workplace Financial Literacy Honor Roll program, approved by the full Council in 2008.

Recommendation 8 -- Develop and launch a federal government public service communications campaign to encourage Americans to set financial goals, live within a budget, build savings, and participate fully in financial education opportunities.

Recommendation 9 -- Explore one or more tax incentives to encourage employers to provide financial education in the workplace.

Recommendation 10 -- Create an Internet-based resource center that consolidates the best financial education information and resources into one new financial literacy web site, designed to help employers quick and easy access to tools they need to design workplace financial literacy programs tailored to the specific needs of their employees.

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Recommendations 11-13 – Increase access to financial services for the millions of unbanked and underserved Americans.

Recommendation 11 -- Mandate that every American has a right to an electronic, debit card-accessible bank account protected by the Federal Deposit Insurance Corp.

Recommendation 12 -- Provide federal funding for non-profit organizations working on community-based financial literacy programs.

Recommendation 13 -- Provide a federal funding source for city and state governments demonstrating leadership in financial education for their residents.

Recommendations 14-18 – Identify and promote a standardized set of skills and behaviors that a financial education program should teach an individual in order for that individual to be considered financially literate.

Recommendation 14 -- Adopt a definition of financial literacy.

Recommendation 15 -- Adopt a definition of financial education.

Recommendation 16 -- Endorse national standards for K-12 financial literacy, adult financial literacy, and economics.

Recommendation 17 -- Adopt a definition of the term “comprehensive financial literacy program” that identifies the specific set of skills that a person should have upon completion of such a program.

Recommendation 18 -- Explore the creation of a certification program for teachers of financial literacy courses.

Recommendations 19-21: Promote more awareness among Americans of the state of financial literacy generally and of their own financial literacy, and dedicate more resources toward educating Americans how to improve on the results.

Recommendation 19 -- Execute critical research into the state of financial literacy and the most effective measures to increase financial literacy in the United States.

Recommendation 20 -- Create and distribute a self-administered “National Financial Check-Up” that would allow Americans to assess their own financial knowledge, and provide links to trustworthy sources of information to fill in any gaps.

Recommendation 21 -- Dedicate governmental human resources to focus on active and ongoing media and marketing outreach to promote more widespread knowledge of general financial education concepts among the American people.

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Part I – A Year of Accomplishment

The President’s Advisory Council on Financial Literacy convened its first public meeting in Washington on February 13, 2008. Among its first acts was to divide into several Committees, comprised of Council members who bring particular expertise to the Committee subjects. Five Committees were formed: Financial Literacy for Youth, Financial Literacy in the Workplace, Financial Access for the Underserved, Financial Education Research, and Outreach. The Council subsequently met by telephone on May 5, 2008, and July 29, 2008, and held in-person meetings in Washington, D.C., on June 18, 2008, and October 14, 2008. Committees met, both by phone and in person, on a regular basis. Over the course of these public meetings, the Council formally approved a number of initiatives:

1. **Middle School Curriculum** – The Council endorsed “Money Math: Lessons for Life” an easy-to-use, readily available financial literacy curriculum for middle-school students that has been downloaded more than 92,000 times (*Note: Update for current figure at time of final report*) from the Council’s website. The four-unit, 86-page curriculum uses real-life examples to help teachers to integrate personal finance topics into math classes.
2. **High School Financial Literacy Contest** – The Council agreed to recommend and promote the first-ever National Financial Literacy Challenge (administered by the Treasury Department), a 35-question exam on personal finance issues that was taken by more than 46,000 American high school students in May 2008. Students achieving scores in the top quartile received a Certificate of Achievement from the Treasury Department, and students answering at least 33 of 35 questions correctly received a medal from the Treasury Department. In addition, the Charles Schwab Foundation offered college scholarships to 10 students from around the country who achieved a perfect score on the exam. While the exam was a success, the average score was 56% -- another indicator that more rigorous financial education is needed in our schools. A second Challenge will be available to teachers in November 2008.

In addition, the Council Chair and Vice-Chair sent a personal letter to more than 14,000 school superintendents around the country, making them aware of Money Math and the National Financial Literacy Challenge and asking that they implement these programs in their school districts.

3. **Financial Literacy Volunteer Corps** – The Council partnered with USA Freedom Corps to create the “President’s Council Financial Literacy Corps.” On the federal government’s volunteer web site (www.volunteer.gov), there is now a centralized resource for information on financial literacy volunteer opportunities across the country, for use both by individuals and organizations seeking to offer financial education volunteer services, and individuals and organizations seeking to receive financial education.
4. **Pilot Program to Bank the Unbanked** – The Council endorsed the Treasury Department’s launching of the “Community Financial Access Pilot,” a program in eight communities that partners local community organizations, government resources and local financial institutions in a program to get unbanked and underserved individuals into a relationship with a financial institution and provide relevant financial education to those

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individuals. Council Member Rev. Robert Lee and his organization, Fresh Ministries, Inc., were partners in one of the pilot cities, Jacksonville, Fla. Each of the eight Community Financial Access Pilot is working to implement initiatives using local resource partners to address critical local needs. In Jacksonville, for example, the collaboration includes the City of Jacksonville, community-based organizations, banks, credit unions, regulators, educational institutions, and many others working on comprehensive and sustainable community economic development efforts. The Jacksonville initiative's planned activities include providing low-cost Second-Chance accounts and related financial education to residents needing a fresh start; increased financial education for youth and adults, especially in predominantly low- and moderate-income neighborhoods; increased savings accounts and new accounts for the unbanked and underbanked; increased credit counseling services and other financial literacy programs; increased coordination among local partners working on financial education and asset development ventures; and new financial services and innovative financial products in some of the local communities. We expect to have data on accounts opened, aggregate account balances, numbers receiving financial education and other key measures for the quarter ending December 31.

In the seven other communities across the country, the Treasury is working with local partners to build similar sustainable approaches that work to meet the financial needs of low- and moderate-income residents. The Treasury Department also shares information about the CFAP and similar initiatives with interested organizations and communities around the country, and has developed a webpage, www.treas.gov/cfap to serve as a resource on this topic.

5. **Statement on Incorporating Financial Literacy into Subprime Lending** – The Council agreed to recommend to Treasury a “Statement of Principles and Recommendations for the Future of Subprime Lending,” which included three foundational principles: 1) that financial literacy must be at the foundation of all subprime lending; 2) that a key goal of all subprime lending must be to move subprime borrowers to prime borrowers; and 3) that lending products should have straightforward disclosures and be understandable to the consumer. The Council's statement also outlines specific proposals about the kind of financial education subprime borrowers should receive and the information that should be contained in a simplified disclosure form. The Council recommends that homeownership education courses be made available to potential borrowers that cover such topics as mortgage terms, the basics of budgeting and debt management, and an explanation of credit scores. The panel also recommends that a plain-English disclosure form include clear and concise information on the interest rate, the term of the loan, the monthly payment, the down payment, the highest possible payment under the terms of the loan, and other basic information.

The Council's recommendations are the result of an effort by the Council's Committee on the Underserved to explore ways to strengthen the future of subprime lending in the wake of the housing crisis. Chaired by Council Vice Chairman John Hope Bryant, the Underserved Committee convened an advisory group of regulators, lenders and other experts on May 28, 2008, to discuss ideas about how to improve the subprime lending

process. That discussion, and subsequent discussion among Council members, led to the development of the set of recommendations approved by the full Council.

6. **Recognition Program for Employers and Post-Secondary Institutions** -- The Council approved to recommend to Treasury the creation of a Workplace Honor Roll program, to honor employers that have innovative and effective programs to provide financial education to employees, and the Post-Secondary Honor Roll program, to recognize colleges and universities that are providing high-quality financial education to students.
7. **Office of Entrepreneurial Education** -- The Council collaborated with the U.S. Small Business Administration on the establishment of the SBA Office of Entrepreneurial Education. The new office offers resources and support for individuals seeking to start a small business.
8. **Financial Literacy Research** – The Council recommended that the Treasury Department consult with and support a private-sector research initiative that will examine financial literacy among U.S. adults and how they fare in handling their finances. The study, conducted with the Financial Industry Regulatory Authority Investor Education Foundation, is the first of its kind to focus on adult consumers at both state and national levels. Preliminary survey data is expected to be released to researchers and the general public in early 2009. The survey is being conducted by the Financial Industry Regulatory Authority Investor Education Foundation, chaired by Council Member Mary Schapiro.
9. **Collaboration with Financial Literacy and Education Commission** – The Council agreed that it was important to collaborate with the Financial Literacy and Education Commission, which comprises 20 federal agencies that have financial education programs. The Council named a liaison and alternative liaison to the Commission, at least one of whom attends each Commission meeting to ensure that the lines of communication remain open between the two panels.

Public Outreach

Council Members take seriously their role as representatives of the public in this critical issue. Numerous efforts were made during the year to solicit public input and to communicate with the public about the Council’s initiatives.

1. Council Members hosted or participated in more than a dozen town hall meetings, “listening sessions,” conferences, roundtables and other public events in which one or more Council members met with local community, business, education and non-profit leaders to explore ways to enhance financial literacy in the community. Among the events:
 - a. Roundtable and town hall in Oakland, Calif., featuring Treasury Secretary Henry Paulson, U.S. Treasurer Anna Cabral, Oakland Mayor Don Dellums, Council Chairman Charles Schwab, Council Vice Chairman John Hope Bryant, and Council Member Don McGrath.

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- b. Council Vice Chairman John Hope Bryant made presentations at a variety of events, including the OECD International Conference on Financial Education; and FDIC Forum on the Future of Subprime Lending; a conference of the Georgia Consortium for Financial Literacy; and a roundtable convened by the Federal Reserve Board of Atlanta (ADD OTHERS)
 - c. Council Member Ted Daniels and his organization, the Society for Financial Education and Professional Development, included a Listening Session at the organizations First Annual Financial Literacy Leadership Conference. Several Council Members and Council Executive Director Dan Iannicola, Jr., participated.
 - d. Council Member and Research Committee Chair Dr. Tahira Hira convened a listening session attended by several Council members in Des Moines, Iowa.
 - e. Council Member David Mancl hosted a roundtable discussion in Madison, Wisconsin.
 - f. Council Vice Chairman John Hope Bryant hosted a listening session in Los Angeles, Calif.
2. Council Members participated in the first-ever White House Roundtable on Financial Literacy, which brought together nearly 150 government officials, policymakers, business leaders, foundation representatives, philanthropists and faith-based and community leaders in a robust discussion of the most effective means to improve financial literacy.
 3. Council Members participated in a Financial Literacy Roundtable meeting convened by Secretary of Housing and Urban Development (HUD) Steve Preston. The HUD Roundtable focused on the role of financial literacy in underserved communities and strategies to help Americans facing the threat of foreclosure.
 4. The Council solicited comments from the public on the best ways to improve financial literacy in the United States and received more than 150 comment letters, with a wide variety of suggestions about effective strategies and programs. The Council also solicited public comments on two specific initiatives, the Community Financial Access Pilot program and the Workplace Honor Roll Program. Comments from organizations and individuals have been incorporated into the recommendations in this report.

The Council believes that one of its most important responsibilities is this interaction with the public, both through in-person representation at financial literacy events around the country and through the solicitation of public comments on various proposals. While the individual Council members bring their own years of expertise to the table, we acknowledge that there are literally thousands of dedicated organizations and individuals engaged in financial education in communities around the country. The more the Council hears about programs that are effective, the more the panel can use its bully pulpit to ensure that best practices are shared, that the best programs are supported, and that the American people are made aware of the existence of such programs.

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Part II -- The Recommendations

Recommendations 1-6 – Expanding financial education for students from kindergarten through post-secondary education.

Recommendation 1: Mandate financial education in all schools for students in grades kindergarten through 12.

To help ensure that the next generations of consumers are better prepared to make sound money management decisions for themselves and to ensure that they have sufficient financial information before they begin making their first independent financial decisions as young adults, personal finance education must be incorporated into standard K-12 education and required at a minimum level.

The Facts

- On the 2008 Jump\$tart Survey of Financial Literacy among High School Students, participants got an average of only 48.3% of the test questions correct.
- Jump\$tart has conducted this research with 12th grade students biennially for a decade, with scores ranging from a high of 57% to this year’s low of 48.3%—all within the range of a failing grade.
- In Jump\$tart’s first Survey of Financial Literacy Among College Students, the college students did better than their younger counterparts, but not particularly well, with an average score of 62%. If graded, the average would be a low D.
- Several sources are reporting increases in bankruptcy filings among consumers under 25 years of age.
- Debt—especially credit card debt—among college undergraduates has risen sharply.
- According to the Consumer Federation of America, 62% of 18 to 24 year olds say they are not saving enough or at all.
- The National Council on Economic Education reported in its 2007 Survey of the States that only nine states require personal finance courses to be offered and only seven states require personal finance courses to be taken.
- Jump\$tart’s State Financial Education Requirements map shows that only three states require a stand-alone personal finance course and 17 states require that personal finance be incorporated into other coursework.¹

The Need

Research shows that teens and young adults do not know enough about personal finance. Their rising debt and debt problems, along with their poor inclination to save, substantiate—and, perhaps, are the result of—what the test scores show. Meanwhile, most students still graduate from high school without any formal classroom education in personal finance.

¹ Differences between the NCEE and Jump\$tart data may be attributed to differing definitions of a “requirement” and the point in time when the data was collected.

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While some argue that money management is a family matter, best learned at home, the reality is that many parents are not willing or able to teach their own kids everything they need to know about finance. Standards-based financial education in the classroom helps to level the playing field for students whose parents may have faced financial challenges themselves or who may be among the un-banked or under-banked populations, not experienced enough to provide guidance to their own families. Even for those students fortunate enough to receive strong financial guidance from their parents, a thorough and balanced classroom-based curriculum reinforces and expands upon what they have learned at home.

The Recommendation

Continue to research and ultimately develop a national mandate for K-12 personal finance education.

- The national mandate would amend the No Child Left Behind Act of 2001 to require personal finance education in elementary and secondary education.
- The national mandate would set minimums and guidelines for states and other educational jurisdictions to establish their own specific requirements.
- The framework would introduce financial education during elementary school, perhaps as early as kindergarten, and repeat it throughout the school years.
- Research would look at the effectiveness of integrating personal finance concepts into other coursework (such as math and social studies) for younger students and then a capstone class as the high school graduation requirement.
- The guidelines would value hands-on, experiential learning and rigorous, mandatory testing.
- The application of state and national standards would help ensure consistent and comprehensive study and would establish a logical progression through the age groups.
- The mandate would seek to utilize and build upon the significant contributions to financial education already made by the academic, non-profit, business, and government sectors through their expertise, programs, and materials—especially those which correlate to educational standards.
- An important element of the research, moving toward a national mandate, would be to determine the best “home” for financial education among established disciplines such as social studies or consumer science.
- The mandate would prescribe, require and emphasize minimum levels of training and education for personal finance teachers.
- The mandate for financial education in the classroom would value and support parental involvement and, where possible, would integrate and encourage financial education in after school programs.
- Initial and ongoing research would evaluate the effectiveness of financial education and adjustments to the mandate could be recommended based on information gathered over time.

Recommendation 2 -- Institutionalize and expand the National Financial Literacy Challenge, with the goal of significantly increasing participation in this personal finance exam for high-school students.

In April 2008, at the recommendation of the President's Advisory Council on Financial Literacy and the Youth Committee, the U.S. Treasury Department's Office of Financial Education launched the National Financial Literacy Challenge, a voluntary competition for high school students that tests their knowledge of personal finance concepts and recognizes top performers.

The Facts

- The inaugural challenge was conducted April 28 through May 16, 2008, during which time 46,369 high school students from across the country participated. Participation in the first Challenge, especially given the relatively small amount of marketing (mostly by word-of-mouth) was much higher than originally anticipated. Future Challenges should benefit from additional marketing and promotion, and can build on this initial success to expand participation.
- Of these participants, more than 11,000 received certificates for scoring in the top 25th percentile and 380 received medals for answering 33 of the 35 questions correctly.
- Thirty-five students achieved a perfect score and 10 of them were selected to represent their geographic region by traveling with their parents to Washington, DC, to receive scholarships provided by the Charles Schwab Foundation.
- The 2008 Fall Challenge is scheduled for November 3-26, 2008.
- Teachers register to enable their students to take the challenge online during one classroom period. There is no cost to participate.
- The Challenge was developed by the U.S. Treasury in consultation with four financial education organizations: the Jump\$tart Coalition for Personal Financial Literacy, Junior Achievement USA, the National Council on Economic Education, and the National Endowment for Financial Education.
- The test was developed with four non-governmental economists: Dr. Annamaria Lusardi, Dartmouth College; Dr. Lewis Mandell, University of Washington; Dr. Sarapage McCorkle, Junior Achievement of Mississippi Valley, Inc.; and Dr. William Walstad, University of Nebraska-Lincoln.
- The Challenge content is derived from the National Standards in K-12 Personal Finance Education and any classroom curricula or financial education program correlated to these standards would, generally, be sufficient preparation for this test.

The Need

The inaugural National Financial Literacy Challenge demonstrated that it has many benefits:

- Motivates students to learn about personal finance by honoring outstanding performance on a financial knowledge test and offering the opportunity to earn scholarships.
- Encourages teachers to teach personal finance by recognizing their students' achievements.

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- Creates an incentive for schools and after-school programs to introduce financial education by making donations—in the winning students’ names—to those schools and programs.
- Promotes the use of many existing standards-based curricula and programs in preparation for the Challenge test.
- Raises awareness about the importance of financial literacy and the need for financial education in schools.
- Positions top performers as a positive example.

The Recommendation

Institutionalize the National Financial Literacy Challenge as an annual or semi-annual competition for teens.

- Assign program administration permanently to Treasury’s Office of Financial Education staff.
- Ensure a sufficient budget allocation to continue to operate the Challenge.
- Allow and encourage the voluntary private sector contribution of incentives (e.g., the Charles Schwab Foundation’s contribution of scholarships and prizes)
- Employ and continually reassess security measures to ensure the integrity of the Challenge.
- Utilize technology for effective security, efficient administration of the test and program, and widespread promotional efforts.
- Explore the need for a paper-based version of the test to ensure that the Challenge is available in underserved communities and schools without sufficient computer access.
- Continue to involve independent non-profit educational organizations as advisors to the program.
- Continue to involve independent academic economists in revising and adding new questions to the mix.
- Develop a target-marketing plan to make teachers, students, their parents, and others aware of this program and build its prestige.

Recommendation 3 -- Implement the Post-Secondary Honor Roll program, approved by the full Council in 2008.

Recommendation 4 -- Conduct additional research into the feasibility of requiring college students to take a course in financial literacy or pass a competency test as a condition of receiving government-backed student loans.

The Facts

- According to Bank of America, both parents and students agree that the student is ill-equipped to manage finances in the upcoming school semester (91% of students and 93% of parents).
- According to Key Bank, 75% of colleges students admit to having made mistakes with their money when they arrived on campus, and the biggest mistakes were overspending

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on food (21%), entertainment (19%) and putting too many purchases on their credit card (16%).

- Sallie Mae found that more than half of college students accumulated more than \$5,000 in credit card debt while in school. One-third piled on more than \$10,000 in credit card debt while in school. Only 19 percent said they did not acquire any credit card debt while in school.

The Need

- Although college students still make up a small percentage of the young adult population, they are likely candidates for accumulating debt and making financial missteps. The college campus is another opportunity to reach these young consumers with quality financial education effort.
- Colleges and universities are beginning to take interest in providing financial education to their students and while some of these programs are very effective, the effort, nationwide, is fragmented at best.
- Reaching college students is particularly important because those students will soon be heading into the workplace and adulthood, where they will be faced with myriad choices of financial services and products, and where mistakes can have more dramatic repercussions (i.e., job loss, poor credit rating, bankruptcy, even homelessness).

The Recommendations

At its July 2008 meeting, the Council approved the concept of a Post-Secondary Honor Roll program. Colleges and universities that have innovative programs to teach their students financial literacy skills could apply for recognition by Treasury and the Council for their efforts. The Council recommends that the details of the application process and subsequent review and decision-making process be finalized in early 2009, and a direct marketing campaign be undertaken to inform post-secondary institutions of this opportunity.

The Council also recommends conducting further research into the feasibility of requiring college students to take a course in personal finance or pass a competency test as a condition of receiving government-backed student loans.

Recommendation 5 -- Develop a corporate/financial institution "Adopt-a-School" program.

The Facts

- Teachers often do not receive financial education in school, and like many Americans may not have learned financial basics from their families, friends or other trusted social sources.
- Teachers are like many American consumers: they carry debt, save little, are unsure of how to invest, etc.
- Although teachers may agree with the need to teach financial education to their students, they feel unprepared or even hypocritical to teach a subject that they themselves do not practice or are not good role models for.

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- Although many teachers feel unknowledgeable, there are many Americans who have been exposed to financial education – as learners, developers, trainers or teachers – and/or who work in the financial education field. These Americans can help prepare teachers to become financial educators.

The Need

One of the most confounding issues facing the financial literacy community was articulated clearly by the Financial Literacy and Education Commission in its 2006 National Strategy for Financial Literacy white paper: “It is clear that there is a myriad of ongoing financial education efforts within the United States, targeting a wide variety of topics and audiences and employing various strategies to deliver financial education...One fundamental challenge to improving financial education centers on reaching those who lack awareness of the availability of such resources...” Much of the work of the President’s Council on Financial Literacy in 2008 focused on addressing this need: finding ways to make the general public, as well as specific sub-groups of the public, aware of the resources available to them in their communities. But no one would disagree that we have a long way to go.

The Council recognizes that several of its recommendations involve increasing financial education in the nation’s schools. It is critical that such mandates be created only with an infrastructure of support for those being asked to educate our young people – the teachers in the classroom. A mandate for financial education in our schools is meaningless if teachers do not have the skills and understanding needed to instruct their students. Teachers already have myriad obligations in the classroom. This recommendation focuses on taking some of the burden off teachers.

The Recommendation

Develop a program where corporations, financial institutions, non-profit agencies, faith-based or community organizations, and other organizations could “adopt” a school and be responsible for providing financial education to students in that school. Millions of Americans have the expertise to be helpful; they just need to be “matched-up” with teachers and schools. Such a program should be flexible and adaptable, so that institutions could bring whatever resources they can to the relationship but not be restricted as to any particular type of curriculum or program – programs should be individualized to the needs of the school and the expertise of the partnering organization. Institutions could use their own financial education program, or adopt a curriculum such as “Money Math: Lessons for Life.”

Recommendation 6 -- Promote the availability of financial education resources for parents, caregivers and teachers to use with pre-school and early elementary school children.

The Facts

- Parents don't believe they are doing a very good job teaching their children essential values. Specifically, 70% of parents say that good money habits is an essential character habit; only 28% say they have taught them to their children (Public Agenda Survey, 2002).

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- Experts agree: financial skills are not innate, they are learned. They also agree that basic money and value lessons can be taught to pre-school age children.
- Programs such as Sesame Workshop's "Financial Literacy the Sesame Way," the Credit Union National Association's "Thrive by Five," Money Savvy Generation, the Money Mammals, and others are demonstrating that it can be effective to teach very basic skills to young children, forming the building blocks of more formal financial education in the future.

The Need

- Basic literacy skills, including financial literacy, are the building blocks of development and self-sufficiency, which need to be established in the early years of children's lives to impact their future development.
- The early years are a window of opportunity for young children to develop a foundation for understanding about caring for others and learning some simple ways to "give back" -- the beginnings of philanthropic thinking.
- Currently, there are limited resources about financial literacy that integrate everyday routines as learning moments as well as link the concept of "giving back" in a developmentally appropriate manner for young children, their families, and the child care community.

The Recommendation

The Council should find ways to promote public awareness, focusing particularly on parents and pre-school/early elementary teachers, about effective programs available for early-childhood financial literacy.

Recommendations 7-10 – Support the increasingly important role of employers as providers and conduits of financial education to their employees.

The lack of a consistent approach to financial education in our schools results in individuals entering the workforce with vastly different knowledge levels about financial issues. Many haven't learned the basics of personal finance, including how to make the most of such benefits as retirement savings plans, health care coverage, and other insurance. That lack of preparation often leads to financial problems and stress, which can diminish employees' productivity and their quality of life. Early this year, the Society for Human Resource Management (SHRM), the world's largest human resources organization, surveyed its members and confirmed the effects of economic stress. In the previous 12 months, members had seen a 26 percent increase in employees having their wages garnished by collection agencies; a 39 percent increase in requests for 401(k) plan loans; a 20 percent increase in requests for pay advances; and a 14 percent jump in employees reporting having lost their homes. All are symptoms of the very real impact on ordinary Americans of the troubled economy.

As these findings show, many adults in the workforce today may not have the skills, knowledge or assistance necessary to meet their financial challenges. When employees are worried about debt and other personal finance issues, they often have difficulty focusing on their jobs. Stress, including personal economic stress, is estimated to cost business as much as \$150 billion a year

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in lost productivity, according to research conducted and compiled by E. Thomas Garman, president of the Personal Finance Employee Education Foundation and professor emeritus of Virginia Tech University. In today's highly competitive marketplace, engaged employees are a critical asset.

Gaps in financial knowledge among employees present employers with a tremendous opportunity to not only create a skilled and educated workforce, but also to provide a valuable benefit that will help attract and retain employees. Employers that provide financial education and training are achieving the mutual benefit of a financially literate workforce. Employees are better prepared to meet personal financial challenges, while employers gain workers who can sometimes apply their new knowledge to their jobs, who are less distracted and more focused on work, and who are thus more productive.

The majority of employers that provide some form of financial education in the workplace usually focus on the retirement benefits offered to employees, including plan enrollment information and basic advice on choosing mutual funds. Some also offer Employee Assistance Programs (EAP) to employees who seek help meeting a major financial challenge, usually at a time of crisis. These *reactive* programs can be helpful, providing referrals to debt management or financial planning resources in the community.

Increasingly, however, employers are beginning to take the next step and be *proactive*, offering instruction to employees on such issues as debt management, understanding and improving credit scores, preventing bankruptcy, purchasing a home, and basic financial management. To achieve this goal, employers need more information, encouragement, and resources.

The Workplace Committee conducted research, on-line polls, and surveyed employers and key groups in their communities in order to identify the best ways to strengthen financial literacy in the workplace. Those efforts resulted in the following recommendations:

Recommendation 7 -- Establish an annual "Workplace Financial Literacy Honor Roll"

At its July 2008 meeting, the Council adopted the Workplace Committee's proposal to create an annual award, the Workplace Financial Literacy Honor Roll, and is in the process of implementing the program in partnership with staff at the Department of the Treasury.

The Facts

- Surveys consistently find that the public feels overwhelmed and intimidated by the volume of financial information in the overall marketplace. The result is paralysis — inaction, rather than action.
- Employees appreciate receiving financial education in the workplace because they view their employer as a trusted source, and because the instruction is convenient and accessible.
- Studies show that a financially literate workforce is likely to be happier, more focused and productive, and to have learned skills they can apply to their jobs.

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- In a 2008 survey of chief financial officers and other senior executives by CFO Research Services and Charles Schwab, 80 percent of respondents said that financial literacy among employees was the most significant challenge they face in getting employees to participate in the company's 401(k) plan.
- In other Charles Schwab research:
 - employees gave their employers solid marks for providing 401(k) education and for encouraging participation;
 - respondents indicated overwhelmingly that they would like other assistance, including access to financial planning experts, and seminars on personal finance, savings and budgeting tools, and investment advice;
 - younger employees were particularly interested in how to navigate financial planning for such key life events as purchasing a first home, getting married, and starting a family;
 - employees of all ages were worried about debt management, including avoiding or resolving credit card debt.

The Need

Employers can benefit from the experience of other organizations that have already implemented successful financial literacy programs in the workplace. However, it's not easy for employers to identify those outside organizations and use their experience as benchmarks.

Employers need a way to gather information on successful and proven ways to introduce financial education programs in the workplace. From their peers in the marketplace, they need to learn the types of programs that should be offered, how to capture the attention and interest of employees, and how to measure success. In addition, those role model organizations deserve recognition and positive reinforcement for continuing their initiatives.

The Recommendation

The federal government, through the U.S. Department of Treasury, should maintain and promote the Workplace Financial Literacy Honor Roll (Honor Roll). The Honor Roll would serve two main purposes:

- To recognize organizations with exemplary workplace financial education efforts to enhance employee financial understanding and well-being; and
- To encourage other organizations to implement, support and further develop financial literacy programs in the workplace.

Among other criteria, applicants would be evaluated on the content and appropriateness of their financial education programs; the presentation and marketing of those programs to employees; and their measurable positive results.

Invitations to apply for the Honor Roll distinction would be distributed through financial education and literacy organizations, business groups, human resources associations, and

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other stakeholders in order to reach the broadest range of interested organizations. The U.S. Department of Treasury would also market the Honor Roll selection process annually, and provide those selected with recognition among the public and their professional peers.

Recommendation 8 -- Develop and launch a federal government public service communications campaign to encourage Americans to set financial goals, live within a budget, build savings, and participate fully in financial education opportunities.

The Facts

- Employers and their human resource professionals are constantly looking for ways to boost participation in 401(k) plans, encourage increased retirement savings, and increase the use of employer-provided Flexible Spending Accounts and other financial benefits.
- In a recent survey conducted by the Society for Human Resource Management, human resource professionals expressed frustration that participation in financial education events, such as “lunch and learns” and in-house retirement seminars, is often low. Employers are searching for the right incentive or motivation that will ensure employee involvement.

The Need

Education is not a one-way street. Employers can offer financial education and resources, but individual employees must have the motivation and incentive to participate. Just as importantly, employees need to be willing to put their newly gained knowledge into action.

The Recommendation

The federal government should develop guidelines, such as a recommended individual savings rate, that provide individual Americans with the information they need to set appropriate financial goals. The guidelines and supporting information should be communicated to the public as part of a broad public service campaign to encourage individuals to set financial goals, live within a budget, build savings, and participate fully in financial education opportunities available to them.

Recommendation 9 -- Explore one or more tax incentives to encourage employers to provide financial education in the workplace

The Facts

- Employers, like all Americans, must live within a budget in order to be successful. Within those budget constraints, employers choose which benefits to offer based on highest-priority employee needs and desires.
- As a result, much of the financial education currently offered in the workplace is either restricted to retirement planning advice that comes bundled with the retirement plan

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package, or is part of re-active services available through Employee Assistance Programs (EAPs).

- Broadly based and proactive programs — requiring greater benefits expenses to the employers — are the exception, rather than the rule.

The Need

Employers need encouragement and financial assistance to implement a comprehensive and freestanding financial education program as part of the benefits package.

The Recommendation

The federal government, through the tax code, should explore offering employers an incentive for developing and implementing financial education in the workplace, based on priorities set by the government. As financial literacy gains a foothold in America's education curricula and as a national priority, the need for an incentive may diminish. However, its use during the start-up phase of encouraging financial literacy programs in the workplace would be important.

Recommendation 10 -- Create an Internet-based resource center that consolidates the best financial education information and resources into one new financial literacy web site, designed to help employers quick and easy access to tools they need to design workplace financial literacy programs tailored to the specific needs of their employees.

The Facts

- The Internet is rich with sites providing free information on basic budgeting, personal finance resources, and the best ways to engage employees.
- There are also countless publications, program materials, and other resources available through financial institutions, non-profit organization, government agencies and other sources.
- The amount of that information is so vast that it can be an intimidating challenge for employers and human resources professionals to determine which resources are the most useful, effective and accurate for offering financial education in the workplace.
- Particularly on the Internet, distinguishing between legitimate financial education resources and a wide variety of other products and programs marketed as “financial education” but that are actually scams and get-rich-quick schemes, is proving to be increasingly difficult.

The Need

To be able to effectively deliver financial literacy information, products, and services, human resource professionals and employers need a “one-stop” resource, a place where relevant, objected and vetted information has been synthesized, allowing them to identify available programs and resources that match their individual workplace budgets and educational needs.

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The Recommendation

The federal government should assess and consolidate the best information and resources available into one new financial literacy Web site. The site would allow employers to review and understand the options available to them through federal, state and local governments, and non-profit and private or corporate organizations. Being able to cut through the many choices and focus in on the most appropriate resources is the key to giving HR professionals and employers quick access to the tools they need to design financial education programs that are tailored to their own workplaces.

Recommendations 11-13 – Increase access to financial services for the millions of unbanked and underserved Americans.

Recommendation 11 – Mandate that every American has the right to an electronic, debit card-accessible bank account protected by the Federal Deposit Insurance Corporation.

Owning a bank account and having a relationship with a financial institution should be a basic human right and available to every American citizen. It is the first step in financial independence. Providing electronic debit access to a bank account under the protection of the FDIC will provide a hand-up instead of a hand-out to the underserved American citizen.

The Facts

- An estimated 28 million American households are “unbanked,” and millions more are “underbanked.” Without a bank account, it is virtually impossible to get credit, receive federal payments, own property, or take part in virtually any aspect of the nation’s economic mainstream.
- Not having a bank account forces millions of Americans, particularly in America’s inner cities and low-wealth communities, to pay excessive fees for basic “financial services,” which all too often are unscrupulous payday lenders, check cashers and other non-traditional providers.
- Thousands of Hurricane Katrina victims, and victims of other disasters, were unable to receive payments from the Federal Emergency Management Agency (FEMA) because they did not have a bank account to which funds could be wired.
- Tens of billions of dollars are wired out of the United States annually by citizens and undocumented immigrants without the transparency, protections and cost savings available through the traditional banking system.
- What are the reasons why people are unbanked?
 - Distrust of the banking system.
 - Inability to maintain sufficient cash balances to avoid high monthly fees
 - Write too few checks per month to need a checking account
 - Have too little monthly income to justify a savings account.
 - The lack of bank branches in many lower-income and inner-city neighborhoods has made a banking relationship inconvenient for many consumers.

The Need

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A 2006 study of unbanked consumers by Scarborough Research found that millions of adults lived in households that do not have any relationship with a bank for either checking, savings or credit cards. Unbanked consumers are more likely to be female, younger, lower-income, single and to hold blue collar occupations.

A more recent study from The TowerGroup (July 2008) reports that it is actually more than 100 million consumers living in the United States today that are considered “unbanked,” “underbanked,” or credit underserved, and often rely heavily on nonbank providers of financial services to conduct their financial transactions. In spite of various regulations enacted to provide banking services to a broader range of consumers, many financial services institutions still do not offer the products needed by this significant portion of the U.S. population.

TowerGroup argues that traditional financial institutions must focus more attention on creating the right products for financially underserved consumers – given that existing products do not meet the needs of this population nor help institutions win additional market share in this category. The TowerGroup report recommends that institutions make a full-scale evaluation of various segments of the underserved market and address these customers’ unique needs, preferences, and economic circumstances. (Source: TowerGroup July 2008).

The Recommendation

Mandate that every American citizen has a legal right to an electronic, debit card accessible bank account protected by the FDIC. Treasury would be empowered to oversee this policy, in concert with the FDIC. Treasury and Congress should explore the feasibility of programs such as:

- providing a bank account for every person receiving some sort of government check;
- providing bank accounts for children at birth.

Recommendation 12 – Provide federal funding for non-profit organizations working on community-based financial literacy programs.

The Facts

- Community-based organizations and non-profits have a proven record of effecting change in America.
- Community-based organizations operate effectively below the spans of state and local government, at the lowest and most personal level between people -- mostly at the level of neighborhoods and small communities. The members themselves typically manage the organizations.
- Community development is asset building. It centers on housing and community economic development but also includes developmental efforts such as job training to prepare residents for more productive lives.

The Need

There is a critical need for immediate action. There are community-based organizations and non-profits that have the ability to implement financial education programs within their communities immediately and are hampered only by the lack of resources. Community-

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based and non-profit organizations have demonstrated the ability to accomplish much with modest funding, thank to the benefits of their community- and philanthropic-based structure.

The Recommendation

Sources of federal funding for non-profit organizations working on community-based financial literacy programs should be made available and aggressively promoted.

Recommendation 13 -- Provide a federal funding source for city and state governments demonstrating leadership in financial education for their residents.

The Facts

- State and local real estate and income taxes are directly impacted by financially troubled residents.
- Real estate foreclosures have a direct negative impact on state and local tax revenues.
- Many state and local governments are experiencing severe budget shortfalls.
- Financial education will improve the overall financial well-being of a community.

The Need

Financial education and the resulting economic empowerment can improve the financial well-being of the residents of our cities and states – resulting in stronger local and state economies.

The Recommendation

Federal funding should be made available for city and state governments demonstrating leadership in financial literacy education for their residents.

Recommendations 14-18 – The Council should endorse definitions of terms such as “financial literacy” and “financial education,” and identify and promote a standardized set of skills and behaviors that a financial education program should teach an individual in order for that individual to be considered financially literate.

In order to advise effectively the President and the Secretary on means to establish effective measures of national financial literacy, the Council believes in developing a standard understanding of the competencies, skills and behaviors that participants must exhibit to be identified as “financially literate.” These skills and behaviors would comprise what the Council believes are necessary for individuals to take control of their financial future. Additionally, the educational programs that identify themselves as financial literacy programs must ensure that participants in their programs are developing competencies, acquiring skills and exhibiting behaviors necessary to take control of their financial future.

The Facts

- Currently, the term “financial literacy” is being used to describe financial education programs without taking into consideration exactly what the program’s goal is, what particular skills the participants will learn and if it will enable participants to take control of their financial future.

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- A review of the current literature clearly shows that, on one hand, there are National Standards² for both K-12 and adult financial literacy education intended to provide guidance, benchmarks and the best practices to improve the overall quality of financial literacy education materials.
- At the same time, programs focusing on a single aspect of financial literacy, while very important, are also often referred to as “financial literacy programs,” though they are not, by design, comprehensive outside of their specialized topic.
- Studies that measure levels of financial literacy or changes in the level of financial literacy among Americans (adults and youth) are using various approaches.
 - Some studies use the definition developed by the JumpStart Coalition: “the ability to use knowledge and skills to manage one’s financial resources effectively for lifetime financial security.” More than 30 separate items are used to measure financial literacy.
 - By way of example, however, Dr. Annamaria Lusardi, Professor of Economics, Dartmouth College (2008) used one topic (investments) and a three-item test to determine if Americans are “financially literate.”
 - On the spectrum of program measurement, there are others that lie in-between.
- While these various studies all make important contributions to our understanding of the state of financial literacy generally, they underscore the fact that not everyone is measuring same thing, even though the same terminology is being used.

The Need

To advise the President and the Secretary on means to establish effective measures of national financial literacy, it is important that we determine and recommend a standard measure of what is to be expected from a financial education program if it is to be labeled a “financial literacy program.” Currently, the educators, researchers and policymakers are using the term “financial literacy” without any agreement on the phrase’s definition, and these varying definitions hinder policy development.

The Council must articulate: a) what a participant must accomplish in an educational program to “have the skills necessary to take control of his or her financial future” before it is identified as a “financial literacy” program; and b) similarly, a survey instrument must measure if participants “have the skills necessary to take control of his or her financial future” before it claims to measure level of change in financial literacy. Such an articulation will ensure consistent measurement of the quality and effectiveness of educational programs, achievements of participants (students, employees), and measurement for the level and trends in financial literacy.

The Recommendations

Recommendation 14 -- The Council should adopt a definition of financial literacy. The recommended definition is “the ability to use knowledge and skills to manage financial

² Institute for Financial Literacy’s *National Standards for Adult Financial Literacy Education*, the JumpStart Coalition’s *National Standards in K-12 Personal Finance Education*, & standards at the state level

resources effectively for a lifetime of financial well-being,” as used by the Jump\$tart Coalition (2007) and also used by the Financial Literacy and Education Commission.

Recommendation 15 -- The Council should adopt a definition of financial education. The recommended definition is “the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being.” This definition is modeled on one produced by the Organization for Economic Co-operation and Development (2005) and is also used by the Financial Literacy and Education Commission.

Recommendation 16 -- The Council should endorse national standards for K-12 financial literacy, adult financial literacy, and economics.

Specifically, the Council should endorse:

- the National Standards in K-12 Personal Finance Education (Jump\$tart Coalition for Personal Financial Literacy (2007));
- the National Standards for Adult Financial Literacy Education (The Institute for Financial Literacy (2007)); and
- the Voluntary National Content Standards in Economics (National Council on Economic Education, 1997)

Recommendation 17 -- The Council should define the term “comprehensive financial literacy program” that identifies the specifics set of skills that a person should have upon completion of such a program.

It is recommended that individuals should complete a program with an understanding of:

- the capital market system and financial institutions;
- the participant’s household’s cash flow situation, and how to develop and maintain a positive cash flow situation for their household ;
- how to develop a spending plan that is consistent with their resources and priorities
- the reasons for having an emergency fund and how to establish an emergency fund for the household;
- the fundamentals of credit granting, including how to evaluate, select, and manage credit, and how to maintain good credit rating;
- the process of deciding when to rent and when to buy a home, and the process of home ownership;
- the process of identifying various financial risks that they face, including being able to develop a risk management strategy to decide which risks they should take on and which should be transferred to an insurance provider;
- how to protect themselves from various frauds, rip-offs, and identity theft, and what to know and do if they are a victim;
- basic investment products, the relationship between risk and return, and the what, when and why of choosing the best investments at the right time in their life;

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- employee benefits and taxes in order to take advantage of what their employer is offering them and how to make best use of those benefits for their family's financial well-being;
- the various components of retirement planning, and how to develop an appropriate plan for a secure retirement; and
- how to develop a plan to assure financial security in the case of unexpected loss of income (disability or death) for those who depend on their earning power, and to assure the smooth transfer of assets to appropriate heirs.

Every program that meets these standards should be tailored to its target audience, taking into account language, literacy level, culture, age and experience.

Recommendation 18 -- Explore the creation of a certification program for teachers of financial literacy courses. As the Council moves toward more formal definitions and standardization of terms and curriculum, a Treasury-sponsored certification program could be effective in giving Americans confidence that the instructor and the program are providing appropriate information, and give instructors the confidence that they can teach the material.

Recommendations 19-21: Promote more awareness among Americans of the state of financial literacy generally and of their own financial literacy, and dedicate more resources toward educating Americans how to improve on the results.

Recommendation 19 – Execute critical research into the state of financial literacy and the most effective measures to increase financial literacy in the United States.

The Facts

- Considerable high-quality research into various aspects of financial literacy has been undertaken in the last decade, including:
 - Various research examples to be added here
- Research generally, however, has been piecemeal, focusing on specific issues, but a broad-based comprehensive assessment of the state of financial literacy has been lacking.

The Need

A comprehensive survey of the current state of financial literacy in the United States would provide definitive information for the Council to use in making future recommendations to the President. It would also provide a useful baseline from which policymakers and school administrators could determine where the educational needs are the greatest, and inform deliverers of financial education how best to direct their resources.

The Recommendations

The Council should undertake a major effort to conduct research that explores these questions:

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1. What is necessary to create a consistent, sustainable, financial literacy infrastructure and employers to find the right source?
2. The benefits of some type of certification that a person has to have in order to teach financial literacy courses.
3. What financial literacy statistics should be developed to measure competencies and skills that are necessary for a person to take control of their financial future?
4. What are the barriers to having financial education be a required subject in public schools, who should require it, and how can the barriers be overcome?
5. If we increased financial literacy education how will it affect individual household and national economic stability?
6. What role should tax policy play in affecting financial behavior, and what impacts do monetary policies have on consumers?
7. What is the “return on investment” (ROI) on the time and resources that an employer invests in increasing financial literacy among its employees, from the perspective of both employers and employees?

Recommendation 20 – Create and distribute a self-administered “National Financial Check-Up” that would allow Americans to assess their own financial knowledge and then provide links to trustworthy sources of information to fill in any gaps.

One of the challenges facing financial educators is the sense that Americans tend to overestimate their financial expertise. There are few tools available for individuals to assess their own financial capability? Overwhelming amounts of information and advice are available. The Council believes creating an easy place for individuals to assess their financial knowledge and connecting that to trustworthy sources of information and help would allow Americans to better address their specific needs.

The Facts

- Self-assessment tools help people determine the current state of their physical health, nutritional habits, and dozens of other conditions. These tools also are simple to understand, use and learn from. They boil down complex concepts into easy tests that people self-administer in privacy.
- The best ones refer users to resources to help them learn more about the topic covered in the test. Even if someone isn’t thinking about taking a check-up, a simple, eye-catching quiz often propels individuals easily into positive action and self-awareness.
- The Internet is littered with tools for individuals to measure how much credit they should carry, how large a mortgage they can afford, how much their savings will compound over time, and countless other calculators and tools.
- But there are few options for individuals to assess their understanding of these concepts and tools, or to get a comprehensive overview of their financial skills.

The Need

Americans are inundated with financial information and overwhelmed into inaction. They don’t even know where to start when it comes to learning about their own situation because there is too much to absorb. The desire for privacy prevents many from seeking outside help, especially when their financial situation is deteriorating. Americans need a simple way to

give themselves a check-up on their financial knowledge and personal financial situation. If they find themselves with low scores and the need to learn more, they need to know where to go to get easily-understood information about basic financial topics to improve their financial situation and capability.

The Recommendation

The President’s Council should lead an effort to create the “Financial Check-Up” by enlisting expert input to create a simple, self-administered test of baseline financial knowledge, skills and/or attributes critical to basic financial capability. The check-up should use easily-understood vocabulary at the average U.S. literacy level and should be short – preferably not more than 10 questions. It should assess an individual’s abilities across a variety of basic financial skills, such as:

- Budgeting
- Evaluating the capability to afford a purchase, and, subsequently, evaluating the best way to fund that purchase
- Building an emergency fund
- Understanding how credit works (including your FICO score)
- Understanding how credit cards work
- Understanding how interest compounds over time (tie into savings concept)
- Understanding the basic concepts of a mortgage
- Understanding basic insurance needs and products
- Awareness and understanding of what programs/benefits are available to you through your employer or membership organizations
- Having a retirement plan

The check-up should be accompanied by an affiliated information database, so if people do not score well on the check-up, there is somewhere they can go to self-tutor themselves. The database should be universally accessible (i.e., both Internet- and paper-based). Every component of the financial check-up will be linked to noncommercial, objective resources that provide basic information to consumers.

The check-up should also develop a compelling and recognizable brand/identity, including, for example, language such as “brought to you by The President’s Advisory Council on Financial Literacy.”

The program should have an aggressive promotion and distribution program to support it, with the goal of quickly increasing knowledge and use of the program. Among the elements of such a program:

- Integrate the check-up into “teachable moments” and “obvious triggers,” such as:
 - Annual Social Security statements
 - Federal and state tax refunds
 - New Year’s resolutions
 - Preparing your taxes, or gathering materials for someone else to prepare your taxes

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- Back-to-school time – (the other time of year people feel they can make a fresh start)
- Develop a Web site for the check-up where consumers can self-administer the test, receive their score, and be referred to additional noncommercial informational resources
- “Give Yourself a Check-Up” messaging
 - National media/public service announcement campaign: print, radio, television, Internet, billboards, public transportation advertising
 - Government, nonprofit and financial education community Web sites, newsletters, fairs and events
 - Financial institutions and mutual fund companies’ Web sites, statement mailers and newsletters
 - Community- and faith-based organizations’ programs, centers, events, handouts and resources for clients
 - Schools (as a distribution point for students to take home the check-up for their families)
- “Tell a friend” social marketing
 - Make it easy for people to share the check-up with their friends

Finally, there must be an effective measurement of the effectiveness of the program. It will be necessary to develop a statistically-significant method to collect scores and measure improvement over time.

Recommendation 21 – Dedicate governmental human resources to focus on active and ongoing media and marketing outreach to promote more widespread knowledge of general financial education concepts.

Active and ongoing engagement with national, regional, local and trade media is a key outreach strategy to promote knowledge and awareness of financial education concepts, strategies and resources. Electronic and print media stories and public service announcements about financial education can reach a significant portion of the American population. Media exposure can help generate awareness of important financial education concepts and inspire individual Americans to learn more about those concepts and implement them in their lives.

The Facts

Despite the best efforts of many organizations, only a fraction of Americans are exposed to financial education curricula in grades K-16. As adults, the “financial education” they receive is often limited to 401(k) plan information; solicitations from financial institutions, mutual fund companies and financial planners; and late-night “get rich quick” infomercials.

However, on any given day, 81 percent of American adults consume news via television, newspapers, radio and/or the internet, and 44 percent read newsmagazines “sometimes” or “regularly” (2008 *Pew Research Center Biennial News Consumption Survey*). Media consumption is a repetitive activity with the potential to reach the same people multiple times with information.

The Need

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Noncommercial, objective financial education resources, guides, tips and checklists are readily available, but many adults don't know where to turn to begin. Others choose to hide themselves from accessing a body of knowledge they perceive to be difficult and intimidating, or they just don't want to be told that they can't buy the things they want. When so many Americans interact with media on a daily and weekly basis, information and messages delivered through media will help consumers become aware of basic personal finance concepts and where to go for more information. Media often illustrate their reporting with stories about real people and their families, which also may inspire consumers to take the first step towards financial capability when they can relate to role models in media stories.

The Recommendation

Dedicate governmental human resources to focus on active and ongoing media and marketing outreach to promote more widespread knowledge of general financial education concepts among the American people

- Create a dedicated U.S. Financial Literacy Office of Public Affairs to:
 - Oversee media and marketing strategy
 - Develop messaging/talking points and train spokespeople as appropriate
 - Develop and maintain media contact lists
 - Coordinate media outreach among key personnel in other governmental departments and agencies
 - Coordinate and direct media outreach among President's Advisory Council members and promote the work of the Council
 - Develop a targeted outreach strategy to the top 100 U.S. media outlets to encourage them and to provide the tools for them to develop (or deepen) their focus on personal finance.
 - Develop marketing messages and campaigns
 - Work interactively with nonprofit and commercial financial education organizations
 - Track and measure overall media marketing efforts and effectiveness
- Designate dedicated Public Affairs Officers in key departments and agencies (e.g., Treasury and other members of the Financial Literacy and Education Commission (FLEC)) to:
 - Pitch media stories on relevant aspects of financial capability based on their respective agencies
 - Integrate financial capability into agencies' Web sites, programs, speeches, etc.
 - Develop and implement appropriate marketing and outreach activities to support overall marketing initiatives of the central Financial Literacy Office of Public Affairs
 - Reinforce their role as an integral part of the greater campaign coordinated by the central Financial Literacy Office of Public Affairs (or Treasury, or FLEC, or other agency as appropriate) – it is important to allow appropriate autonomy at the “local” level while leveraging the benefits of the umbrella effort

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REPORT CONCLUSION

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Appendix A

Members of the President's Advisory Council on Financial Literacy

- Charles R. Schwab, Chairman and Founder, The Charles Schwab Corporation, San Francisco, California -- Chairman
- John Hope Bryant, CEO and Founder, Operation HOPE, Los Angeles, California – Vice Chairman
- Ted Beck, President and CEO of the National Endowment for Financial Education (NEFE), Greenwood Village, Colorado
- Ted Daniels, President and CEO, Society for Financial Education and Professional Development, Arlington, Virginia
- Vice Admiral Cutler Dawson, President and CEO, Navy Federal Credit Union, Arlington, Virginia
- Robert Duvall, President and CEO, National Council on Economic Education (NCEE), New York, New York
- Dr. Tahira Hira, Professor and Executive Assistant to the President, Iowa State University, Ames, Iowa
- Jack Kosakowski, executive vice president and COO of Junior Achievement USA, Colorado Springs, Colorado
- Sharon Lechter, CEO and Founder, Lechter Development Group and Vice President, Childhelp, Paradise Valley, Arizona
- Reverend Dr. Robert Lee, Chairman and CEO, Fresh Ministries, Jacksonville, Florida
- Laura Levine, Executive Director, Jump\$tart Coalition for Personal Finance, Washington, D.C.
- David Mancl, Director, Office of Financial Literacy, Wisconsin Department of Financial Institutions, Madison, Wisconsin
- Don McGrath, Chairman, BancWest Corporation, San Francisco, California
- Janet Parker, Chair, Society for Human Resources Management (SHRM) and Executive Vice President, Human Resources, Regions Financial Corporation, Birmingham, Alabama
- Ignacio Salazar, President and CEO, SER Jobs for Progress National, Inc., Detroit, Michigan
- Mary Schapiro, CEO, Financial Industry Regulatory Authority (FINRA), New York, New York

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