



President's Advisory Council on Financial Capability

Background

On January 29, 2010, the President signed Executive Order 13530, creating the President's Advisory Council on Financial Capability ("PACFC") to assist the American people in understanding financial matters and making informed financial decisions, and thereby contribute to financial stability. It is composed of non-governmental representatives with relevant backgrounds, such as financial services, consumer protection, financial access, and education. The PACFC will suggest ways to coordinate and maximize the effectiveness of existing private and public sector efforts and identify new approaches to increase financial capability¹ through financial education and financial access. The PACFC will collect information and views concerning financial capability from the Federal Government's 22-member Financial Literacy and Education Commission (FLEC)².

Proposed Areas of Focus

The role of the PACFC is to advise the President and the Secretary of the Treasury (Secretary) on means to promote and enhance individuals' and families' financial capability. Where appropriate, the PACFC will take into consideration the particular needs of traditionally underserved populations, such as youth, minorities, low- and moderate-income Americans, immigrants, and low-literacy adults. The Chair recommends the establishment of subcommittees to focus on the proposed strategic areas listed below. Subcommittees shall in all instances submit advice and recommendations only to the PACFC for consideration by the entire PACFC on whether to submit such advice and recommendations to the President and the Secretary. These subcommittees are: Strategy, Financial Access, Research and Evaluation, Partnerships, and Youth.

- *National Strategy for Financial Literacy 2010 (Strategy)*: Title V of the Fair and Accurate Credit Transactions Act of 2003 established the FLEC and named the Secretary of the Treasury as Chair of the FLEC. As part of its mandate, the FLEC is currently developing a national strategy with the purpose of creating an overarching framework that organizations involved with promoting financial capability, including government agencies, businesses, and non-profit organizations, may find useful to help guide their work. Achieving the Strategy's goals requires that each organization, individually and collectively, implement effective tactics. To do so, the PACFC would advise the

¹ Financial capability is the capacity, based on knowledge, skills, and access, to manage financial resources effectively. In order to develop this capacity, individuals must have appropriate access to and understanding of financial products, services, and concepts. Financial capability empowers individuals 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.

² The FLEC is composed of the following Federal entities: Board of Governors of the Federal Reserve System, Commodity Futures Trading Commission, Federal Deposit Insurance Corporation, Federal Trade Commission, National Credit Union Administration, Office of the Comptroller of the Currency, Office of Thrift Supervision, Small Business Administration, Social Security Administration, Department of Agriculture, Department of Defense, Department of Education, General Services Administration, Department of Health and Human Services, Department of Housing and Urban Development, Department of Labor, Office of Personnel Management, Department of the Treasury, Department of Veterans Affairs, Securities and Exchange Commission, White House Office of Public Engagement and the Consumer Financial Protection Bureau.

President and the Secretary on means to effectively implement the goals of the Strategy which are: increasing awareness of and access to effective financial education; determining and integrating core financial competencies; improving financial education infrastructure; and identifying, enhancing and sharing effective practices.

- *Financial Access:* The 2009 FDIC Survey of Unbanked and Underbanked Households found that one of every four American households is unbanked (meaning they do not have a bank or credit union account) or underbanked (meaning that although they may have an account, the mainstream financial system is not meeting their needs, and they are turning to alternative financial services providers). In practice, this indicates that too often, those who can least afford it are paying the most for basic financial services – like cashing a paycheck or paying bills. The money that families often spend on fees for these services could be going, instead, to saving for a child’s education, purchasing a home, or planning for retirement. The PACFC would provide recommendations to the President and the Secretary on promoting private-sector development of financial products and services that will benefit unbanked and underbanked consumers, with a focus on those that are low- and moderate income, through the use of emerging technology, emerging products, and other means to address current barriers to access (Lead subcommittee: Financial Access).
- *Research and Evaluation:* Ongoing financial education and financial access research and evaluation will lead to better understanding of the problems related to the lack of financial capability, and of the effectiveness of interventions that aim to address them. More information is needed to help policy-makers and practitioners determine which programs and practices should be established, scaled up, or discontinued, and how financial education and financial access efforts can best keep pace with the changing, increasingly complex, hi-technology financial system. The PACFC would provide recommendations to the President and the Secretary on means to identify effective financial education approaches and methods for evaluating the effectiveness of financial education approaches, in particular those that may be appropriate for replication nationally. The PACFC could focus on the needs of the traditionally underserved populations described above. (Lead subcommittee: Research and Evaluation).
- *Partnerships:* Strengthening and enhancing coordination between public and private-sector financial education programs is critical to reach key audiences efficiently and effectively and to equip consumers with needed financial skills. The PACFC will recommend to the President and the Secretary public and private-sector partnerships that have the potential to increase financial capability (Lead Subcommittee: Partnerships).
- *Youth financial education:* If young people are not taught how to make informed financial decisions today, they will be more likely to make mistakes tomorrow. Therefore, a strategic approach to promoting youth and young adult financial capability is needed. The PACFC would advise the President and the Secretary on the means to identify the elements of proven and promising programs. The PACFC may consider the role of elementary, secondary, and postsecondary schools; parents; youth organizations; Federal, State, and local agencies and programs; financial institutions and other businesses; and community organizations. Some emphasis should be placed on college affordability, assistance, and savings (Lead Subcommittee: Youth).