

**President's Advisory Council on Financial Capability
Second Public Meeting
Department of Education– Barnard Auditorium
April 21, 2011 – 11:00 am – 1:00 pm (EST)**

MEETING MINUTES

Council Members Present:

John Rogers, Jr., Council Chair
Roland A. Arteaga, Member
Ted Beck, Member
Samuel T. Jackson, Member
Beth Kobliner, Member
Amy Rosen, Member
Carrie Schwab-Pomerantz, Member
Kenneth Wade, Member
Addison Barry Rand, Member

Administrative Officials Present:

Arne Duncan, U.S. Secretary of Education, U.S. Department of Education
Neal S. Wolin, Deputy Secretary, U.S. Department of the Treasury
Phil Martin, Office of the Under Secretary, U.S. Department of Education
Josh Wright, Acting Director, Office of Financial Education and Financial Access, U.S.
Department of the Treasury

Other Attendees:

Sendhil Mullainathan, Professor of Economics, Harvard University and Managing Director and
Founder, ideas 42
Jennifer Tescher, President and Chief Executive Officer, Center for Financial Services
Innovation

Introduction and Announcements

The second meeting of the President's Advisory Council on Financial Capability (Council) convened on April 21, 2011 at 11:00 A.M. Phil Martin, of the U.S. Department of Education, welcomed members of the Council, other participants, and members of the audience. He explained to participants that the Council had been tasked with advising the President on increasing the financial capability of Americans, and clarified that financial capability is the financial knowledge and skills for financial literacy along with access to affordable, appropriate financial products and services.

Mr. Martin introduced U.S. Secretary of Education Arne Duncan, to present awards to a group of high school students who were among the top 20% of all scorers in the National Financial Capability Challenge. More than 84,000 students from around the country participated in the

Challenge, which was a joint initiative between the Department of Education and the Department of the Treasury. Secretary Duncan then thanked the Council members for their commitment to financial capability, and stressed the importance of the public and private sector coming together to face challenges in financial education and financial access, especially for minority communities and children. He also expressed excitement about the Department of Education's continued partnership with the Department of the Treasury, and described their previous success in improving access to financial aid for college by simplifying the FAFSA process.

Secretary Duncan then introduced Deputy Secretary for the Treasury Neal Wolin. He too expressed excitement about collaborating with the Department of Education on financial capability. He asserted that the future prosperity of our country depends on the ability of Americans to make informed financial decisions, and explained that, while financial education is important, equally important is access to financial products and services. He told the Council that their work is an important opportunity to advise the President and his cabinet members on methods to strengthen and enhance coordination between existing public and private sector financial education efforts and on methods to identify the best kind of financial education and financial access approaches.

Josh Wright, Acting Director of the Office of Financial Education and Financial Access at the Department of the Treasury, provided an overview of the rest of the agenda before turning the meeting over to John Rogers, Chair of the President's Advisory Council on Financial Capability.

Subcommittee Reports

Chairman Rogers thanked the Council members for their hard work in the subcommittees. At the previous meeting, the Council approved the creation of five subcommittees to focus on the national strategy, financial access, research and evaluation, partnerships, and youth. Mr. Rogers reported that these subcommittees have been conducting research and collecting information from different stakeholders across the country regarding financial capability.

Mr. Wright provided updates on the Council's membership. He announced that Ms. Lorraine Cole has accepted a position with the Department of the Treasury as head of the Office of Minority and Women Inclusion and therefore had resigned from the Council. He announced that Mr. Harvey Wineberg was also no longer able to serve as a member of the Council.

Mr. Wright then recommended eliminating the Strategy subcommittee and making its work and priorities part of the other four subcommittees. He noted that the Partnerships subcommittee could take over coordination with the Financial Literacy and Education Commission (FLEC), a role previously held by the Strategy subcommittee. The Council approved this recommendation.

Mr. Rogers introduced Arty Arteaga, Chair of the Financial Access subcommittee. Mr. Arteaga informed the Council that, to better understand the obstacles and barriers associated with financial access, the subcommittee looked at issues related to infrastructure, trust, convenience, knowledge, and income. Mr. Arteaga explained the need to focus on the unbanked and underbanked, and those with low to moderate income. To achieve their goal of providing recommendations to the President and Secretary on promoting private sector development of

products and services to benefit unbanked and underbanked consumers, the subcommittee identified three areas of focus: ongoing programs, products and services and initiatives by profit and non-profit organizations; emerging and developing technologies; and partnerships with the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and Department of Education.

Mr. Arteaga then introduced Samuel Jackson, a member of the Financial Access subcommittee, to present a recommendation to the Council. Based on their research into the potential of technology, the subcommittee recommended that the Department of the Treasury hold a challenge to the private sector to create applications for mobile devices that promote financial capability and financial access. Mr. Jackson explained that cell phones and other mobile devices are poised to become significant new tools for traditionally underserved customers to access financial products that meet their needs. The Council approved the recommendation.

Ted Beck, chair of the Research and Evaluation subcommittee, presented to the Council on that subcommittee's efforts to explore the scale and scope of existing research. Based on this research, the subcommittee was able to identify key issues and priorities. Mr. Beck emphasized the importance of staying connected with relevant government organizations like FLEC, with organizations that conduct research, and with the other subcommittees of the Council. He also identified a focus on behavioral change and research that ties to community action as key priorities of the subcommittee. Preliminary goals of the subcommittee include providing direction for future research, avoiding duplication, and going beyond just the classroom.

Mr. Beck outlined his subcommittee's work going forward. A shared national evaluation process will be key in constructing recommendations. They have also focused in on the challenges facing older Americans as an area in need of further research. The subcommittee will also examine ways in which the Council can provide leadership to the community, to coordinate and guide existing research.

Chair of the Youth subcommittee Amy Rosen presented to the Council on the dire need for youth financial education, to prepare students to be financially capable adults, and identified the ultimate goal of having every young person in America receive a high quality financial education.

Ms. Rosen identified three areas of focus for the subcommittee, based on recurring themes and issues encountered in their research. Their first area of focus is translating financial education standards into consumer friendly guidelines. The subcommittee has begun preliminary work on a money milestones recommendation, aimed at achieving this goal. Beth Kobliner has been developing a set of guidelines about what lessons and behavior children should be expected to master as they grow. Ms. Rosen explained that the federal government's recently revised dietary guidelines a model for the project. The subcommittee is also focusing on adopting strategies to increase effectiveness in K-12 financial education. Ms. Rosen explained that the subcommittee has found that a major impediment to financial education in schools is that teachers feel that they lack the background and capacity to teach it. They have begun looking at teacher training programs that might be effective in preparing teachers to more effectively teach financial education. Ms. Rosen also explained the importance of effective curricula promoting

experimental learning that will engage students, and of developing core standards for financial education. The Youth subcommittee's final area of focus is on better equipping young people to make decisions before they invest in post secondary education. Ms. Rosen expressed a belief that there is an opportunity for the Council to find ways to ensure that students who take out federal loans complete effective loan counseling.

Ms. Rosen closed with the Youth subcommittee's plans to hold public forums on these topics, to gain input from both experts and the public. Ms. Carrie Schwab-Pomerantz then initiated a discussion of the Financial Capability Challenge. She updated the Council on its status, and on the Youth subcommittee's plans to evaluate its results and impact.

Mr. Ted Beck next provided more details about the teacher training pilots developed with the support of several organizations, including the Department of Education. He explained that, based on a study showing that 89% of teachers supported including financial education in schools but 64% of teachers did not feel able to themselves teach it, a number of organizations partnered together to test the effectiveness of teacher training. The pilot training programs have two goals: improving teacher financial knowledge for their own sakes, and testing whether the training increases their ability to teach the material and produce behavior change in students.

The Youth subcommittee's presentation concluded with an update from Ms. Beth Kobliner about her work with Sesame Street. The program focuses on talking to very young children about money.

Chair of the Partnerships subcommittee Carrie Schwab-Pomerantz presented the Council with two general areas the subcommittee has identified as an opportunity for the Council to have a measurable, positive impact. The first is in increasing partnerships between the federal government and state and local governments. She updated the Council on existing state and local financial capability councils, and expressed support for the creation of more councils. Ms. Schwab-Pomerantz submitted for the record three letters discussing the Councils in Miami, Fulton County Georgia, and the District of Columbia from leaders associated with each Council: the mayor of Miami; John Eaves, Chairman of the Fulton County board; and Representative Eleanor Holmes Norton of the District of Columbia. She also briefly updated the Council on an upcoming listening session in Indianapolis, to learn about the city's campaign for financial fitness.

Ms. Schwab-Pomerantz then provided an update on work in the subcommittee's other area of focus, promoting workplace financial education. She explained that while employers and business leaders have begun to recognize the importance of offering their employees financial education, they do not know how to start, where to find programs, or how to implement those programs. She highlighted the program being developed by the Financial Literacy Center for the New York Stock Exchange as a promising private sector program. The subcommittee is also working with the federal government's Office of Personnel Management to help federal agencies take the lead in workplace financial education.

She concluded by making a formal recommendation to the Council. The previous President's Advisory Council on Financial Literacy had recommended the creation of a workplace financial

education honor roll. Though the federal government did not at that time implement such a program, the Society for Human Resources Management and the American Institute of Certified Public Accountants partnered together to create the Workplace Leaders in Financial Education Awards. The subcommittee believes that the program has potential to increase awareness of workplace financial education and encourage organizations to make financial education a priority. As such, the Partnerships subcommittee recommended that the Department of Treasury support the Workplace Leaders in Financial Education Award. The Council approved the recommendation.

The Council moved into discussion, and Mr. Rand encouraged Council members to remain focused on implementation when developing recommendations. He stressed the importance of continual evaluation of programs, and on achieving the necessary scale.

Guest Speakers

Mr. Josh Wright introduced the first guest speaker, Dr. Sendhil Mullainathan, Professor of Economics, Harvard University and Managing Director and Founder, ideas42. He presented the Council with a series of stories, each of which illustrated a basic point about financial education— that intentions are different from actions. He explained that financial education is necessary to create the right intentions, and intentions are certainly a prerequisite for behavior change, but intentions alone do not result in behavior change.

Dr. Mullainathan used the example of undergraduates sleeping through his class to illustrate the important role played by products. Students generally intend to wake up for class, but because of the ease with which they could give into the temptation to just hit snooze, that intention is often not carried out. He explained that an alarm clock with a snooze button is not the best product for translating the intention of waking up into the actual action of waking up. Dr. Mullainathan related this to financial education by explaining that to achieve financial behavior change, education must be paired with effective products. He used 401k plans as an example of how changing a product can lead to significant behavior change; auto-enrollment retirement savings programs have much higher participation rates than opt-in programs, because auto-enrollment programs counter a natural tendency toward procrastination.

Dr. Mullainathan concluded his presentation with an illustration of how beneficial greater financial access can be especially in low-income communities. He explained that studies have shown money concerns will lower a person's performance in the workplace and even on basic intelligence tests, and so improving financial education and financial access can fundamentally transform quality of life.

Mr. Wright then introduced Jennifer Tescher, President and CEO, Center for Financial Services Innovation (CFSI). She reiterated that intention is not enough to create change, using the food pyramid as an example of people knowing what food they should eat, but eating poorly anyway. Ms. Tescher highlighted four elements of effectiveness needed for a product to cause behavioral change. A product or service that is relevant, timely, actionable, and ongoing will produce the best results.

She explained to the Council that CFSI created a financial capability innovation fund, to seek and support innovative practices and products that are effective in producing behavioral change. They sought products that combined education with access, leveraged technology, incorporated behavioral economics, and included cross sector partnerships. They selected five products from numerous applicants to support and evaluate. She briefly described each project: the Filene Research Institute, the Mission Asset Fund, Co-opportunity, Consumer Credit Counseling Services of Delaware Valley, and Piggy Mojo.

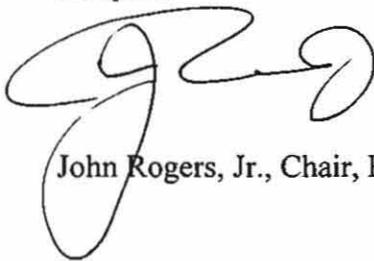
Conclusion

Mr. Wright reminded Council Members and audience members that the next Council meeting would be conducted via webcast on July 12. All materials from this meeting are posted publically at treasury.gov, under the Financial Education and Financial Access Resource Center. He also encouraged members of the public to look out for a Federal Register Notice soliciting information to help inform the Council's recommendations.

Adjournment

Chair John Rogers adjourned the meeting at 12:50 P.M.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete

A handwritten signature in black ink, appearing to read 'John Rogers, Jr.', with a large, stylized initial 'J' and a long horizontal stroke extending to the right.

John Rogers, Jr., Chair, President's Advisory Council on Financial Capability