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THE FEDERAL GOVERNMENT'S ROLE IN EMPOWERING AMERICANS TO MAKE INFORMED FINANCIAL DECISIONS

HEARING

BEFORE THE

FINANCIAL MANAGEMENT, THE BUDGET, AND INTERNATIONAL SECURITY SUBCOMMITTEE

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

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THE FEDERAL GOVERNMENT'S ROLE IN EMPOWERING AMERICANS TO MAKE INFORMED FINANCIAL DECISIONS

TUESDAY, MARCH 30, 2004

U.S. SENATE,
FINANCIAL MANAGEMENT, THE BUDGET, AND
INTERNATIONAL SECURITY SUBCOMMITTEE,
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:32 p.m., in room SD–342, Dirksen Senate Office Building, Hon. Peter G. Fitzgerald, Chairman of the Subcommittee, presiding.

Present: Senators Fitzgerald, Akaka, and Lautenberg.

OPENING STATEMENT OF SENATOR FITZGERALD

Senator FITZGERALD. This hearing will come to order. Today, we are conducting an oversight hearing to examine the current status and effectiveness of Federal financial literacy programs and to assess the proposed activities of the new Federal Financial Literacy and Education Commission.

I would like to welcome all of the witnesses who are present today and thank them for taking time out of their busy schedules to share their expertise and insights with us.

I also want to acknowledge the dedication and hard work in this area of Senator Sarbanes, Senator Enzi, and Senator Stabenow, from whom we will hear shortly, and our Ranking Member, Senator Akaka. Senator Akaka's resolutions marking April of this year as Financial Literacy Month and April of last year as Financial Literacy for Youth Month have laid the foundation for Financial Literacy Day on Capitol Hill. The second annual Financial Literacy Day will be held here in the Dirksen Building on April 22 and will be sponsored by the National Council on Economic Education, Junior Achievement, Goldman Sachs Foundation, and the Jump$tart Coalition.

Today, across the Nation, scores of State and local agencies, schools, nonprofit organizations, businesses, and other entities are working to empower individuals with financial and economic knowledge that will be helpful toward making sound personal investment choices. In my home State of Illinois, for example, the City of Chicago soon will be celebrating the 2004 Money Smart Week. The Federal Reserve Bank of Chicago, along with members of its Money Smart Advisory Council, designated the week of May 10 this year for the sponsorship of free educational activities to

teach consumers about managing their personal finances and to provide awareness of various financial education programs.

Agencies throughout the Federal Government also play a major role in promoting financial literacy. In 2002, the Bush Administration established the Office of Financial Education within the Treasury Department, and in 2003, Congress passed the Fair and Accurate Credit Transactions Act, which created the Financial Literacy and Education Commission. The major purpose of the Commission, which is supported by Treasury, is to complement, encourage, and coordinate the work of individuals and institutions committed to financial literacy.

Financial education can empower consumers of all ages to create effective budgets, enhance strategic investment decisions, and achieve both short- and long-term financial goals, such as the accumulation of savings. It is important to note that regardless of an individual's income, saving must be done steadily and deliberately, and it must occur over a lifetime.

Policy changes have also contributed to a credit explosion. Today's young adults have access to credit at a much earlier age than their parents did. Our young consumers, therefore, need a more comprehensive understanding of credit than previous generations.

Because of technology, a favorable legal structure under the Fair Credit Reporting Act, and innovation in the financial services industry, there is now a wider variety of credit products offered to a greater number of people, including those at risk, and at more accessible prices than ever before in our Nation's history.

The Treasury Department reports that 64 percent of credit card holders ages 18 to 24 do not even know the interest rates they pay on their credit cards. In addition, a recent survey by Consumer Reports reveals that 28 percent of 12-year-olds did not know that using credit cards is synonymous with borrowing money. And 40 percent of 12-year-olds do not realize that banks charge interest on loans. Yet more than 20 percent of students ages 12 to 19 have their own credit cards or access to a parent's credit card.

Another significant development is the role that technology now plays in the financial services market. Technology allows increased organizational efficiency and enhanced consumer convenience, but today's consumers must have a greater understanding of and comfort level with the way in which computers are a part of every financial transaction, from the clearing of a check to the purchase of shares of stock.

Consumers also need to have a greater understanding of more complex investment transactions, such as the buying and selling of mutual funds. This Subcommittee recently held two hearings on the mutual fund industry. One of the major themes discussed during the hearings was that many investors did not have the necessary information or the requisite knowledge to make truly informed investment decisions. Our hearings revealed that many investors were allowing their mutual funds and brokers to charge fees significantly higher than what the investors thought they were paying. Moreover, our hearings revealed that unnecessary or excessive mutual fund fees can alone erode one's retirement nest egg by 35 to 40 percent over 30 years of investing.

Our hearings and hearings before the Senate Banking Committee underscore the need to educate investors and make the mutual fund fee structure more transparent. In part for this reason, on February 10, 2004, Senator Levin, Chairman Collins, and I introduced S. 2059, the Mutual Fund Reform Act of 2004. This bill would improve the financial literacy of Americans by mandating clear and comprehensive disclosures, simplifying the fee structure, eliminating certain indefensible transactions as to which disclosure would only confuse investors, and directing the Securities and Exchange Commission to determine ways in which the Internet may be better used as a vehicle for investor education. I look forward to hearing from our witnesses their views on this legislative proposal.

Today, we will hear a broad spectrum of informed opinions on the importance of financial literacy. On our first panel, we will hear from Senators Sarbanes, Enzi, and Stabenow, who are playing leadership roles in the U.S. Senate to support financial literacy efforts.

The administration's perspective will be presented on our second panel. These officials are active in the promotion of financial education among America's consumers and youth and will provide a status report on the administration's efforts in this area.

Finally, on our third panel, experts from leading private not-for-profit organizations will provide their recommendations on what more can be done to help consumers truly help themselves in achieving the American dream of financial security.

At this time, I would like to welcome our Ranking Member, Senator Akaka. I know, Senator Enzi, that you are under somewhat of a time constraint, so we want to get to you quickly. Do we have time for Senator Akaka? OK, Senator Akaka will make an opening statement, followed by Senator Lautenberg, who has joined us, as well.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you very much, Mr. Chairman. I want to express my deep appreciation to you for conducting this hearing. You have been a great leader and Chairman of our Subcommittee. I appreciate your willingness to work with me on this important issue.

I am also pleased to be joined today by some of my colleagues who are important advocates for financial literacy. I am grateful for my colleagues' efforts, which were essential in the creation of the Financial Literacy and Education Commission, and their work with me on financial literacy legislation and funding.

As Chairman of the Senate Banking Committee, Senator Sarbanes held a series of hearings on financial literacy and related topics like remittances and bringing unbanked individuals into mainstream financial institutions. I enjoyed participating in those hearings as a Member of the Banking Committee. Senator Sarbanes has been an outstanding leader on this issue and we have worked extensively on a number of initiatives, such as the Commission, the authorization for the financial literacy multimedia campaign, and funding for the Excellence in Economic Education Act.

Senator Enzi has also been a staunch ally in financial literacy efforts in addition to his role in the creation of the Commission. Together, we introduced the Financial Literacy and Higher Education Act, S. 1968, which seeks to improve the financial literacy of college students.

I also welcome Senator Stabenow, who is a strong voice for the need for improving financial literacy and the creation of the Commission.

I also want to briefly recognize the efforts of a couple of our colleagues, Senator Corzine and Senator Allen, who will not be here today but who are also champions of financial and economic literacy.

Mr. Chairman, my interest in financial literacy dates back to when I was in the fourth grade. My teacher made sure that we each had a piggy bank. She made us save our pennies and count what we saved. We were made to understand how money saved a little at a time—we didn't have much at that time—can grow into a large amount, enough to buy things that would have been impossible to obtain without savings.

My experience with a piggy bank taught me important lessons about money management that have stayed with me throughout my life. More people need to be taught these important lessons so that they are better able to manage their resources as well.

Americans of all ages and backgrounds face increasingly complex financial decisions as members of the Nation's workforce, managers of their family's resources, and voting citizens. Many find these decisions confusing and frustrating because they lack the necessary tools that would enable them to make wise personal choices about their finances. Now, statistics show that there is an even greater need for improved financial literacy.

For instance, last year, consumer debt increased for the first time to more than $2 trillion. The rate of FHA foreclosures was the highest ever recorded, and the percentage of income used for household debt payments, including mortgages, credit cards, and student loans, rose to the highest level in more than a decade in 2001 and remained above 13 percent. Personal bankruptcies nearly doubled in the past decade, including more than 1.6 million people who filed for a personal bankruptcy in fiscal year 2003. And despite technological advances that make it even more convenient and less costly to manage money through accounts at banks and credit unions, between 25 million and 56 million adults are unbanked or are not using mainstream insured financial institutions.

All of this tells me that we cannot overlook the need for financial literacy and education in this country, starting with early years in school and continuing throughout life.

My colleagues and I have worked on several important initiatives for financial literacy. My legislation, the Excellence in Economic Education Act, or Triple-E Act, was enacted as part of the No Child Left Behind Act and was finally funded in fiscal year 2004. Although the $1.49 million appropriation is a relatively small amount when compared to amounts for Federal programs emphasizing other basic educational subjects, it is a start. The competitive grant process for this funding recently started, and I hope the program is given time to work.

As some of you know, the Triple-E is intended to fund a range of activities, such as teacher training, research and evaluation, and school-based activities to further economic principles. I was disappointed that the administration recommended no funding for this program in its fiscal year 2005 budget, but I am committed to ensuring that funding is included for this important program in the fiscal year 2005 appropriations process.

In another example, and Senator Enzi may touch on this, as well, last year, we introduced S. 1968, the Financial Literacy in Higher Education Act. This was a compromise version of legislation I introduced earlier as S. 1800, the College LIFE, or Literacy in Finance and Economics Act, in preparation for the Higher Education Act reauthorization. The legislation includes financial and economic education and counseling as allowable activities within existing programs, such as TRIO, GEAR-UP, and minority-serving institutions. It also proposes a pilot program involving annual credit counseling and personal financial literacy courses and measuring these efforts' effectiveness in, hopefully, positive behavioral change.

The reason for these and other provisions in the bill are simple. Many students start college with little understanding of economic concepts like supply and demand, or benefits versus costs, or personal finance concepts like money management or the importance of maintaining a good credit history. The result is that college students are not effectively evaluating credit alternatives, managing debt, and preparing for long-term financial goals. I am hoping that this legislation will move forward whenever the Higher Education Act reauthorization proceeds.

Mr. Chairman, for students and adults alike, many Federal agencies have already been working to improve financial literacy and have attempted to engage in innovative programs to better inform students, consumers, and investors. The Securities and Exchange Commission has been extremely creative in its efforts to protect investors, despite being challenged with limited resources. I am pleased that as a result of the global settlement, a nonprofit organization will be created and provided with $52.5 million over 5 years to equip Americans with the knowledge and skill necessary to make informed investment decisions.

The Federal Reserve, the U.S. Department of Agriculture's Cooperative Extension, the FDIC, and many other agencies have financial education programs for their various constituencies. We can improve the effectiveness of these programs through increased collaboration and coordination between agencies.

Title V of the Fair and Accurate Transactions Act created the Financial Literacy and Education Commission in December of last year. The Commission is charged with developing a national strategy to promote financial literacy and education among all American consumers. It will review financial literacy and education efforts throughout the Federal Government, identify and eliminate duplicative financial literacy efforts, and coordinate the promotion of Federal financial literacy efforts, including outreach partnerships between Federal, State, and local governments, nonprofit organizations and enterprises. I have great expectations for the Commission. I will be closely monitoring its development activities.

We must continue to work together to encourage better economic and financial literacy, which in turn will result in stronger families, better functioning markets, and a more secure future for our Nation.

I thank our witnesses for being with us today and I look forward to working with all of you to ensure that the Commission is effective and that the financial literacy of our country increases.

Thank you very much, Mr. Chairman.

Chairman FITZGERALD. Thank you, Senator Akaka. Senator Lautenberg.

OPENING STATEMENT OF SENATOR LAUTENBERG

Senator LAUTENBERG. I will try to be brief, Mr. Chairman, and I am pleased to see our colleagues on the firing line here because we know that they will be able to enlighten us in terms of where they come from and where their committee positions think we ought to be going.

The one thing that we have to try to include in our financial information flow, and that is beware of the unscrupulous company. Beware of those investments that look so good that you can't lose anything, that you will make a fortune in a short time. As soon as you hear that it is going to be quick and it is going to be enormous, we should say, turn away from it, because for the most part, 98 or 99 percent of the people who invest in those, maybe even 100, will not profit by it.

In our view, in my view, teaching our children and the public to be more sophisticated about money matters is critically important, especially to understand what happens if when someone reaches retirement age, and as we now know, pensions aren't there, typically, to provide the sort of security that we often thought would be there.

I remember days when if you worked for a particular company, you could count on that just as much as you could count on the sun rising the next day to be there. We don't see that anymore, and as a consequence, it is much more critical that the average person know something about investing their money, protecting their assets, so that if it comes to a catastrophic case with an illness or loss of job or something like that or a child's special needs, that they have the reserves to do it.

One of the things that we have to be conscious of is that when a company seduces an employee to invest in the company, like Enron, if you are getting bad information, no matter what the company tells you about your future security or what have you, the question is, should you be there? But this is offset and it is a complicated situation, Mr. Chairman. It is offset.

I will brag for a moment about my own company, ADP, which I helped start, 40,000 employees today. It was started from nothing. People who invested in that company made lots and lots of money over the years, but it depends on the honesty within the country. It depends on their commitment to appropriate messages out to the public and if there is something awry, they talk about it. You can't protect anybody, no matter how well educated they can be, against an unscrupulous leadership in the company.

So we have got a task on our hands and we want to make sure that people understand what happens. The statistics are legendary about all of the people, more than half of the American workers not having saved a penny for their retirement. I think as important a message as it is to invest wisely, it is also important to save, no matter what you think. You can't be invested to your last penny in something that you have no control over and hope that you are going to be all right when a day, if a day comes and you need support.

So, Mr. Chairman, while I think this is an important hearing, I think it is critical that we continue providing information about how you deal with your financial requirements, how you deal with the assets. It is too bad that the administration has decided to cut the Excellence in Economic Education programs, those programs that help teach those who work for not-for-profits to manage whatever resources they have carefully. It is a subject that needs airing and review, and above all, to be careful when you invest and make sure that you understand fully what is in that investment.

I commend you, Mr. Chairman and our friends who are here to make their statements.

Chairman FITZGERALD. Thank you, Senator Lautenberg.

Before I begin with Senator Enzi, I just saw that ADP was listed in *Barron's* magazine this week as one of the few companies that has for the last 25 years consistently increased its dividend and earnings every year.

Senator LAUTENBERG. If I may correct the record, the last 42 years.

Chairman FITZGERALD. The last 42 years. [Laughter.]

Senator LAUTENBERG. It increased its earnings.

Chairman FITZGERALD. Anyway, our first witness is the Hon. Mike Enzi from Wyoming, the only accountant in the U.S. Senate. Senator Enzi was elected to the Senate in 1996. He is Chairman of the Securities and Investment Subcommittee of the Banking Committee. He is also Chairman of the Employment, Safety, and Training Subcommittee of the Health, Education, Labor, and Pensions Committee, and he serves as a Member of the Committees on Foreign Relations, the Budget, and Small Business and Entrepreneurship, and the Special Committee on Aging. You are on an awful lot of committees.

Senator Enzi is an original cosponsor of S. 1532, the Financial Literacy Community Outreach Act, which would create a commission for agencies to coordinate and assess their financial literacy efforts.

Senator Enzi, I know you have been waiting for some time and you have another appointment. If it is OK with Senator Sarbanes and Senator Stabenow, I would like to allow Senator Enzi to proceed at this time.

Senator SARBANES. Mr. Chairman, we waive the seniority rules. [Laughter.]

TESTIMONY OF HON. MIKE ENZI, A U.S. SENATOR FROM THE STATE OF WYOMING

Senator ENZI. I very much appreciate that, and I thank you, Mr. Chairman, for holding this hearing. Anything we can do to promote

financial literacy will make a difference in this country. You not only have some very strong advocates at this table and I know Members of the Subcommittee are strong advocates, but probably nothing compared to some of the people that are sitting behind us today. If we all work together on this, America will be a better place because each individual will have a brighter financial outlook.

My first involvement with financial literacy, over 30 years ago, was when I got elected mayor of a boom town. I was 29 years old and I was one of the oldest people in the boom town, because when you have a boom town, the people that come there to work are not the ones that already have jobs. It is the ones willing to take a risk who need a job, so they are very young people.

But they make a lot of money and they were making more money than their parents had ever made, and their parents owned the house and a recreational vehicle and a motorcycle and a boat and a whole bunch of other things, and since they were making more money than their parents were, they thought they deserved those things, too. They ran out and bought them. Then they found out that paying for them is a little difficult no matter how much you are making.

We had to find a way to get financial literacy to these young people because it caused a lot of family problems. One of the things we did discover was that people that bought a house were more stable, and once they bought a house, once they figured out how to do that, they became owners of the community. They became real participants in the community. But that only comes out of good financial literacy.

Since I got here, I have been able to work with a consortium of bankers and realtors and community development and housing agencies, the University of Wyoming, and Fannie Mae and put together a series of videos for people in Wyoming to learn financial literacy and how to buy homes. That program has been working out very well.

But Senator Stabenow and I noticed that most of the Federal Government agencies also had requirements for financial literacy efforts with excellent programs and initiatives. For example, the FDIC has the Money Smart program. The Securities and Exchange Commission has depositories for broker dealer and investment advisor information. The Department of Labor and Social Security Administration have extensive initiatives on retirement savings and investment issues. And other agencies, such as the Department of Defense, have financial literacy programs targeted at assisting their employees, and these are just a few of the many programs that we have found.

So we got together and worked on an amendment along with Senator Akaka to make sure that we could get some information on this. We had direction in the early timeframe when we were working on it from Senator Sarbanes' efforts, who was then the Chairman of the Banking Committee. He not only contributed his ideas to us, but he also drafted some additional legislation and then, fortunately, when Senator Shelby became Chairman, he also continued to help on this and incorporated things that Senator Sarbanes and Senator Stabenow had put together. Those efforts be-

came a part of the Fair Credit Reporting Act amendments, the Fair and Accurate Credit Transactions Act.

That law established the Financial Literacy and Education Commission. It is mandated to develop a national strategy on financial literacy and education, as well as establish a Website and toll-free number as entry points for consumers to gain access to the Federal Government's financial literacy efforts.

The Commission shall take steps as necessary to coordinate and promote financial literacy and education efforts at State and local levels, including working with State and local governments, nonprofit organizations, and private enterprises.

Secretary Snow of the Department of the Treasury chaired the first meeting of the Commission on January 29. There were a number of notable people from a number of different commissions. I won't go into all of those who attended. I would ask that my full statement be a part of the record.

Chairman FITZGERALD. Without objection.

Senator ENZI. From all indications, that first meeting was a great success. We do know that financial literacy and education is essential in today's financial markets. Senator Sarbanes held very extensive hearings on some of the problems with corporate America that have been mentioned, and brought to light some of the things that I am pretty sure go back to when they were young people, and have come up with some solutions that I think will straighten the country out. Of course, it still relies on good people making good decisions based on good values and good moral background.

I thank you for holding this hearing and Senator Akaka for all of his different efforts that he has had as well as the people here on the panel with me. Thank you, and thank you for your courtesy.

Chairman FITZGERALD. Senator Enzi, thank you very much.

Our second and third witnesses are Senator Sarbanes and Senator Stabenow. Senator Sarbanes is the senior Senator from Maryland and the Ranking Member of the Senate Committee on Banking. Senator Sarbanes also is a senior member of the Foreign Relations Committee, the Budget Committee, and the Joint Economic Committee.

He was elected to the Senate in 1976 and was the chief Senate sponsor of the Sarbanes-Oxley Act, which has been referred to as the most far-reaching reform of American business practices since the time of President Franklin Roosevelt. Senator Sarbanes also is the author of S. 1470, the Financial Literacy and Education Coordinating Act.

Senator Stabenow is the junior Senator from Michigan. She was elected to the Senate in the year 2000. She now serves on the Committee on Budget, Banking, Agriculture, and on the Special Committee on Aging. Within the Banking Committee, she serves on three subcommittees: Financial Institutions, Securities and Investment, and Housing and Transportation.

Prior to her election to the Senate, Senator Stabenow served for two terms in the House of Representatives, for 4 years in the Michigan State Senate, and for 12 years in the State House of Representatives, where she rose in leadership to become the first woman to preside over the State House. Does that mean the Speaker of the House?

Senator STABENOW. Assistant Speaker, yes.

Chairman FITZGERALD. Assistant Speaker, OK. Well, welcome.

Senator Sarbanes and Senator Stabenow, thank you very much. Returning now to the seniority system, we will let Senator Sarbanes go first. Thank you, Senator, for your patience.

TESTIMONY OF HON. PAUL S. SARBANES,[1] A U.S. SENATOR FROM THE STATE OF MARYLAND

Senator SARBANES. Thank you very much, Chairman Fitzgerald, Ranking Member Akaka, and Senator Lautenberg. It is a pleasure to be here before you.

Senator Lautenberg referred to these advertisements that were too good to be true, and usually they are not true. If they are too good to be true, there is a very high probability that they are not true and people need to be aware of that.

Mr. Chairman, I want to commend you and the Ranking Member for holding this important hearing on the government's role in enabling Americans to make informed decisions about financial affairs. As was mentioned, it was high on the agenda of the Banking, Housing, and Urban Affairs Committee in the last Congress and we held a series of hearings on financial literacy and education.

In this Congress, under Chairman Shelby's leadership, we included in the Fair and Accurate Credit Transactions Act a separate title for the purpose of promoting financial literacy. This had been introduced earlier as the Financial Literacy and Education Improvement Act. It is now part of the law of the land.

I want to underscore the tremendous and terrific work that was done by Senator Akaka, who previously was on our panel, and Senators Enzi and Stabenow in putting together this legislation and also the support it received from Chairman Shelby when we included it in.

Mr. Chairman, there is no mystery to financial literacy. It plays a role in our lives with respect to financial matters, which is analogous to the role played by basic literacy in our daily lives. We know that basic illiteracy exacts a heavy toll. The same is true of financial illiteracy.

Numerous statistical studies have shown significant numbers—amazing numbers, actually—of men and women of all ages are financially illiterate or have only a limited degree of financial literacy. They are ill equipped to make informed and responsible decisions about crucial financial matters. Lacking the context to make thorough and realistic assessments, they are at serious risk, vulnerable to exploitation, with potentially devastating consequences for themselves and their family.

In a series of hearings we held in the Banking Committee, we received sobering testimony on this point. Our witnesses were men and women of all ages and from all backgrounds. They included college-age youth, retirees, newly employed, and workers near the end of their employment years, those who are investing in capital markets and those without bank accounts. And what came across from that testimony was that we needed to improve and expand financial education in this country.

[1] The prepared statement of Senator Sarbanes appears in the Appendix on page 43.

Now, our hearings established that while there are some significant programs in the area of financial education both within the government and in the private sector and a number of States—Senator Enzi actually, when he served in the Wyoming legislature, took the lead in developing financial literacy programs at the State level in Wyoming. But there is not an overall comprehensive strategy. Too little coordination, too much overlap and duplication.

Don Blandin, whom you are hearing from later in this hearing, testified before our committees as President of the American Savings Education Council, and I am just quoting him: "Organizations in both the private and public sectors must collaborate on all levels to help educate Americans about the importance of taking control of their financial future. By combining and leveraging our comprehensive networks and resources, we have a better chance of reaching people that none of us would be able to reach alone."

That is why in the legislation, we established the Financial Literacy and Education Commission. They are charged with a mandate to develop a national strategy. Using its own Website and 1–800 number, the Commission has served consumers by providing one-stop user accessible information about all financial literacy programs offered by government agencies.

By bringing together the heads of the Federal agencies that sponsor active financial education programs, the Commission will be able to better coordinate the activities of the various departments and agencies, eliminate unnecessary duplication, facilitate collaboration, promote cooperation of the Federal agencies with State and local government, and with the nonprofit and other private sector organizations to sponsor programs in financial literacy and education. I want to underscore the very find work being done by a number of nonprofit and other private sector organizations.

Now, the first meeting of the Commission was held on January 29. I am going to take a minute to read some of the leading members there. Senator Enzi refrained from doing so. But Treasury Secretary Snow was there. He chairs a commission under the legislation. Federal Reserve Board Chairman Greenspan, Commissioner of Social Security Barnhart, FDIC Chairman Powell, FTC Chairman Morris, OTS Director Gilleran, and National Credit Union Administrator Bauer.

I think this active participation by the heads of these agencies will testify to the importance of its work, and the Commission needs to sustain an unflagging support of its members. I know you are going to be hearing from Acting Under Secretary for Domestic Affairs Roseboro, who has already indicated his own keen interest in this subject matter.

Americans today face a daunting array of complex financial decisions that have both long-range and short-term consequences. Financial literacy is critical to responsible decisionmaking.

Mr. Chairman, I applaud you and Senator Akaka for holding today's hearings and I look forward to working with you and other colleagues to strengthen our financial education programs and raise the standards of financial literacy in every part of our country. Thank you very much.

Senator FITZGERALD. Senator Sarbanes, thank you. Thanks very much for taking time out of your busy schedule to be here. We appreciate it very much.

Senator Stabenow.

TESTIMONY OF HON. DEBBIE STABENOW,[1] A U.S. SENATOR FROM THE STATE OF MICHIGAN

Senator STABENOW. Thank you, Mr. Chairman, and to our Ranking Member, Senator Akaka, and Senator Lautenberg, it is wonderful to be here with you. I join with my colleagues in thanking you for holding this very important hearing and also, Senator Akaka, for all of your leadership and support. It has been wonderful to work with Senator Sarbanes and Senator Enzi and others—including Senator Shelby, our Banking Chairman—on this very important issue and to actually be able to get results, and I think it is exciting to see that we are making steps forward.

I can't stress enough how important I feel that financial literacy is to all Americans, and I know you share that feeling. The financial services industry has changed a great deal over the last several years and continues to change. A large number of new and diverse products are available in the marketplace.

In addition, as we have all said, people are finding it easier to get credit, whether for a new home, a car or a credit card. I know as a parent of two young people who went through their high school years and every day I saw a new credit card or a new credit card application coming in the mail, which I would take and make sure they didn't receive. But there is no question that we are seeing a constant bombardment with young people as well as people of all ages on the availability of new credit cards.

However, more credit comes with increased responsibilities, as we have all said today, and a greater need to manage resources effectively, and I think that is all of our challenge.

Mr. Chairman, it is also important to note that we are seeing an economic environment in which people are increasingly having to plan more aggressively to meet a number of financial needs, including our children's education as well as our own retirement.

Unfortunately, as we have all indicated today, we are nowhere near where we should be in terms of financial education, financial literacy, and we all have a stake in making sure that happens for the future of our country and for our families.

Just to share some statistics as well, the personal savings rate fell to only 1.6 percent of disposable income in 2001. One-point-six percent was saved. From 1990 to 2000, outstanding credit card debt among American households more than tripled, from $200 billion to $600 billion. In 2001, the total household debt of Americans exceeded total household disposable income by nearly 10 percent.

With all the opportunities for investments available today, barely half of American households hold any stock in any form, including mutual funds or a 401(k) style pension plan. And almost 50 percent of all workers have accumulated less than $50,000 for their retirement. One-third have saved less than $10,000 for their retirement.

[1] The prepared statement of Senator Stabenow appears in the Appendix on page 45.

Mr. Chairman, Senators Sarbanes, Enzi, and I wanted to do something about this, and the Banking Committee along with Senator Akaka, to address these problems and that is precisely what we did. I introduced my bill, the Financial Literacy Community Outreach bill, last July along with Senator Enzi and six other cosponsors from the Banking Committee with a simple goal in mind, to make the Federal Government more efficient and strategic in how we deliver financial literacy assistance to the American people.

We teamed up with Senator Sarbanes, who had his own bill, and we merged the best parts of each of those bills into a new package that was enacted into law, as has been indicated, during the reauthorization of the Fair Credit Reporting Act. The new law will streamline and improve the delivery of Federal financial literacy services.

Prior to the enactment of our law, many Federal agencies offered financial literacy services, materials, and grants, but there was absolutely no coordination. In fact, we were amazed when we looked at what was there to find that, in fact, there were many different programs. But we weren't aware of them and neither was the public, necessarily.

Our Federal Financial Literacy Commission changes that. For the first time, all stakeholders in the government who work on financial literacy will sit at the same table and be able to coordinate their message. They will be able to eliminate duplication and fill in the gaps where we are providing no financial literacy assistance and where we should be.

I am also happy to note that not only do we strive to get key members of the government talking to each other, our bill is also designed to make the government more accessible to the people that we serve. We instructed the Commission to set up a one-stop Website for consumers. Now the American people won't have to surf dozens of government Websites to find the information that they need. They will be able to go to one site and get information on everything from credit card management to buying a home to understanding their Social Security benefits.

For those who are less Web-savvy, we have a 1–800 number that consumers can use, as well. People will be able to call the number, indicate what sort of information they are seeking, and the Commission will mail it to them.

So as you can see, as its very core, our legislation improves what the government does on financial literacy and then we do everything we can to make all government information readily available to those who are seeking it.

I am excited to see that the administration is moving forward to implement the Act and commend everyone who was involved with that. I am particularly pleased to see the high level of commitment by many administration officials, as has been noted already. I think this bodes well and sends a very strong message for the importance of the Commission's work.

Mr. Chairman, financial literacy is really about empowering people. It is about helping them to help themselves and that is something that I know all of us feel is very important, whether it is teaching a retiree in Detroit how to avoid a predatory mortgage loan or helping a sophomore at Michigan State University avoid

taking on credit card debt that he or she can't afford. I have high hopes for the concrete benefits that the new law can bring to the American people, both in my State of Michigan and around the country.

I once again thank you for your leadership on this issue. I am looking forward to working with you, with this Subcommittee, my colleagues, and with the Commission in order to make sure that we do everything that we can to make sure people have the information they need to be successful. Thank you, Mr. Chairman.

Senator FITZGERALD. Senators, thank you very much for being here. We really appreciate your testifying before our Subcommittee. We appreciate your interest in the issue and thank you so much for being here. We appreciate it.

Senator SARBANES. Thank you, Mr. Chairman.

Senator STABENOW. Thank you.

Senator FITZGERALD. Thanks. At this point, I would like to call the witnesses on panel two up to the table. I would like to introduce our witnesses on the second panel. Nina Shokraii Rees leads the newly-created Office of Innovation Improvement at the Department of Education. This office oversees the administration of approximately 25 competitive grant programs and has a program budget of $2 billion and approximately 100 full-time staff. The Office of Innovation and Improvement supports education innovation, disseminates the lessons learned from these programs, and helps to make strategic investments in promising educational practices.

Prior to joining the Education Department, Ms. Rees was a senior aide to Vice President Cheney, advising him on domestic policy issues, including education, crime, home ownership, race, welfare, and other issues affecting families and children.

Also joining us is Susan Ferris Wyderko, who serves as the Director of the Office of Investor Education and Assistance for the U.S. Securities and Exchange Commission (SEC). This office serves individual investors by ensuring that their problems and concerns are known throughout the SEC. In addition to handling questions and complaints, the Office of Investor Education and Assistance creates and disseminates educational literature and materials to help Americans learn how to save and invest wisely, prepare for retirement, and achieve financial security.

Ms. Wyderko previously served as the SEC's Director of Legislative Affairs and Acting Director of Public Affairs. She was counsel to former Chairman Arthur Levitt and has held other senior positions within the SEC.

Brian Roseboro serves as the Acting Under Secretary of the Treasury for Domestic Finance. He also serves as Chief Advisor to the Treasury Secretary and Deputy Secretary on domestic financial matters and oversees the Assistant Secretary for Financial Markets, the Assistant Secretary for Financial Institutions, and the Fiscal Assistance Secretary.

Mr. Roseboro has served as Assistant Secretary for Financial Markets and as a senior advisor to the Secretary of the Treasury in developing and implementing the Federal Government's policies for debt management in all matters relating to financial markets. Mr. Roseboro, I was giving a nice introduction of your biography. We appreciate you joining us.

If you are ready to proceed, Mr. Roseboro, we are ready to begin with you and then we will go right down the line with Ms. Rees and Ms. Wyderko. Thank you.

TESTIMONY OF BRIAN C. ROSEBORO,[1] ACTING UNDER SECRETARY FOR DOMESTIC FINANCE, U.S. DEPARTMENT OF THE TREASURY

Mr. ROSEBORO. Thank you very much, Mr. Chairman. Chairman Fitzgerald, Ranking Member Akaka, and distinguished Members of the Subcommittee, I welcome this opportunity to testify today on the Treasury Department's role in ensuring that Americans have access to financial education programs and in helping to learn to make informed financial choices throughout their lives.

America has great economic opportunity, and never before have we had access to such a broad array of financial products and services to make our lives better. We choose from a variety of options for financing everyday purchases, from buying cars and homes to financing college educations. But along with the rewards of a plentiful marketplace go notable risk. The blessings of the marketplace might remain locked, or even become a burden, to the uninformed or the unwary. Financial education does make a difference.

To prove this point, allow me to enlist the help of three individuals, Sarah, Maria, and Tom. They are fictional people, but they don't need to be. Any one of them could live in one of the communities you represent.

Sarah is a typical high school student. She and her teenage peers spent $175 billion in 2003, and yet only a little over 25 percent of young people report that their parents actively taught them how to manage money. She is among the one in three teens who carries his or her own credit card, yet only 21 percent of students like Sarah say that they have taken a finance course in school.

Next, let us move on to Maria. Recently, Maria legally immigrated to America and speaks English as a second language. She comes to this country from a place where access to consumer financial services is not common, where checking accounts, credit cards, and credit reports are virtually unknown, and where a bank has not always been seen as a safe place to place one's money. Moreover, Maria is among the estimated ten million individuals in the United States who do not have a relationship with a financial institution. Without a bank account, Maria is more vulnerable to financial scams at worst, and at best, her choices appear to be limited to higher-cost financial services.

Now consider Tom, who is near retirement. He is among the one-fourth of our workers 45 or older who plan to delay retirement for financial reasons. He could be among the 16 percent of all workers who say they are not confident at all about having enough money to retire comfortably.

Sarah, Maria, and Tom are familiar to all of us. When we do not understand the most important and fundamental concepts of finance, we are less likely to achieve our full economic potential. This would hurt us as individuals and all of us as a community, State, and as a Nation.

[1] The prepared statement of Mr. Roseboro appears in the Appendix on page 48.

Recognizing the role that financial education plays in preparing Americans to make better financial decisions, the Department of Treasury established the Office of Financial Education in 2002. The office helps Americans obtain practical knowledge and skills to make informed financial choices throughout their lives by focusing on four key subject areas: Basic savings, credit management, home ownership, and retirement planning.

Many of the office's efforts are focused on three groups in particular where financial education needs are most acute: Young people, recent immigrants, and those nearing retirement. While financial education is important for all Americans, we believe our efforts can be of the greatest impact on these groups.

We have found that there are many wonderful financial education programs around the country, often providing their services at little or no charge to participants. The great challenge is making people aware of these programs, and equally challenging, making people aware of the need for these programs. Our office seeks to meet these challenges by setting standards for successful financial education programs and recognizing exemplary programs that meet those standards.

Last year, Congress selected the Office of Financial Education to lend its expertise and support to the newly created Financial Literacy and Education Commission. The Financial Literacy and Education Commission is chaired by the Secretary of the Treasury and composed of 20 Federal departments and agencies and commissions. The Commission's goal is to promote financial education and to improve the financial literacy of all Americans. Its charge is to coordinate the financial education efforts of the Federal Government and to encourage government and private sector efforts to promote financial literacy.

At the Commission's first meeting on January 29, the members of the Commission established two subcommittees. The first is to establish a Website to serve as a clearinghouse for people in search of financial education information and programs. This effort is being led by the Commodity Futures Trading Commission. The second subcommittee, chaired by the Federal Deposit Insurance Corporation, is to establish a toll-free hotline for financial education information.

In the 60 days since the first meeting of the full Commission, these two groups have convened and begun their important work. The Commission members are working together and learning from each other how we can best succeed in our efforts to make Americans aware of the many benefits of our financial system. This effort demonstrates the high priority President Bush and the administration place on financial education and on teamwork.

Thank you, sir, and I am pleased to answer any questions the Subcommittee may have.

Senator FITZGERALD. Secretary Roseboro, thank you very much. Ms. Rees.

TESTIMONY OF NINA SHOKRAII REES,[1] DEPUTY UNDER SECRETARY FOR INNOVATION AND IMPROVEMENT, U.S. DEPARTMENT OF EDUCATION

Ms. REES. Chairman Fitzgerald and Ranking Member Akaka, I am pleased to be here today to discuss the Department of Education's efforts to improve the financial and economic literacy of our Nation's students.

Our focus at the Department of Education is on educating every child so that no child is left behind. Last year, Secretary Page joined hands with the then-Treasury Secretary Paul O'Neill in announcing the administration's initiatives to raise awareness about financial education and he acknowledged that, in addition to learning skills in the core academic subjects, it is important for students to gain financial literacy.

Toward that end, the Department has made several investments to promote financial literacy. First and foremost, in fiscal year 2002 the Department made a grant to the Jump$tart Coalition worth up to about $250,000. The Jump$tart Coalition is a coalition of about 140 national organizations that is carrying out a project aimed at improving students' knowledge about personal finances so that they can make informed financial decisions. The grant from the Department supports such activities as an online clearinghouse that provides a central listing of personal finance books, lesson plans, videos, software, and other high-quality educational resources.

In addition, the Jump$tart Coalition has created a set of voluntary national standards in personal finance that identify what K through 12 students should know and be able to do in personal finance. These standards can be aligned with local education goals or be used as a tool to help policy makers create standards for personal finance.

In addition to that, in fiscal year 2003, the Department made a grant to Operation Hope, again worth about $250,000, to expand the number of schools that are using its "Banking on Our Future" program. Banking on Our Future is a year-round financial literacy program for youth ages 8 through 18, taught in schools and community-based organizations that serve primarily low- and moderate-income students. The project matches each lesson with the math standards of each grade level and integrates the modules into the mathematics curriculum in the classroom.

The Department also administers Mr. Akaka's Excellence in Economic Education program, which Senator Akaka sponsored, and which received $1.5 million for the first time this year. We are very proud to also let you know that we have announced the competition for this grant. The closing date notice for this competition is on April 16, and we look forward to getting applications for this program.

This program will consist of a competitive grant to a single national nonprofit educational organization to promote economic and financial literacy among students in kindergarten through the 12th grade. Once the grantee is selected, that organization will be responsible for national activities, such as building relationships with economic education organizations, dissemination of effective eco-

[1] The prepared statement of Ms. Rees appears in the Appendix on page 51.

nomics teaching, research on effective economics teaching, and dissemination of materials to foster economic literacy.

In addition, the grantee will award sub-grants to State education agencies, local education agencies, and State or local economic personal finance or entrepreneur educational organizations for a variety of purposes, including teacher training, economics curriculum development, evaluations of the impact of economics education on students, research on economic education, and so forth.

I also want to mention the options that school districts currently have to use flexible formula grant programs for financial education and economic literacy. Activities to promote consumer economic and personal finance education are specified as an allowable use of funds for school districts receiving grants under the State Grants for Innovative Programs, the Department's broad formula program that supports State and local efforts in education reform and improvement.

In addition, if a school district chooses to exercise the flexibility available through the No Child Left Behind Act, the district may transfer funds from several other eligible programs to its Innovation Programs formula grant to make funds available for this purpose without having to go through a separate grant application process.

In the post-secondary arena, departmental regulations require post-secondary institutions to provide loan counseling to Federal student loan borrowers. This includes both initial and exit counseling. During the exit counseling, borrowers are reminded of their obligations to repay their loans, informed of the repayment options, and provided with information about effective debt management strategies that facilitate repayment. Some institutions include more general credit counseling as part of these required activities.

In conclusion, I would like to emphasize the fact that the Department of Education is very pleased to be working as a member of President Bush's newly established Commission on Financial Literacy and Education, headed by Secretary Snow, to coordinate the financial education resources of the government and the private sector.

I would be pleased to answer any questions you may have about the programs that we currently have, and thank you for having me testify today.

Senator FITZGERALD. Thank you very much, Ms. Rees. Ms. Wyderko.

TESTIMONY OF SUSAN FERRIS WYDERKO,[1] DIRECTOR, OFFICE OF INVESTOR EDUCATION AND ASSISTANCE, U.S. SECURITIES AND EXCHANGE COMMISSION

Ms. WYDERKO. Chairman Fitzgerald and Ranking Member Akaka, on behalf of the Securities and Exchange Commission, thank you for the opportunity to be here to testify about our efforts to educate investors.

I am the Director of the SEC's Office of Investor Education and Assistance. My office is the front door of the Commission to all individual investors. Each year, my staff answers tens of thousands

[1] The prepared statement of Ms. Wyderko appears in the Appendix on page 55.

of complaints and questions from investors who contact the SEC. We attend investor fairs, speak at gatherings, and we talk with the media about financial education concepts. We create and disseminate a great deal of neutral, unbiased information directed at helping people make wise investment choices and avoid fraud. We don't copyright any of our materials. We make them freely available in both Spanish and English.

Our goal is to empower investors, to give them the tools they need to evaluate their investment options and to make informed decisions. We maintain a database containing information on the products, people, and firms about which people complain. We use that information to inform other divisions at the SEC so the agency can better deploy its investigative and enforcement resources and better identify the next problem down the road.

We use our Website, www.sec.gov, to disseminate all of our educational materials. Our Website contains interactive tools, such as our mutual fund cost calculator, which allows investors to compare the costs of holding different mutual funds over a period of time that they specify.

We also make it easy to research whether a broker or an investment advisor has a history of customer complaints or fraud.

We do realize that many people who are on the Internet looking for that "can't miss" investment opportunity aren't stopping to read our prudent, sensible advice before investing. That is why we also run a series of fake investment scams on the Internet, designed to illustrate the warning signs of online investment fraud. If you click to invest, you get a message from us about the necessity of researching before you invest.

We are also working with public libraries. Libraries are where many Americans who don't have computers at home go to E-mail their families and to research their stocks. We are working to provide reference librarians with the resources they need to help their patrons effectively research their investment options.

Our commitment to financial literacy does not stop with our own efforts. Last year, the Commission entered into a $1.4 billion global settlement of an action against ten leading investment firms over conflicts of interest between investment banking and research at those firms. Fifty-two-point-five million dollars of that money will be paid into a new nonprofit entity that will fund programs designed to equip investors with the knowledge and skills necessary to make informed investment decisions.

While the Federal Government can play an important role in encouraging financial literacy for all Americans, we can't do it all. That is why it is so important for us to work in partnership with other agencies, localities, and private sector entities that sponsor high-quality financial education.

The SEC is a proud member of the Financial Literacy and Education Commission, which had its inaugural meeting earlier this year. We are also a member of the Jump$tart Coalition, the American Savings Education Council, and the Department of Defense's Financial Readiness Initiative.

In closing, I would like to thank the Subcommittee Members for recognizing the importance of the Commission's role in empowering Americans to make informed financial decisions. I appreciate your

inviting me to speak on behalf of the Commission and I would be happy to answer any questions that you may have.

Senator FITZGERALD. Ms. Wyderko, thank you very much.

I just want to clarify one thing. I am not sure if I heard you correctly. In describing the Commission's efforts on the Internet, you said that if you put the word "invest" into a search engine, such as a Google search, you will come up with an actual SEC Website on things to look out for when you invest?

Ms. WYDERKO. We run a series of fake scams on the Internet, so we have a fake company, McWhortle.com——

Senator FITZGERALD. OK.

Ms. WYDERKO [continuing]. And it urges you to invest quickly in order to become amazingly wealthy. But if you click to invest, you get a warning message. Watch out. If you had invested in an opportunity like this, you could have been taken.

Senator FITZGERALD. I bet you get a lot of hits on that Website—that fake investment scam—don't you?

Ms. WYDERKO. We have a series of fake sites, and yes, we have had over two million hits thus far.

Senator FITZGERALD. Can you get us more detailed statistics on how long those Websites have been up and how many people click on it every day, every week, every month? I would be very interested in that.

It seems to me that there are a couple angles we could go at on financial literacy. Most of our government efforts seem to be focused on just telling people how to manage their own finances in terms of use of credit, good banking products, and good mutual fund products. But there is a whole other angle that I think the SEC is focused on in terms of helping people preserve their principal, such as not losing it in a scam—and there are lots of scams out there.

I was a banking attorney before I went into government and politics and I remember in one bank, there was a Ponzi operation being run across the street from the bank. Customers were coming in and the bank was offering maybe 6 percent interest at the time and the customer said, hey, across the street they are offering a guaranteed 21 percent return. People were coming in, and taking their money out.

The bank didn't really know who it was across the street, but sure enough, after a while, the bank looked into it, and made a complaint to the authorities. It was shut down. It was a pyramid scheme. Of course, they were just taking the last money in, using it to pay somebody who wanted their money out today, and the proprietors of that operation had absconded with some $40 or $50 million.

I would say in the Chicago area, every 2 weeks or so, we read about a new pyramid scheme or Ponzi operation that is shut down. My guess is only a small number of them are detected. Some of these go on for years and years before they actually fall apart.

I also have had the experience years ago in referring some of those scams to State or Federal regulators, and it does take a long time for the Feds to be able to shut them down. For me, when I hear somebody is offering a guaranteed 21 percent, I just know it is a scam without having to do any research on it.

Is there anything Congress could do to enhance the SEC's ability to shut these scams down? Sometimes it can be very time consuming. The defendants can hire lawyers to really delay and draw it out. Has the SEC ever taken a look at this as to whether there would be enhanced authorities that Congress could give you to shut these down?

Ms. WYDERKO. I am going to defer to my enforcement division on an answer to that question. They are going to have to get back to you. I do investor education and I don't want to speak for them.[1]

Senator FITZGERALD. I certainly would be interested in that, if there is anything we could do to enhance your powers to shut them down. I also think that sometimes these scams are referred to State securities authorities who are often just bamboozled and confused by these people and complaints are not directed to the SEC, which has more resources and more capability, typically, to handle these complaints. I wonder if there shouldn't be more of an effort to concentrate consumer complaints about pyramid schemes and Ponzi operations at the Federal level as opposed to the State level. I have seen these guys delay and bamboozle State regulators.

Ms. WYDERKO. I think that the State and the Federal regulators all work together, and so for all intents and purposes, notifying one of them is as good, I think, as notifying everyone. We do work together to make sure that investors are protected, particularly in the area of securities fraud. I can't speak to other types of fraud.

Senator FITZGERALD. Senator Akaka, would you have some questions at this time?

Senator AKAKA. Yes. Secretary Roseboro, thank you very much for visiting. We had a good chat the other day.

The Financial Literacy and Education Improvement Act mandates that the Commission develop a national strategy to promote financial literacy and education among all American consumers within 18 months of the date of enactment, which was December 4, 2003. My question to you is, what actions are being taken by the Department and the Commission to ensure that this mandate is met?

Mr. ROSEBORO. Thank you, sir. The Commission has, since the first meeting in January, has been working very hard in laying the foundation to move forward on the statutory agenda of setting the national agenda. In particular, it has been laying the foundation in terms of making sure the national agenda is going to be effective as well as achievable.

On the effective side of the equation, it has been meeting with numerous public as well as private agencies, basically soliciting what are best practices, what is working, where are the synergies among the private as well as public agencies in terms of achieving the results—I mentioned in my testimony that the Commission initial set forth and established two subcommittees, one on the toll-free line and one on the Web—to gather resources and make access to them more centralized and more effective.

The Commission is next looking toward a national strategy in the time table of 18 months. At its next meeting that is scheduled, it is to form a subcommittee specifically to define the national

[1] The information from Ms. Wyderko appears in the Appendix on page 69.

strategy with the support that it has garnered from the actions and we will follow that meeting and going forth will look forward to communicating with you on how that is developing.

Senator AKAKA. Thank you. Ms. Wyderko, I am concerned that certain mutual fund advertisements are misleading to investors. In particular, I am concerned about the use of unsustainable past performance data, incubator funds and claims about merged funds. What is the SEC doing to prevent consumers from being misled by these advertisements and what else should be done to protect investors from deceptive advertising?

Ms. WYDERKO. Well, as you may know, last September, the Commission adopted amendments to raise the standard for mutual fund advertising. The amended rules require that in the advertisements, the investors have to be told that they need to consider fees as well as objectives and risks before investing. That is very important information.

The rule also says that the advertisements have to direct the investors to the prospectus to get information about the fees and the risks, and the rules require more balanced information when the mutual funds do advertise their performance, as well as access to more timely performance information.

The prior problems have stemmed from untimely, essentially, performance information, or stale performance information in those ads, and now they are being directed to allow consumers to update that information.

Senator AKAKA. Ms. Rees, I mentioned in my opening statement that the Excellence in Economic Education Act is a program that I strongly believe in. You noted in your written testimony that the Department's intention to terminate the program in fiscal year 2005 is consistent with the administration's policy of terminating small categorical programs in order to fund higher priorities. How is the Department defining and distinguishing small categorical programs from others?

Ms. REES. Well, our general belief is that States are better served in being given more freedom and flexibility in the use of Federal funds so, since taking office, we have made a strong push towards eliminating most every categorical program, allowing States to roll those programs into their funds in programs such as the Title I aid to disadvantaged students, and to also decide where those funds should be invested.

We feel that the best thing we can do at the Federal level in the area of financial literacy is through our work with the Commission and highlighting the need for more financial literacy and encouraging States and school districts to then use their flexibility with Federal funds to make better investments in the programs that best suit their needs, rather than to have one small program at the Federal level focused on a specific categorical area.

Senator AKAKA. Ms. Rees, you also mention in your testimony that, currently, the flexibility exists to allow school districts to promote consumer economic and personal finance education through one of the Department's broad formula programs. Can you quantify for me how many State dollars have gone toward the promotion of consumer economic and personal finance education, or how many programs the States have initiated under this provision?

Ms. REES. I am happy to take a look at the way States are using Title V funds to see how they are expending the funds and see if they are investing in this particular area, but it would be very difficult, because again, this is a flexible pot of money. We try not to micromanage what States are doing. But I am happy to get back to you.

Having said that, the investments we have made in the Jump$tart program that I just mentioned and in Operation Hope do indicate that some States are taking steps towards incorporating financial literacy in their curricula. Some States, like Pennsylvania, have set standards in this field, and I think once you have a few States that have paid attention to this area, more States will follow suit.

Senator AKAKA. You also mentioned in your written statement that you made grants in 2002 and 2003, respectively, to the Jump$tart Coalition, who will be testifying today on panel three, and Operation Hope. I believe that the 2002 grant was in the amount of $250,000. What was the amount of the 2003 grant? Is the Department committed to making this type of grant annually, or if so, how will it go about selecting the grant recipient?

Ms. REES. The second installment to Operation Hope was also for $250,000. We don't have any plans to continue funding these programs. However, we believe that the new program that we have—the one you have put in place, the $1.5 million program, is one that a lot of entities that are currently getting money from us could certainly apply for. We also hope that this entity will research different methods of teaching financial literacy so that we gain a greater understanding of how to go about teaching this subject so that more students are able to learn the basics of financial literacy.

Senator AKAKA. Mr. Roseboro, seeking your advice again, what lessons should be learned from the American Savings Education Council's Governmental Interagency Group, and how can these be helpful with the continuing development of the Financial Literacy and Education Commission?

Mr. ROSEBORO. In the beginning, they were started in 1996 as they brought together different Federal agencies involved in this initiative, as well as those in the private sector, will give the Financial Literacy and Education Commission and has given the Financial Literacy and Education Commission a great base which to start from, depending on reinventing of the wheel, as it were, in terms of working with the other agencies, coordinating, being able to move from a networking which was developed among some of these agencies with their efforts to delivering tangibles as mandated by the Act, the Commission we have been working on.

For the last 10 years, Treasury's Office of Financial Education has been participating with this group. Even prior to that, one of our bureaus, the Bureau of Public Debt, was active with the group prior to the Treasury establishing the office. We wanted to build on what they have set as a standard for us to start with as they participate, as well, with the Commission.

Senator AKAKA. Thank you. Ms. Wyderko, I know that a series of additional SEC investor meetings have been discussed to be held in various locations across the country, including Honolulu. Could you please provide me an update on the status of these events?

Ms. WYDERKO. We have been discussing with the Department of Defense hosting town meetings aimed at military families. Last fall and earlier this year, we were exploring the possibility of hosting one in Hawaii aimed at the military families who live in Hawaii. However, during this spring, during the time period where we were planning this event, Hawaii experienced a massive troop deployment and the event got postponed or put off.

But right now, the Department of Defense, we understand, is rethinking the best approach to informing their service members, their personnel and families, about financial education. We continue to stand ready to work with them when they decide on the best course of action.

Senator AKAKA. Thank you very much. Thank you very much, Mr. Chairman.

Senator FITZGERALD. It just occurs to me that we have many financial literacy programs across the whole government, and there are probably many in departments that are not even here today. I would imagine HUD has programs teaching people on how to go about buying a home and taking out a mortgage and so forth. For all of the panelists, do you think it would make some sense for us to divide up some responsibilities here?

For example, for the Education Department that Ms. Rees represents, it would seem to make sense that our K through 12 schools focus on some very basic issues like maintaining a checking account, using basic banking services, and avoiding excessive credit card debt at young ages. HUD or the Treasury Department perhaps could focus on different people who at a later stage in their life are considering buying a home and taking out a mortgage. The Department could assist them to avoid paying too many points or excessive interest rates, and to understand the differences between variable and fixed rate mortgages. Then leave it to the SEC to focus on securities, which they do anyway, and how to buy stocks and bonds, using brokers, and how to buy mutual funds.

Do you think it makes sense for us to divvy up the responsibilities? Because it seems to me right now there are so many different agencies involved in some aspect of the issue that no one is really accountable across the government for making sure people are educated about basic banking services or mortgages.

I would say that the SEC probably feels an obligation to educate the public on securities because that is specifically their mission. But what do you think about that, Mr. Roseboro?

Mr. ROSEBORO. It ultimately may, but I would say at this point it is too early to tell. I would like to have the Commission have a bit more time to inventory, to work together, to find out what synergies, what conflicts, what type of programs, activities can supplement each other. Just from the perspective of while they are, and I also personally feel strongly about this, it makes sense in terms of educating K through 12 on basic economic fundamentals and finance, but those citizens are going to move into the mainstream and buying homes, investing, such that issues that concern that group will concern senior citizens and all the ones in between.

It may not be the optimal structure to partition it, but to, as the Commission is seeking to do now, have the agencies work better together instead of going off on individual paths to development

within particular specialties. I think as the national strategy is developed, that may show the long-time answer to whether or not that is ultimately the appropriate way or not the appropriate way to go in terms of fragmenting the mission.

Senator FITZGERALD. Well, if you would take that idea back to the Commission, I think that might make some sense, because right now, nobody seems to be accountable amongst the government agencies for making sure we are getting the job done.

We need some more financial literacy on Capitol Hill amongst our own staffs. I think it was reported recently that some Capitol Hill staffers had fallen for one of those scam letters from Nigeria which you see all the time. That is really kind of frightening that somebody working here in the Congress was misled. We need more financial education at all levels and in all strata of our society.

Just back to Ms. Wyderko, one final question. I compliment the SEC for your new initiatives on trying to clean up the advertising of mutual funds. Some in the fund industry think it is almost unethical to advertise past performances. I know John Bogel, the founder of the Vanguard Group, has always thought that is very misleading. In fact, there are many studies that show you that whoever was the highest performing last year, in the top quartile last year, is likely to be in the bottom quartile this year. It is the last who will be first and first who will be last. Just seeing what the performance was last year is not at all an indicator of what it is likely to be in future years.

So I compliment you on pointing out that people should consider fees. But I wonder if you shouldn't encourage people to look at fees even more than you are now poised to do, because my understanding is 88 percent of mutual funds outperform the market and that the single most determinative factor in deciding how well your funds will do over a lifetime of investing is fees. The fund industry doesn't want you to believe that because they live on your fees, and nearly $200 billion a year are being paid to investment advisors on fees. But one percentage point of fees charged to your mutual fund will reduce someone's retirement nest egg by 35 to 40 percent over a lifetime of investing.

Almost all funds underperform the markets. The markets have averaged at 12 percent return in the last 20 years. Mutual funds have averaged a 9 percent return during the last 20 years. The disparity between the market return and the funds' returns is attributable to the fees.

Now, the average mutual fund shareholder has averaged a 2.6 percent return over the last 20 years. That is not all attributed to the funds' performance. A lot of it is due to individual investors coming into their mutual funds in the advanced stages of a bull market, at exactly the wrong time, and then pulling out when everything collapses. They should do exactly the reverse. They should go in when things are at the bottom, and get out when it is in the advanced stages of a bull market. That is where we need more financial literacy, too.

But I would encourage you to take that message back to the SEC to emphasize the importance of considering fees even more, and I would encourage you to go forward with rules you are considering that would require a dollar disclosure of the fees. The way the fees

are disclosed now is as a percentage of the assets in your account and they are made to sound like they are minimal or diminutive, that they don't matter. You are charged 1½ percent or 1 percent a year. No one knows what that means.

If there are mandatory disclosures that one percentage point of fees can dramatically reduce your retirement nest egg and if those fees were disclosed in dollars and cents, it would be similar to when a bank takes money out of a bank account, they have to put it on your statement in dollars and cents. If they took $30 out last month for a check charge, it appears on your statement.

Mutual funds take money out of your account all the time and don't have to disclose it to you except in a prospectus when you first opened the account and it is in percentage terms. We take 1, 1½ percent out a year, and then about half the expenses aren't disclosed at all. Those are the transaction expenses. Only about 50 percent of the expenses are disclosed at all.

So I encourage those at the SEC who are working on reform to continue those reforms and go even farther. Given that most Americans are now relying on mutual funds for their household, college, and retirement savings, I think that is an extremely important issue.

So with that, I would like to thank you all for being here and invite the third panel to testify. Thank you all for your time.

Wait, I was a little bit too abrupt. Senator Akaka has another question. I am sorry.

Senator AKAKA. Thank you so much, Mr. Chairman. I have a question for Mr. Roseboro and one for Ms. Wyderko.

Mr. ROSEBORO. Almost got away. [Laughter.]

Senator AKAKA. Mr. Roseboro, an estimated $1.75 billion intended to assess low-income families went to commercial tax preparers and affiliated national banks for tax assistance, electronic filing fees, and high costs to refund loans in 1999. These fees unnecessarily diminish Earned Income Tax Credit benefits for working families.

Senator Bingaman and I have introduced legislation to regulate refund anticipation loans, RALs, and expand access to free tax preparation services. S. 685 would create a grant program to link tax preparation services with the establishment of a bank or credit union account. Having an account provides consumers alternatives to rapid refund loans, check cashing services, and lower cost remittances.

What is the Treasury Department doing to expand access to free tax preparation services for low-income taxpayers?

And what is the Department doing to encourage people to utilize mainstream financial institutions?

Mr. ROSEBORO. I will go to the former question and the Treasury Department's support of tax counseling. One of the IRS's major initiatives in that area is to supply training and help with a program called the Volunteer Income Tax Assistance program, which basically is directed at wage earners earning $35,000 and less in terms of giving help in terms of tax preparation.

In addition to that, supporting and identifying programs, private sector programs such as one in Dade County, Florida, recently we recognized which not only helped in the tax program preparation,

but if someone was getting a refund, took that opportunity to also encourage them to open up a direct deposit checking account to savings account, along those lines.

With regard to the latter question in terms of trying to bring more individuals to the banking system, Treasury's largest initiative there had to do with the First Accounts program. As of May 2002, 15 programs were granted a total of $8.4 million to encourage that type of development and we are right now in the process of actually seeking someone to do an evaluation of these programs and their effectiveness to again identify best practices and where those areas can be most effective in the future if these programs are to continue.

Senator AKAKA. Thank you for that. My final question is to Ms. Wyderko. I have been impressed by your fake scam Websites. Despite limited resources, you have taught investors valuable lessons, and I think that was your intent. Please describe for the Subcommittee the most memorable inquiry that one of your sites generated. [Laughter.]

Ms. WYDERKO. Well, we have had more than a few investors send us their bank account numbers, wire transfer instructions, and credit card numbers. We have had a few complain that our Website won't take their credit card number.

I personally recall a lengthy conversation with a psychiatrist from Long Island who could not understand that the SEC was related to that investment opportunity that he was sure was terrific.

I think the highlight of our life in crime came last fall when we were contacted by the venture capitalist from a very well-known investment banking firm who wanted to get in on one of our fake IPOs. But more disturbingly, just last week, our fake hedge fund, GRDI, that is pronounced "greedy," was contacted and solicited to participate in something called a capital introduction session. We were promised that the event would put us in contact with high net worth individuals, foundations, and endowments. We were, of course, very interested in learning how much it would cost to get access to these groups, these investors, but sadly, the promoter must have clicked to invest before sending us the material.

But it is an interesting lesson. Our fake sites have fooled the most sophisticated people in industry as well as ordinary individuals alike. I think that gives you a good understanding of the depths of the issues that we have to confront when people are faced with an investment opportunity that just simply is too good to be true.

Senator AKAKA. Thank you very much, Mr. Chairman.

Senator FITZGERALD. Do you ever get anybody referring your fake Websites to the SEC and say, this must be a scam?

Ms. WYDERKO. We certainly do. We have been referred to our Enforcement Division a number of times and we are thrilled when that happens, sir.

Senator FITZGERALD. OK. Thank you all for your time.

At this point, we will invite the third panel up to testify.

I would like to introduce our panelists on the third panel now and appreciate your patience. You have had two previous panels to sit through, and so we thank you very much for your forbearance.

Don Blandin is President of the American Savings Education Council. The Council was established in 1995 and is a coalition of public and private sector institutions that undertake initiatives to raise public awareness about the importance of obtaining personal financial independence. The Council works through its partners to educate Americans on all aspects of personal finance and savings, including credit management, college savings, home purchase, and retirement planning. Mr. Blandin serves on a number of boards, including for the Jump$tart Coalition for Personal Financial Literacy and the Certified Financial Planner Board of Standards.

Dara Duguay is the Executive Director of the Jump$tart Coalition for Personal Financial Literacy. The Coalition's mission is to improve the financial literacy skills of young adults so they can make informed financial decisions. The Coalition consists of 150 organizations, including Junior Achievement, the Federal Reserve, the Credit Union National Association, Visa, the National Council on Economic Education, and others.

Previously, Ms. Duguay was the Director of Education for the Consumer Credit Counseling Service of Los Angeles that specializes in providing free budget and debt counseling. Ms. Duguay also is the author of several books on personal finance and money management.

Dr. Robert Duvall has served as President and Chief Executive Officer for the National Council on Economic Education, NCEE, since 1995. The NCEE was founded as an independent, nonpartisan, nonprofit organization 55 years ago by business leaders and educators who saw the need to improve economic and personal finance education in the Nation's schools. Under Dr. Duvall's leadership, NCEE has grown to be a preeminent national organization promoting economic and financial literacy.

Dr. Duvall is recognized as a national and international spokesman for the cause of improving economic and financial education as a core component of the K through 12 curriculum. Prior to joining NCEE, Dr. Duvall was President of Pacific University in Oregon for 12 years.

We thank all of you for being here today. In the interest of time, we will include your full statements in the record, and if you are able, we ask that you limit your remarks to no more than 5 minutes, please.

Mr. Blandin, you may proceed with your opening statement at this time.

TESTIMONY OF DON M. BLANDIN,[1] PRESIDENT, AMERICAN SAVINGS EDUCATION COUNCIL

Mr. BLANDIN. Thank you. Chairman Fitzgerald, Ranking Member Akaka, and other distinguished Members of the Subcommittee, I want to thank you for the opportunity to appear before you today to discuss the role the Federal Government can play in helping Americans understand how to better manage their money and learn about personal finance.

ASEC works through its partners, as you mentioned earlier, to educate Americans on all aspects of financial management, any-

[1] The prepared statement of Mr. Blandin appears in the Appendix on page 73.

thing from first home ownership to long-term health care to planning for retirement to sending your children through college, any aspect of financial education including the wise use of credit cards.

We were launched in July 1995 following discussion between the U.S. Department of Labor and the Employee Benefit Research Institute, our parent organization, who then decided that it was time to bring the savings message to the American public. At an event in July 1995 involving the Department of Treasury and the Department of Labor, ASEC was launched as a public-private coalition made up of large membership organizations, financial services firms, as well as many Federal and State Government agencies to help with the education message. It is a 501(c)(3) nonprofit organization. We do not lobby or take public policy positions.

As President of ASEC, I have had the unique opportunity and privilege to work closely with private sector organizations since 1996 in helping them, what I call "connect the dots" among and between the various financial education efforts. As Senator Sarbanes mentioned earlier, we feel very strongly that by combining and leveraging our partners' comprehensive networks and resources, we are able to reach people collectively who none of us could be able to reach alone.

Education, in our mind, is still key to helping individuals make changes in their financial behavior and we fully support any initiative to forward this mission that we all share.

First and foremost, I would like to commend the creation by the Congress of the Financial Literacy and Education Commission. I attended the Commission's first meeting in January and it was reassuring to see so many heads of agencies and their key staff participating in the meeting and showing their support for and commitment to the Commission's work.

Additionally, I would like to commend the Congress for enacting the Financial Literacy and Education Empowerment Improvement Act. This document is comprehensive and well thought out and clearly lays the groundwork for the Commission's work, including points at which that work will be measured by independent agencies.

The American Savings Education Council looks forward to helping the Commission meet all of its goals and objectives.

At ASEC, our goal is to bring together organizations and groups that might not normally be at the same table, but that clearly should be at the same table. From the beginning, we recognized the important contributions and efforts of each of our government partners. As a matter of fact, two Federal agencies were integral in helping to launch ASEC, Treasury and Labor.

In an attempt to facilitate coordination and open the lines of communication between our Federal Government partners, in 1996, we created the ASEC Government Interagency Group, or GIG, as it has been commonly referred to. GIG meetings take place every 2 months and are coordinated and co-convened jointly by ASEC and the Department of the Treasury Bureau of the Public Debt. Representatives from approximately 12 Federal agencies have regularly participated in these meetings over the last 8 years and GIG meetings are informative and informal and serve as a highly effective information clearinghouse.

We feel that three factors greatly contribute to the success and longevity of GIG. One, a commitment by our partner organizations to attend the meetings. Over time, attendees have gotten to know each other very well, having a real feel for what each organization can bring to the table, and work well together.

Two, it is a trusted, non-threatening forum for information exchange. People are very comfortable sharing their ideas and opinions, asking for assistance and counsel, and providing materials and support to assist each other's events and initiatives.

And finally, three. It has provided effective time management. A lot of work can be accomplished in a short period of time. For example, ASEC updates all the agencies about upcoming opportunities and events at local, State, and national levels and agency representatives are quick to express an interest and offer their assistance and input on various projects.

GIG attendees leave the meetings knowing what all the other agencies are doing in the area of financial education, and those seeking assistance with a project usually come out with valuable contacts of people and agencies willing to immediately help. Overall, it is truly a win-win situation for everyone.

However, despite our efforts to coordinate our work and explore all possibilities in pushing the savings education message, we still face major challenges. First, it is very challenging to engage the public about the importance of saving and planning for their future when many people are not receptive to hearing the message.

We have all tried to reach out to individuals through public service campaigns, educational materials and Websites, meetings, and seminars. Those we are able to reach are small segments of the population. Millions of Americans remain laxidasical about their financial planning approach. To borrow from Aesop's Fable about the grasshopper and the ant, we seem to be dealing with a lot more "live for today" grasshoppers than "plan for tomorrow" ants. Millions of baby boomers are expecting to retire in the near future, but our research shows that many are inadequately prepared to support themselves financially in retirement.

Second, we are not seeing enough coordination and outreach among groups that are very involved in this issue of financial education. Organizations are more apt to create their own campaign or event, even reinvent the wheel, rather than collaborate on programs and initiatives that will have the biggest impact. The potential with this new Commission exists for public and private sector organizations to align themselves under one massive, far-reaching umbrella, financial education campaign.

Finally, the Congress and the President have an opportunity in 2005 to build added momentum and coordination when the Third White House and Congressional Summit on Retirement Savings will be held, as called for by the SAVER Act, Savings Are Vital to Everyone's Retirement Act of 1997. Previous summits in 1998 and 2002 provided an opportunity for hundreds of delegates to work together to design the educational initiatives that can make a difference. For example, the SAVER Summit endorsed the "choose to save" television and radio PSA program. We are in its seventh year, which now lands in 49 States.

What we know from the summits and from the many partners of ASEC is that there are many organizations and individuals truly committed to helping Americans become financially literate and even savvy about money management. That is the topic that touches all of us and will have a lasting effect on future generations.

We believe that the Commission can help the President and the Congress with the agenda for the 2005 SAVER Summit and thus be able to mobilize a larger group of Coalition members nationally at all levels and reaching all social and economic incomes for all Americans in the years ahead.

As an entity made up of government agencies, we feel that the Commission will be able to achieve its goals if they are able to coordinate the limited resources that are already out there within both the public and the private sector.

As I said at the beginning of my testimony, by reaching out to groups and organizations at all levels, we will be able to achieve greater things collectively than any of us would be able to do alone. Thank you very much for your time.

Senator FITZGERALD. Thank you, Mr. Blandin. Ms. Duguay.

TESTIMONY OF DARA DUGUAY,[1] EXECUTIVE DIRECTOR, JUMP$TART COALITION FOR PERSONAL FINANCIAL LITERACY

Ms. DUGUAY. Thank you, Chairman Fitzgerald and Ranking Member Akaka for this opportunity to testify today, and thank you also for the opportunity to speak extemporaneously, which I prefer, so I will try to go through my notes in a quick fashion.

I am the Executive Director of the Jump$tart Coalition, and when I moved to Washington, DC, in 1995, the Coalition had about a dozen members. And here we are now in 2004 and we have 150 national organizations. Almost all of the members of the new Commission are members of the Jump$tart Coalition, so they have been involved in our effort and most of them are on our Board of Directors, also. They have been involved since the very beginning. We also have financial corporations, many nonprofit organizations, and associations together.

The main commonality is that they are all interested in promoting financial literacy for youth, K through college. So my comments today are really going to be directed more toward K through college and K through 12, specifically, education policy and how I feel the Commission can help in that regard.

I think the main reasons that the Commission was formed is we look at surveys that have been conducted showing their dire financial literacy results, and the Jump$tart Coalition conducted our first survey in 1997. It was a survey conducted in public high schools of high school seniors. We gave them a 31-question test to find out what they knew about the basics in money management, checking, saving, and investing, and the average score was an F, a 57 percent.

Unfortunately, every 2 years, we have been readministering this test and the score has gone down. In 2000, it went down to 52 percent. In 2002, it went down to 50 percent. Our 2004 results, I can-

[1] The prepared statement of Ms. Duguay appears in the Appendix on page 77.

not release them today, I will be breaking embargo, but please stay tuned. In 2 days at the Federal Reserve at 10:30 in the morning, we will have our press conference with our 2004 results. This is a huge survey. Four thousand high school seniors have been surveyed. And although I can't tell you the results yet, I can tell you that we are still not encouraged that high school seniors are graduating with the skills that they need to make wise decisions in the marketplace.

Let me give you some results from the 2002 survey, just the highlights. Sixty-eight percent of the high school seniors had failing scores on the survey. Keep in mind that the high school seniors, when they reach the age of 18, of course, they are legally responsible for these financial instruments. But we found that their average score, again, was just 50 percent, which on a basic grading scale is considered an F.

And so we look at the fact that this score is in light of the fact that also a third of high school students have access to a credit card. Even a higher percentage have access to an ATM card. And when we look at statistics that are showing the bankruptcy filings for those in the 18 through 25 year-old age bracket, numbered 150,000 in the year 2000. This, in terms of the total number of bankruptcy filings, is a small percentage, but we have to keep in mind this was a ten-fold increase in just 5 years. So this is extremely disturbing to us in terms of the number of young adults filing something as drastic as a bankruptcy.

The Jump$tart Coalition is deeply committed to the works of the Commission because we believe in what it is all about and in its essence because we also believe in not reinventing the wheel. That is one of the main missions of Jump$tart, is to collaborate, to network, to make sure that other members of the Coalition are not duplicating exactly what other members are doing. We feel that this is a waste of resources. We feel that through teamwork and collaborating together as a solid entity, we as a coalition, as Mr. Blandlin also explained, coalitions take their strength from its membership, doing as a group what any single individual organization could not do on their own.

So in that regard, the Coalition has offered the Commission already access to a wide variety of personal finance tools that we have developed over the years and I just wanted to highlight a few of them.

Number one, we have a wide, enormous variety of educational materials listed on our Website. We have been identifying and evaluating. We don't list anything that exists. It must pass our quality standards. So our online database of curricula for kindergarten through college currently has over 600 listings. You can search by age, you can search by subject, you can put in a key word like "bankruptcy."

You can also search by free. At last count, about a third of the materials listed in our site have absolutely no cost whatsoever. So one of the biggest push-backs we hear from school districts is, we are broke. We have no money. We say, look, there are many free resources that are available.

And so keep in mind that this clearinghouse, we would love the Commission to link to. It is a database that we have wide access

to already. We encourage our membership to advertise and publicize the existence of this clearinghouse. And we also don't want people to reinvent the wheel by creating something that we have been now creating and evaluating for over 7 years.

The second tool that we have is something that is going to prove to be, I think, very important. One of the mantras that we are hearing now as a consequence of No Child Left Behind is that assessment is critical in K through 12 education. If it is not tested, it is not taught.

And so what we decided to do is, in addition to our standards that Ms. Rees from the U.S. Department of Education referenced earlier, we have developed, or we are in the process—we hope to have this whole process completed within a month—of developing an assessment. This is going to be a test bank of almost 1,000 questions at the high school level that is going to be linked to these standards.

But particularly, we would like this assessment test bank to be given, again for free, to assessment directors around the country, at State Departments of Education, at large local school district levels that are in the process of developing assessments for other disciplines and say, listen, if you are developing the math assessment, can you take a couple of these thousand questions. Many of them are computation examples. If they are figuring out compound interest, it is a multiplication exercise.

And please put them into a test because that is the reality in education policy today. If it is not in the standards, if it is not tested, you can have the best curricula in the world and it will never ever get into the classroom. So these are just some of the realities that we see today in education policy.

And then finally, we felt the need to develop a series of best practices. The first set of best practices that a task force has developed is in curricula. Best practices is, in essence, what works, and we have a wonderful document on our Website which we have shared with all the Coalition members that are creating curricula all the time, and it just basically lists things like obvious things, must be accurate, must be up to date, and then things that are not so obvious, such as must have connectivity to the school's Internet system and so forth, but basically a compilation of what works in terms of producing curricula so that the curricula that is out there is of the highest quality.

Really, the problem in this country is not lack of supply. With our 600-plus items in our clearinghouse, many of which are just fantastic materials, the problem is not lack of supply. The problem is lack of demand. Our 2002 survey found that only 15 percent of students in this country graduate from high school ever having received financial education while in school. We find that many of them don't learn from their parents if it is a taboo subject, or it is the situation of the blind leading the blind. Parents have never learned themselves, or if your parents have filed bankruptcy for the third time, are they the best teachers to show you how to use credit wisely.

So we find that schools are one of the best places for kids to learn, because if they don't learn there and they don't learn at home, by default, they are learning in the school of hard knocks,

and they always say the school of hard knocks has a very high tuition, so we definitely don't want them to learn there.

And so these are just some of the recommendations, in closing, to the Commission where I think that they can be extremely effective when we talk about education policy in this country.

I wanted to share with you one of the positive—so far, I have talked about some of the negative results of the survey. I want to talk about a positive trend that we have been seeing in the last 2 years, especially last year and this year. In 2003, six bills were passed on a State level, and in total, 27 bills were introduced requiring some kind of inclusion of personal finance in the K through 12 curricula. We are very excited by this resultant success of the bills, because in the past, there would be a bill introduced here and there and they would always fail. So the fact that six bills passed, we think is incredibly exciting.

Just to give you one example, the State of Utah passed a bill that is requiring as a mandate that every high school student must have a course in personal finance. So this, to us, is very encouraging. Now we can actually get the doors open and get the curricula into the classrooms.

We have also seen that there is an incredible amount of increase in teacher training, because it is not enough to just give a teacher a material and say, teach this. We have to remember that most teachers feel very uncomfortable teaching this subject. Again, it is in many cases the situation of the blind leading the blind. So we have found through many of Jump$tart's members that offer teacher training and through our vast State coalition network, we have been able to conduct statewide teacher training in 18 States last year and we had representation by many State treasurers, attorney generals, governors, first ladies, that came in attendance to these statewide teacher training to make sure the teachers get up to speed.

So I feel that legislative record last year, in addition to so far this year, we found that there has been a wide plethora of bills already introduced, in fact, 17. And if you are interested, Jump$tart's Website, jump$tart.org, has a whole, very accurate, up-to-date legislative section that lists all of these bills. So, so far this year, 17 bills, resolutions, proclamations have been introduced on the State level. We think this is an incredible area and we hope that the Commission will applaud these efforts.

Second, we would like for the Commission to urge the inclusion of personal financial standards into the standards of other disciplines. Personal finance is not a separate discipline unto itself. Therefore, it is the stepchild. It has to piggyback onto economics or math. Currently, it piggybacks in many cases onto business or family and consumer science, which in many States are electives and not required classes. So the more that we can include personal finance into classes like economics or math that are more required disciplines in more States, so much the better. So the more that the Commission can encourage the inclusion of our standards, especially the U.S. Department of Education, this would really help our efforts.

And then finally, I have been at, I would say half-a-dozen financial literacy symposia over the last 2 years and the audience is usu-

ally packed. But what we found is that the groups that are missing in the audience are really the key education groups in the country. We are missing education associations. We are missing the State Departments of Education. We are missing involvement from the educators.

What I feel is one of our greatest challenges is that we have a gap that exists between the financial institutions, the nonprofit, the government agencies that are true believers in this cause, and there is a chasm between those groups and the education policy makers that are really the ones that are responsible for helping with all of the integration of personal finance into their curricula.

So if we can somehow figure out how to close this gap, I think if the Commission can encourage more involvement with the State Departments of Education, we find that in the States where legislation is pending that they are fighting our efforts in many cases. And in many cases, their fears are unfounded. They think it is going to cost money to buy the curricula or money to train the teachers, and we have proved that in States where legislation has passed, this is not the case.

So if we can close the gap, I guess that is my last and final hope, that if the Commission can help us in that regard, and I was encouraged by Ms. Rees's comments, that she said that would be the way that the U.S. Department of Education could help the most, and really, that will be the most beneficial way, is to spread the word about the importance of financial education and urge their adoption and also promotion of this issue. So thank you very much for the opportunity to testify today.

Senator FITZGERALD. Thank you very much, Ms. Duguay.

With Senator Akaka's permission, I would like to turn the gavel over to him now. I have another appointment I am going to have to run to, but I appreciate Dr. Duvall's contribution to this hearing. I am sorry I have to go, but we have your written testimony. I am going to turn the gavel over to Senator Akaka, and you can go ahead and deliver your opening statement. Thank you all very much.

TESTIMONY OF ROBERT F. DUVALL,[1] PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL COUNCIL ON ECONOMIC EDUCATION

Mr. DUVALL. Thank you, sir, for the opportunity. Senator Akaka, we have been together before and it is an honor for me to have this opportunity and particularly to be the clean-up hitter in an obviously timely and important hearing.

As Senator Fitzgerald said, you have my written testimony for the Subcommittee and I just want to say that, with the others, I appreciate very much what this testimony means, what this series of testimonies means in terms of giving focus to a very important issue.

The National Council on Economic Education, the NCEE, was formed 55 years ago after the Second World War by a group of business leaders and educators who saw the GIs pouring back into the workforce after the war and saw a growing number of high

[1] The prepared statement of Mr. Duvall appears in the Appendix on page 82.

school graduates and college graduates entering the workforce and realized that too many of them did not have a clue about how the economic system worked that they were going to work in.

So we were given the mission, the charge of trying to improve on that situation by following the very strategies that have been enumerated by my colleagues—setting standards, teaching the teachers how to make economics and personal finance come alive in the classroom, and arming those teachers with good materials and resources, doing assessment and evaluation and follow-up so that you could see results, and then enunciating those best practices for others, communicating, getting the word out, serving as both an advocacy group for the importance of the issue and a service provider in terms of making available resources for teachers that could make a difference in the schools.

One way to make a real and lasting difference, we believe, in the lives of young people, and indeed of all Americans, is to teach the teachers how to make economics and personal financial decision-making skills seem relevant to them and useful in their lives. Too many people think that economics is what they do in Economics 101 at MIT, not what you do when you are making basic, practical decisions. Getting the principles of economics into the curriculum, cost-benefit analysis, supply and demand, opportunity cost, things that you can use as a framework for making good decisions in your life, opens the door and sets the stage for making good personal finance decisions.

In many ways, personal finance is the entre to learning something about economics that you can use in your life all your life as a responsible citizen and informed consumer. It is also the result of knowing some good basic economic principles.

So we try to work to respond to the local and regional needs and interests of the States and of the school districts through a unique nationwide network of State councils and university centers. That is how we get to the teachers. The teachers come to our more than 200 university centers for teacher training in using these materials and infusing them into the curriculum.

Still, too many high schools do not offer economics as a stand-alone subject, let alone, as Ms. Duguay said, personal finance. The trick is to get it into the social studies and into history and geography and into mathematics. We have produced a curriculum in economics and math, Connections for Life, which is an example of the way in which you can get basic principles into the curriculum in many subject areas. I don't believe you can talk about U.S. history and the Boston Tea Party if you don't say something about taxation and how it works, and that is our approach to this question.

What we need is a strategy and support for seeing not only that the life skills of economics and personal finance are taught, but that they are taught well. What we know is that well-prepared teachers instill in our young people a sense that they themselves are future stakeholders, decisionmakers, and movers of the American economy. By teaching the teachers, we and other organizations can help equip them to teach economics as a stand-alone subject and to weave it into other subject areas K to 12.

The question that has come up today, the focus of this hearing, is what can Congress do? Let me respectfully commend two actions

that will have impact on the issue, actions already referenced by others giving testimony, as a kind of concluding note.

First, we urge that attention be paid to ensure that the Financial Literacy and Education Commission go forward to develop and produce a real national strategy to coordinate Federal financial literacy efforts. Get as much public participation as possible and encourage public-private sector partnerships.

We believe it is important for the Commission's charge to be implemented and for its work to be proactive. Coordination and coherence are essential to enable us all to go forward in financial literacy efforts, especially with the 2006 first-ever National Assessment of Educational Progress, the NAEP assessment in economics, coming up, the report card on the Nation.

Second, Congress has recently implemented your modestly funded but important program that will go a long way to improve K to 12 economic education. The 2004 Consolidated Appropriations Act did provide $1.5 million for Excellence in Economic Education seed money, and we hope that your efforts and the efforts of other Senators to promote that and to carry it forward will succeed, and we offer you all possible support from the National Council on Economic Education and from our nationwide network of affiliated councils and centers.

In conclusion, on behalf of the National Council on Economic Education, let me say that we are very pleased that the Subcommittee is focusing on economic education and financial literacy, especially the work ahead for this Commission. I have been very interested in listening to the testimony today, because we believe that effective and effectively teaching practical economics and personal finance and personal financial decisionmaking skills is not only vital to an individual's success and well-being, but will ultimately contribute to ensuring a strong national economy. Thank you very much.

Senator AKAKA [presiding]. Thank you very much, Dr. Duvall.

I want to thank all of you for your testimony.

Mr. Blandin, please provide the Subcommittee with your assessment of the Department of Defense's Financial Readiness Campaign. This is a question I directed to our witness from the SEC. I know that a series of additional SEC investors' town meetings have been discussed to be held in various locations across the country, including Honolulu, and as I asked on that question, could you please provide me with an update on the status of these events?

Mr. BLANDIN. Certainly, I will try to. As you know, the Department of Defense is one of our partner institutions and we worked very closely with the DOD in the establishment of the Financial Readiness program, which we think is very much needed and very welcome as a coordinating activity within the Department of Defense among the various uniformed services.

You probably also know the uniformed services have had financial education initiatives for many years. The one that I am most familiar with is the Department of the Navy, which for over 20 years has been teaching recruits, enlistees, young service members, the basic principles of learning to save and spend and earn money and invest it. That program has been going on for almost 25 years now.

There has been also, obviously, activities in the Army, the Navy, the Air Force, the Coast Guard, the Reserve and others, the Air Force in particular that I am familiar with.

As I said, the Department of Defense's Financial Readiness Initiative is to make sure that all of the men and women who serve our country have the educational tools available to them to better manage their day-to-day personal finances. I think the last thing we want when we are asking those men and women who could be defending our country is to have them be worried about financial issues at home.

And so what we are trying to do is go out to the various military bases and try to get them at a time when they are receptive to educational programs, not necessarily the time they are being deployed to another part of the world, but certainly in the time when they are home on base and can attend workshops and learn the basic skills that they might not have learned, as Dara said, in high school and in other more formal educational settings.

We are also taking the great model that we have been very much a part of over the years of the SEC investor town meeting and doing a variation of that to see if we can fine-tune it and make it very targeted to military families, particularly those spouses who stay at home when the man or wife is out—the husband or wife is out on deployment, in the situation where the family is split up, yet the bills keep coming and financial decisions need to be made for both the short term and the long term.

So what we are doing, as Susan Wyderko said, is working closely with the Department of Defense to see if we could design essentially an educational fair, a savings and investment opportunity, educational opportunity for those men and women in our military who serve us both in difficult times and at times when we hopefully will get to when it is not so difficult and there will be more peace.

Senator AKAKA. Ms. Duguay, last year I enjoyed learning about the numerous private and governmental efforts to help increase financial literacy during the Financial Literacy for Youth Day held on the Hill last April. Can you please describe this year's Financial Literacy Day for the Subcommittee, I believe which will be held on April 22?

Mr. DUVALL. Sure. The event this year, we are hoping that we will get at least equal the participation of last year, which was very good. We hope we will either get equal or increase the population.

But primarily, the format is to have staffers on the Hill come and be able to see all of the different financial literacy programs, curricula, and initiatives that will be exhibited.

So far, we have invited all of the Jump$tart Coalition members to attend this day. Where is Marissa? She has the grid. I gave it to her earlier. But I think there are about 22 organizations so far that have said they wanted to exhibit at this event. So this is more than last year.

There she is. She heard her name. You will say, well, I don't know if she gave me the spreadsheet or not, but suffice it to say we have very good participation this year.

The format last year was having presentations by yourself and some other noted dignitaries and really talk about the issue of fi-

nancial literacy. So I believe that was an extremely informative day and I can't imagine that this year will not surpass the success of last year's.

Senator AKAKA. I must tell you that last year, I was pleasantly surprised at the materials that were available and the interest that people had in it. I am looking forward to this one with more agencies involved. I am sure there will be better materials all around, but it really was a great exhibit for me.

Dr. Duvall, you recall history very well when men were returning from the wars and had to face the unknown. I was one of them, and I have got to thank God for the GI Bill, which helped to educate many of us. We learned a lot, but I must admit that there was no focus on financial literacy at that time. It was just to get a good education, and we struggled along. But this time we are wiser and I hope that we will give the focus that is needed towards financial and economic education.

I want to thank NCEE for all of its efforts over the past 55 years, all that you have done and others have done in bringing attention to that need. We are going to make every effort to join you in doing this.

I look upon what we are doing here today and what we have done last year as a springboard to better things in the future. You have expressed many good ideas and programs that can be done in the future to help to bring this about. We are no longer saying financial literacy for youth, but it is financial literacy for everybody, and a Financial Literacy Day event, as well.

So I am wondering, Dr. Duvall, if you could give your thoughts about the role that the Federal Government can play to support States and local agencies so that what we know about economics and personal finance can be effectively translated in the classroom.

Mr. DUVALL. Well, we are making some progress, Senator, as you pointed to. Several years ago, there were fewer than 30 states that included economics in their State education standards. Today, it is 48, and we are going to get those last two as soon as I can go out of this room.

There is a growing awareness of the need for financial and economic literacy, that that literacy is very much as important for successful lives of individuals and for communities as literacy in mathematics or literacy in reading or literacy in technology.

I think the Jump$tart Coalition, of which we are a founding member, has helped enormously to put the spotlight on the need and then to show how that need can be better met. So there is increased public consciousness, and the Federal efforts can continue to do that.

Two years ago, the National Council on Economic Education, together with the Federal Reserve, put on the first National Summit on Economic and Financial Literacy. Senator Sarbanes was our keynote speaker. The call to action at the end of that summit was for a national commission to take a look at how our efforts could be coordinated starting at the Federal level, but then going out into the States and into the education systems of the country.

We are off to a good start with this Commission and with others who have expressed that hope. I believe the Commission's work can

help set the pace for better coordination, which means better concentration on the issue in the States.

So the government can provide leadership. The government can provide support, such as funding for the Excellence in Economic Education Act, recognizing that economics, including personal finance, is one of the ten core subject areas in No Child Left Behind. We can continue to push that from the Federal level while having it enacted and acted upon by the States according to their individual circumstances and State standards and requirements.

Senator AKAKA. Mr. Blandin, in your statement, you mentioned that you are not seeing enough coordination in outreach among groups that are very involved in financial education and that organizations are more apt to create their own campaign or event rather than collaborate on programs and initiatives that have the biggest impact.

My question is, what should be done to facilitate increased coordination and collaboration amongst financial education organizations?

Mr. BLANDIN. Well, first, let me say what could be done and then maybe give you some examples of what probably needs to be done more. What could be done is that this whole national Commission, once it feels that it has lined up the various Federal agencies that sit around its table and possibly invite a few more in that aren't at the table right now, get their efforts coordinated in a way where they are targeting specific areas of need. They are finding and looking at the right agency with the right skill set to help in that area, and that they are meeting on a regular basis to compare how they are doing in terms of making progress.

Once the Commission has been able to organize the Federal agencies and hopefully bring in some of the State agencies, as well—Susan Wyderko mentioned the States securities regulators, many of whom have their own financial education offices—so reaching out to, say, State securities regulators, reaching certainly out to State treasurers who are in many cases managing the State's major pension fund for the citizens of that State. There are a lot of what I call stakeholders in this area that could be brought together.

So once the government has kind of gotten its act together, and I also want to add to that some of the things that you have done, Senator Akaka, including the upcoming event here on the Hill, I think before Federal agencies and Congress go out telling others what they should be doing in the financial education, it is good to see that some agencies and the Congress are bringing educational programs to their own staffers.

The Federal Reserve Board, under direction from Chairman Greenspan, is doing internal financial education for the employees. The Office of Personnel Management is working with other Federal agencies to promote financial education in the Federal workforce. The SEC is having an internal program. So I think it is good that before we go out and tell other sectors what to do about financial education, that the Federal Government and other government entities get their act together.

Having said that, there are tremendous opportunities for public and private sector partnerships. One example I would give where

I think there needs to be more coordination is this idea of new public service announcements. The Ad Council up in New York has an initiative underway to try to fund for the first time a financial literacy campaign. That campaign, they are looking for private sector contributions from the financial services industries.

I would ask the question, well, how does that campaign link to what is being planned by the Department of Treasury through the National Commission on Financial Education and Financial Literacy? Are they at all related? Is the Ad Council and the private sector talking to anyone in Treasury? And then the basic question is, do we need more public service announcements? Do we need more PSAs? Is that the most effective use of our money? I think that question has to be asked, as well.

So I really think that the Commission can generate the kind of discussion among the various sectors, whether it is nonprofit, private sector, governmental sector, what is called the independent sector, the faith-based sector, whatever the sector is, get them at the table together with the Federal Government kind of showing a vision of where we ought to be going and also giving some credit to those in the private sector who are doing a lot of this good work, as well. I think that we have an opportunity with this new Commission to do that. It is that umbrella I talked about earlier in my testimony.

Senator AKAKA. I want to thank all of you for your enthusiastic responses and your dedication to the effort and to tell you that I really appreciate your attendance here today.

Senator Fitzgerald and I want to thank our witnesses for being with us today to discuss this, for us, very important subject. The hearing record, I want you to know, will remain open until the close of business this Friday, April 2. If any Members of this Subcommittee wish to submit a written statement, they must do it by that time.

I would like to insert into the record a written statement submitted by Kathy Cloninger, Chief Executive Officer of the Girl Scouts of the USA.[1]

I would also like to insert a statement from Visa USA, Inc.,[2] which has been submitted for the record.

Senator AKAKA. If there is no further business to come before this Subcommittee, this hearing is adjourned.

[Whereupon, at 5 p.m., the Subcommittee was adjourned.]

[1] The prepared statement of Ms. Cloninger appears in the Appendix on page 87.
[2] The prepared statement of Visa USA, Inc. appears in the Appendix on page 89.

APPENDIX

Senator Paul S. Sarbanes (D-MD)
Testimony to the U.S. Senate Committee on Governmental Affairs Subcommittee on Financial Management, the Budget, and International Security
"FINANCIAL LITERACY AND EDUCATION"
March 30, 2004

I want to thank you, Mr. Chairman, and the Committee's ranking member, for holding this important hearing on the government's role in enabling Americans to make informed decisions about their financial affairs. This issue was high on the agenda of the Committee on Banking, Housing and Urban Affairs in the last Congress and we held a series of hearings on financial literacy and education.

In this Congress, under Senator Shelby's chairmanship, the Banking Committee included in the Fair and Accurate Credit Transactions Act of 2003 legislation a separate title for the purpose of promoting financial literacy, which had been introduced earlier as the Financial Literacy and Education Improvement Act. That title, as part of the broader legislation, is now the law of the land.

I want to underscore the tremendous and terrific work that was done by Senator Akaka, who previously was on our panel, and Senators Enzi and Stabenow for putting together this legislation and also the support received by Chairman Shelby.

Mr. Chairman there is no mystery to "financial literacy." It plays a role in our lives with respect to financial matters, which is analogous to the role that basic literacy plays in our daily lives. We know that basic illiteracy exacts a heavy toll; the same is true of financial illiteracy.

Numerous statistical studies have shown significant numbers, amazing numbers actually, of men and women of all ages are financially illiterate, or have only a limited degree of literacy. They are ill equipped to make informed and responsible decisions about crucial financial matters. Lacking the context necessary to make thorough and realistic assessments, they are at serious risk, vulnerable to exploitation, with potentially devastating consequences for themselves and their families.

During a recent hearing in the Banking Committee, we received sobering testimony on this point. Our witnesses were men and women of all ages and from all backgrounds. They included college-age youth and retirees, the newly employed and workers near the end of their employment years, those who were investing in the capital markets and also those without bank accounts. What came across from that testimony was that we needed an improved and expanded education in this country.

Our hearings established that there are some significant programs in the area of financial education, both within the government and in the private sector, and in a number of states. Senator Enzi, when he served in the Wyoming legislature, took the lead in developing financial literacy programs at the state level. But there is not an overall,

comprehensive strategy. Too little coordination, and too much overlap and duplication, among the programs have been the result. As Don Blandin, President of the American Savings Education Council noted in his testimony before the Banking Committee:

> "Organizations in both the private and public sectors must collaborate on all levels to help educate Americans about the importance of taking control of their financial future. By combining and leveraging our comprehensive networks and resources, we have a better chance of reaching people that none of us would be able to reach alone."

That is why in the legislation we established the Financial Literacy and Education Commission. They are charged with the mandate to develop a national strategy. Using its own website and a 1-800 number, the Commission will serve consumers by providing "one-stop," easily accessible information about all financial literacy programs offered by government agencies.

By bringing together the heads of the federal agencies that sponsor active financial education programs, the Commission will be able to better coordinate the activities of the various departments and agencies and eliminate unnecessary duplication; it will facilitate collaboration among the Commission's own members; and it will promote cooperation of our federal agencies with state and local governments and with the numerous non-profit and other private-sector organizations that sponsors programs in financial literacy and education. I want to underscore the very fine work being done by a number of non-profit and other private sector organizations.

The first meeting of the commission was held on January 29th and I'm going to take a minute to read some of the leading members who were there. Treasury Secretary Snow, who chairs the Commission, Federal Reserve Board Chairman Greenspan, Commissioner of Social Security Barnhart, Federal Deposit Insurance Corporation Chairman Powell, Federal Trade Commission Chairman Muris, Office of Thrift Supervision Director Gilleran and National Credit Union Administration Chairman Dollar. Their active participation testifies to the importance of the Commission's work. The Commission needs the sustained and unflagging support of its members.

Americans today face a daunting array of complex financial decisions with long-range as well as short-term consequences. Financial literacy is critical to responsible decision-making. Mr. Chairman I applaud your Committee for holding today's hearing, and I look forward to working with my colleagues to strengthen our financial education programs and raise the standards of financial literacy in every corner of our nation.

Testimony of Senator Debbie Stabenow
The Federal Government's Role in Empowering Americans to Make Informed Financial Decisions
Financial Management Subcommittee of the Senate Governmental Affairs Committee
March 30, 2004
Washington, DC

Good Afternoon. Thank you, Chairman Fitzgerald for calling this hearing. I know that you and Ranking Member Akaka have been strong advocates of improving financial literacy and I appreciate that you have called this hearing today.

I also appreciate the chance to testify along with my colleagues, Senators Sarbanes and Enzi. We worked very closely together to pass Title V of the FACT Act last year and because of our work and, in thanks to the leadership of Banking Committee Chairman Richard Shelby, we have a new law that I think will go a long way toward reshaping the way that the Federal government helps Americans with their financial decisionmaking.

I cannot stress enough how important I feel financial literacy is to the American people. The financial services industry has changed a great deal over the last several years and a large number of new and diverse products are available in the market place.

In addition, people are finding it easier to get credit whether for a new home, a car, or a credit card. However, with more credit comes increased responsibilities and a greater need to manage resources effectively.

Mr. Chairman, it is also important to note that we are seeing an economic environment in which people are increasingly having to plan more aggressively to meet a number of financial needs - including a child's education or their own retirement.

Unfortunately, we are nowhere near where we need to be in terms of having a financially literate population. Study after study show that we must do more to help the American people understand basic financial planning, credit management, and saving concepts.

And, we must help them understand how they can take charge of their own financial future.

Consider some of these disturbing statistics:

- The personal savings rate fell to only 1.6 percent of disposable income in 2001.
- From 1990 to 2000, outstanding credit card debt among American households more than tripled from $200 billion to $600 billion.
- In 2001, the total household debt of Americans exceeded total household disposable income by nearly 10 percent.

- With all of the opportunities for investment available today, barely half of American households hold stock in any form, including mutual funds and 401(k)-style pension plans.
- Almost 50 percent of all workers have accumulated less than $50,000 for their retirement; One-third have saved less than $10,000.

Mr. Chairman, Senators Enzi, Sarbanes, and I wanted to do something to address these problems and that is what precisely what we did. I introduced my bill, the Financial Literacy Community Outreach last July, along with Senator Enzi and 6 other cosponsors from the Banking Committee with a simple goal in mind: to make the Federal government more efficient and strategic in how it delivers financial literacy assistance to the American people. We teamed up with Senator Sarbanes, who had his own bill, and we merged the best parts of each bill in to a new package that was enacted into law during reauthorization of the Fair Credit Reporting Act.

The new law will streamline and improve the delivery of Federal financial literacy services. Prior to enactment of our law, many Federal agencies offered financial literacy services, materials, or grants, but there was absolutely no coordination.

Our Federal Financial Literacy Commission changes that. For the first time, all stakeholders in the government who work on financial literacy will sit at the same table and be able to coordinate their message. They will be able to eliminate duplication and fill in gaps where we are providing no financial literacy assistance but should be.

I am also happy to note that not only do we strive to get key members of the government talking to each other, our bill is also designed to make the government more accessible to the American people.

We instructed the Commission to set up a one-stop website for consumers. Now, the American people won't have to surf dozens of government websites to find the information they need. They will be able to go to one site and get information on everything from credit card management to buying a home to understanding their Social Security benefits.

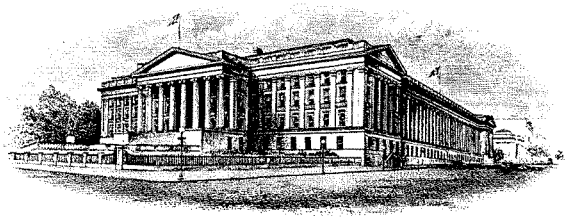
For those who are less web-savvy, we have a 1-800 number that the American people can use. People will be able to call the number, indicate what sort of information they are seeking, and the Commission will mail it to them.

So, as you can see, at its very core, our legislation improves what the government does on financial literacy and then we do everything we can to make all government information readily available to those who are seeking it.

I am excited to see that the Administration is moving forward to implement the Act. I was particularly pleased to see the high level of commitment by many Administration officials. For example, the presence of the Federal Reserve Chairman and the Treasury Secretary at the inaugural meeting of the Financial Literacy Commission should send a message to everyone that this new law has the attention and commitment of the highest levels of our government.

Mr. Chairman, financial literacy is about empowering people. It is about helping them to help themselves and that is something that I know all of us feel is important.
Whether it is teaching a retired widow in Detroit how to avoid a predatory mortgage loan or helping a sophomore at Michigan State avoid taking on credit card debt that he can't afford, I have high hopes for the concrete benefits that the new law can bring to the American people both in my state and around the country.

I thank you for your leadership on this issue and want to work with all of you to see the Commission prove to be as effective as possible. I will be happy to answer any questions you may have.



DEPARTMENT OF THE TREASURY
OFFICE OF PUBLIC AFFAIRS

FOR IMMEDIATE RELEASE
March 30, 2004

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Hearing Testimony
Brian C. Roseboro
Acting Under Secretary for Domestic Finance
U.S. Department of the Treasury
On the
Federal Government's Role in Empowering Americans to Make Informed Financial Decisions
Before the
Subcommittee on Financial Management, the Budget, and International Security
United States Senate
March 30, 2004

Chairman Fitzgerald, Ranking Member Akaka, and distinguished members of the Subcommittee, I welcome the opportunity to testify today on the Treasury Department's role in ensuring that Americans have access to financial education programs that help them obtain the knowledge to make informed financial choices throughout their lives.

America offers great economic opportunity. Never before have we had access to such a broad array of financial products and services to make our lives better. Americans have access to numerous vehicles for saving and investing, paying their bills, managing their money and insuring against the common risks of life. Americans choose from a variety of options for financing everyday purchases, as well as for making major purchases like cars, homes and college educations. But along with the rewards of a plentiful marketplace go notable risks. The blessings of that marketplace might remain locked – or even become a burden – to the uninformed or the unwary. Financial education makes the difference.

The Need

To prove this point, allow me to enlist the help of three individuals: Sarah, Maria and Tom. They are fictional people, but they don't need to be. Any one of them could live in any one of the communities you represent.

Sarah is a typical high school student. Sarah and her teenage peers spent $175 billion in 2003[1], yet only 26% of 13 to 21 year olds report that their parents actively taught them how to manage money[2]. Sarah is among the one in three teenagers who carries his or her own credit

[1] Teenage Research Unlimited, 2004
[2] American Savings Education Council

card. Yet only 21% of students like Sarah, between the ages of 16 and 22, say they have taken a personal finance course in school[3].

Next let's move on to Maria. Recently, Maria legally immigrated to America and speaks English as a second language. She comes to this country from a place where access to consumer financial services is not common, where checking accounts, credit cards and credit reports are virtually unknown, and where a bank has not always been seen as a safe place to put one's money. Moreover, Maria is among the estimated 10 million individuals in the United States who do not have a relationship with a financial institution[4]. Without a bank account, Maria is more vulnerable to financial scams at worst, and, at best, her choices appear to her to be limited to higher-cost financial services.

Now consider Tom. Tom is nearing retirement. He is among the one fourth of all workers 45 or older who plan to delay retirement for financial reasons. He could be among the 16% of all workers who say they are "not at all confident" about having enough money to retire comfortably[5]. Tom might wind up counting on his Social Security check as his primary source of income, like one in three retirees.[6]

Sarah, Maria and Tom are familiar to all of us. When we do not understand the most important and fundamental concepts of finance, we are less likely to achieve our full economic potentials. We are unable to receive the full benefit of our income, savings, or investments. This is true for us not just as individuals, but add it up and it is true for us as communities, as states and as a nation. Recognizing the important role that financial education plays in preparing Americans to make better financial decisions, the Department of the Treasury established the Office of Financial Education in 2002.

The Department of Treasury's Office of Financial Education

The Office's mission is to promote access to financial education programs that help Americans obtain practical knowledge and skills to make informed financial choices throughout their lives. The Office does this by focusing on four key subject areas: basic savings, credit management, homeownership, and retirement planning. Many of the Office's efforts are focused on three groups in particular, where financial education needs are most acute: young people, recent immigrants, and those nearing retirement. While financial education is important for all Americans, we believe our efforts can be of greatest impact on these groups.

The Office of Financial Education is working to elevate awareness of this important need and to bring tools of financial literacy to all Americans. We have found that there are many wonderful financial education programs around the country, often providing their services at little or no charge to participants. The great challenge is making people aware of these programs and - equally challenging – making people aware of their need for these programs.

The Office has developed and published standards for successful financial education programs, and we take great pleasure in helping people to recognize exemplary programs in their communities that meet those standards. Treasury continues to make use of our bully pulpit to publicize successful programs and encourage other organizations to emulate their efforts. For example, in 2003 former U.S. Treasurer Rosario Marin presented a certificate of recognition to the Ohio Credit Union League for their Latino Financial Literacy Program. Treasurer Marin assisted the course instructor in teaching the Spanish-Language Financial Education Class to

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[3] American Savings Education Council
[4] Chicago Fed Letter, 2003
[5] Employee Benefit Retirement Research Institute, 2003
[6] Social Security Administration

members of the Hispanic Community in Columbus, Ohio, where students are learning about saving, managing money, setting financial goals, and handling credit.

In addition, the Office of Financial Education works with other federal departments and agencies to raise awareness about the need for financial education and to find ways to improve financial literacy levels throughout the United States. For example, in 2002, the Office co-hosted with the Department of Education a discussion on the importance of integrating financial education into core curricula in grades K-12 and published a white paper on the subject. In 2003, Treasury teamed with the Federal Reserve to host a roundtable discussion on credit management. In 2003, the Office launched a web-based directory of all federal financial education resources. Last month, the directory was re-released in Spanish.

Financial Literacy and Education Commission

Late last year, Congress selected the Office of Financial Education to lend its expertise and support to the newly created Financial Literacy and Education Commission. The Commission was established by the Fair and Accurate Credit Transactions Act of 2003 which was signed into law by President Bush on December 4, 2003. The Financial Literacy and Education Commission is chaired by the Secretary of the Treasury and composed twenty federal departments, agencies and commissions, including the Department of Education and the Securities and Exchange Commission who are represented here today.

The Commission's goal is to promote financial education and improve the financial literacy of all Americans. The Commission's charge is to encourage government and private sector efforts to promote financial literacy and coordinate financial education efforts of the federal government, including the identification and promotion of best practices.

Treasury Secretary Snow had the honor of chairing the first meeting of the Commission on January 29, 2004. We were pleased to have representatives from all twenty commission members at that meeting.

At that first meeting, the members of the Commission established subcommittees to address two of the legislation's mandates. The first is to establish a website to serve as a clearinghouse and provide a coordinated point of entry for people who are in search of financial education information and programs. This subcommittee is led by the Commodity Futures Trading Commission. The second mandate is to establish a toll-free hotline for financial education information. This subcommittee is chaired by the Federal Deposit Insurance Corporation. In the sixty days since the first meeting of the full Commission, these two groups have convened and begun developing these important tools which will empower Americans to make informed financial decisions. These and other matters will be further addressed at the next meeting of the Commission which will be held on May 20 of this year. The efforts of these agencies show the high priority President Bush and his Administration attach to financial education and to teamwork.

By coordinating the many efforts within the federal government and joining forces with others in the financial education community, the Commission members are working together and learning from each other how we can best succeed in our efforts to make Americans aware of the many benefits of our financial system. These benefits include opportunities to save, use credit wisely, purchase a home, plan for retirement and many others.

Financial education is a fundamental need for all 21st century Americans, and I applaud your efforts to highlight this issue.

Thank you. I will be pleased to answer any questions that you may have.

Statement of Nina S. Rees
Deputy Under Secretary for Innovation and Improvement
U.S. Department of Education

before the

Senate Committee on Governmental Affairs
Subcommittee on Financial Management, the Budget, and International Security

Chairman Fitzgerald and Subcommittee Members, I am pleased to be here this afternoon to discuss the Department of Education's efforts to improve the financial and economic literacy of our Nation's students.

As Deputy Under Secretary for Innovation and Improvement in the Department of Education, I oversee the Office of Innovation and Improvement, which supports education innovation through an array of discretionary programs, broadly disseminates the lessons learned from these programs, and helps to make strategic investments in promising educational practices.

Our focus at the Department of Education is on educating every child in our schools, so that no child is left behind. Last year, Secretary Paige joined former Treasury Secretary O'Neill in announcing the Administration's initiatives to raise awareness about financial education, and he acknowledged that, in addition to learning skills in the core academic subjects, it is important for students to gain financial literacy.

Toward that end, the Department has taken several actions to promote economic education and financial literacy. In fiscal 2002, the Department made a grant to the Jump$tart Coalition, a group of 140 national organizations, to carry out a project aimed at improving students' knowledge about personal finance, so that they can make informed financial decisions. The grant from the Department supports Jump$tart activities, including an online clearinghouse that provides a central listing of personal finance

books, lesson plans, videos, software, and other high-quality educational resources. In addition, Jump$tart has created a set of voluntary national standards in personal finance that identify what K-12 students should know and be able to do in personal finance. These standards can be aligned with local educational goals or used as a tool to help policy-makers create standards for personal finance.

In fiscal 2003, the Department made a grant to Operation Hope, Inc. to expand the number of schools that are using its "Banking on Our Future" program. "Banking on Our Future" is a year-round financial literacy program for youth, ages 8-18, taught in schools and community-based organizations that serve primarily low and moderate-income students. In response to increased demand for its program, Operation Hope has used grant funds to hire additional staff to recruit, coordinate and train the volunteers who will teach the program in additional schools and community-based organizations. This program is taught using four one-hour modules: Savings Accounts and Banking Basics, Checking Accounts, Credit, and Basic Investments. The project matches each lesson with the math standards of each grade level and integrates the modules into the mathematics curriculum in the classroom.

The Department also administers the Excellence in Economic Education program, which received funding for the first time this year. This program will consist of a competitive grant to a single national nonprofit educational organization to promote economic and financial literacy among students in kindergarten through grade 12.

Once the grantee is selected, that organization will be responsible for national activities such as: building relationships with economic education organizations; dissemination of effective economics teaching; research on effective economics teaching;

and dissemination of materials to foster economic literacy. In addition, the grantee will award subgrants to State educational agencies, local educational agencies, and State or local economic, personal finance, or entrepreneurial education organizations for the following purposes: teacher training; economics curriculum development; evaluations of the impact of economics education on students; research on economics education; creation of school-based student activities to promote consumer, economic, and personal finance education; and dissemination of best practices. The Department's website for the program provides information about the program's purpose and the fiscal year 2004 competition for funds.

The program is among 38 programs for which the Administration is not proposing fiscal year 2005 funding. Elimination of funding for the program is consistent with Administration policy of terminating small categorical programs in order to fund higher priorities.

I also want to mention the options that school districts have to use funds from flexible formula grant programs for financial education and economic literacy. Activities to promote consumer, economic, and personal finance education are specified as an allowable use of funds for school districts receiving grants under the State Grants for Innovative Programs, the Department's broad formula program that supports State and local efforts in education reform and improvement. In addition, if a school district chooses to exercise the flexibility available through the No Child Left Behind Act, the district may transfer funds from several other eligible programs to its Innovative Programs formula allocation, to make funds available for this purpose, without having to go through a separate grant application process.

In the postsecondary arena, Departmental regulations require postsecondary institutions to provide loan counseling to Federal student loan borrowers. This includes both initial and exit counseling. During the exit counseling, borrowers are reminded of their obligations to repay their loans, informed of the repayment options available, and provided with information about effective debt-management strategies that facilitate repayment. Some institutions include more general credit counseling as part of these required activities.

From kindergarten through postsecondary education, the Department is committed to ensuring that all students in America's schools have the opportunity to succeed in school and beyond. Financial and economic education is one of the tools that can help achieve this goal. Toward that end, the Department of Education is pleased to be working as a member of President Bush's newly established Commission on Financial Literacy and Education, headed by Secretary Snow, to coordinate the financial education resources of the government and the private sector.

I would be happy to answer any questions the Members may have.

TESTIMONY OF
SUSAN FERRIS WYDERKO
DIRECTOR, OFFICE OF INVESTOR EDUCATION AND ASSISTANCE
U.S. SECURITIES AND EXCHANGE COMMISSION

CONCERNING THE COMMISSION'S ROLE IN EMPOWERING AMERICANS TO MAKE INFORMED FINANCIAL DECISIONS

BEFORE THE SUBCOMMITTEE ON FINANCIAL MANAGEMENT, THE BUDGET, AND INTERNATIONAL SECURITY COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

MARCH 30, 2004

Chairman Fitzgerald, Ranking Member Akaka, and Members of the Subcommittee:

I. Introduction

On behalf of the Securities and Exchange Commission, thank you for the opportunity to testify today about the efforts of the Securities and Exchange Commission to educate our nation's investors.

Numerous studies and surveys show that many Americans—especially young adults—fail to comprehend even the most basic financial concepts. They do not understand how the securities markets work, how to evaluate the risks and rewards of investment products, and how to calculate what they must save in order to achieve their financial goals.

Far too many individuals may needlessly struggle in retirement or miss opportunities to purchase a home or send a child to college simply because they were never exposed to the financial facts of life. Many may suffer financial shocks and losses when financial markets tumble because they failed to diversify their holdings. Others may suddenly see their net worth disappear because they engaged in high-risk investing strategies.

We passionately believe in the importance of educating all Americans so they can optimize their chances to reach their personal savings and investing goals. To achieve this educational objective, more Americans need to learn about the "magic" of compound interest, the virtue of diversification, and the value of planning for retirement. Financial literacy provides the foundation for all of these life skills.

Effective investor education can help all Americans become better positioned to achieve personal financial security and reach their savings and investing goals, including home ownership and college education for their children. Over the long term, effective participation in our financial markets is critical to reaching these goals, as well as to achieving retirement security. It is necessary to understand basic investing concepts even if the investor participates in the markets only through a defined contribution retirement plan.

Beyond helping investors understand financial concepts, increased education can yield significant economic and social benefits. When investors have the opportunity and

the ability to invest, they infuse the markets with vital capital resources that help businesses and economies grow stronger. In turn, these investments in the economy ensure that new and creative technologies have a chance to develop and flourish. Saving and investing can also help individuals and families build wealth and become more stable and secure. By actively promoting and supporting financial education at all levels — from the basics to the most complex concepts — regulators, securities professionals, and others can play a key role in assuring that all investors get the facts they need to invest wisely and avoid costly mistakes.

II. The Securities and Exchange Commission's Investor Education Program

At the Securities and Exchange Commission, we have a long-term commitment to improving financial literacy. My Office of Investor Education and Assistance currently has 36 employees. We are the "front door" to the Commission for all individual investors. Each year, my staff handles tens of thousands of complaints and questions from investors who contact the SEC. We attend investor fairs, speak at gatherings, and talk with the media about financial education concepts. We view every contact with an investor as an opportunity to educate, not merely to inform.

A. Investor Education Literature

As part of our commitment to effective investor education, we routinely create and disseminate neutral, unbiased information on saving and investing. Our educational

materials are all directed at helping people make wise investment choices and avoid fraud. We do not copyright any of our materials, and we make them freely available to all, in both Spanish and English. Our goal is to empower investors, to give them the tools they need to evaluate their investment options and make informed decisions.

The dominant theme of the SEC's investor education materials is "investigate *before* you invest." We encourage individuals to ask questions and to check out the background and credentials of any salesperson or financial professional they use. We make sure investors know how to find out whether their brokers, investment advisers, or investment adviser representatives have a history of complaints or fraud. Not only do we list the key questions every investor should ask, but we also provide investors with information on how to confirm whether a financial professional is, in fact, duly licensed. In addition, we give investors resources for researching companies and tips for avoiding fraud.

While we cannot tell investors which products to purchase, we can and do arm them with the information they need to assess various products and investment strategies. For example, we offer a wide range of publications on many common investment products, including mutual funds (*Invest Wisely: An Introduction to Mutual Funds*) and variable annuities (*Variable Annuities: What You Should Know*). We also tell investors about the advantages and disadvantages of such strategies as day-trading and investing on margin.

Moving beyond brochures, we interact directly with the public, talking to investors through our toll free telephone line and answering their e-mails and their letters. Our e-mail address is help@sec.gov or ayuda@sec.gov if you would like to e-mail us in Spanish. ("Ayuda" is Spanish for "help.") We also assist investors when they have complaints about a securities salesperson, firm, or product. In every case, our immediate mission is to help investors resolve their problems or direct them where they need to go to get the assistance they need.

We firmly believe that good government is responsive government, and we live by that creed every day. We are convinced that we can make a difference in people's lives by helping them understand an investment concept or by educating them so they can avoid future problems. One person recently wrote us, "I thought that with all the BIG problems you are handling that mine would be ignored. It was not & I appreciate that tremendously!" While it may not be as newsworthy at times as a mutual fund scandal, investment education is a key component of the agency's mission.

B. Collection of Data and Statistics

I should also point out that, while our immediate objective is to assist the investor, we maintain an extensive database containing information on the products, people, and firms about which people complain. We track the volume of complaints as well as the topics about which people are complaining. We use that information to inform other divisions at the SEC, so that the agency can better deploy our investigative and

enforcement resources. We are quick to inform other state and federal regulators when we find problems falling within their jurisdiction. We have spent a significant amount of time during the past year upgrading our ability to search our databases and hope to contribute significantly to the agency's ability to anticipate the next troublesome area where investors may be vulnerable.

C. SEC.gov Website Resources

We use our website – www.sec.gov – extensively to become more accessible to the public. We have published hundreds of educational brochures, investor alerts, and short topics of interest to investors. Our "Publications" page (http://www.sec.gov/investor/pubs.shtml) allows visitors to search for information using a targeted search engine, browse for information by subject matter, or view an alphabetical list of our publications.

In addition, our website gives investors interactive tools to help evaluate their investment decisions. Rather than recreating existing tools, we link to more than half a dozen interactive tools from other federal agencies, self-regulatory organizations, and non-profit educational organizations. We also have our own mutual fund cost calculator, which allows investors to compare the costs of holding different mutual funds over a period of time that they specify. This calculator takes some of the mystery out of mutual funds by enabling investors to estimate and compare costs for different funds. It allows investors to see in dollars and cents how costs can add up over time.

An increasingly popular feature on our website is an interactive question-and-answer database that allows investors to obtain instant answers to the most commonly asked questions and to e-mail us with more complex questions. By matching incoming questions against a pre-loaded database of questions and answers, this feature allows users to receive instant answers even during non-business hours. During fiscal 2003, more than 100,000 unique visitors used this service.

We also have a "Tips & Complaint Center" on our website, which allows investors to fill out an electronic form easily. Through this page, investors can file a complaint or provide the agency with tips on potential securities law violations. The type of behavior the investor selects when describing the nature of the complaint determines whether the complaint will be initially routed to the Office of Investor Education and Assistance or to the Division of Enforcement. During fiscal 2003, the Tips & Complaint Center received approximately 15,000 complaints submitted through the website.

D. Fake Scam Sites on the Internet

We do not limit our efforts to our website alone. Experience has shown that some investors troll the Internet to identify the next "big thing," the next sure-fire investment winner. We have discovered that these folks, some of whom turn out to be victims in the Enforcement actions we bring, did not visit sec.gov to get the benefit of our prudent, sensible advice before investing in a get-rich-quick scheme. Knowing all of this, we go

to our audience, instead of expecting them to come to us. We run a series of fake investment scams on the Internet, all designed to illustrate the warning signs of on-line investment fraud. Each scam boasts a "can't-miss" investment, offering truly unbelievable returns. If the user clicks to invest, he or she gets a message from us about the necessity of researching before investing. Our goal is to warn investors about fraud *before* they lose their money.

Our first foray into the world of Internet fraud was the highly successful (or so it claimed) company McWhortle Enterprises, Inc., www.McWhortle.com. McWhortle purports to be "an established and well-known manufacturer" with a revolutionary product it plans to produce with the money it raises through an initial public offering (IPO). But the company does not exist, and anyone who tries to "invest now" is greeted with an educational message that warns, "Watch out! — If you responded to an investment idea like this, you could get scammed." Within weeks of its launch, the site got more than 1.5 million hits. The McWhortle Webmaster (actually SEC staff) received more than 500 e-mails, nearly all of which were overwhelmingly positive. Since McWhortle launched, we have heard from a number of teachers who have incorporated the site into teaching modules focusing on separating the good from the bad on the Internet. Hits to the McWhortle site soar during final exam months. We are very pleased that so many teachers from so many grades have incorporated McWhortle into their curriculum.

Over the past two years, we have launched the following additional fake scam websites:

- "Old Glory," a fake mutual fund: http://www.growthventure.com/oldglory;
- "Guaranteed Returns Diversified, Inc.," a fake hedge fund: http://www.growthventure.com/grdi;
- "Parsons Heritage Off-shore Opportunities Ltd.," a fake prime bank scheme: http://www.growthventure.com/parsons; and
- "Seek 2 Succeed," a fake investment newsletter: http://www.seek2succeed.com, which links to several additional fake scam sites illustrating various kinds of internet fraud.

Our fake scam site initiative has proven to be a highly successful method of reaching would-be investors while their wallets are open and their guards are down. How do we know? We know because people tell us so. Each of our fake scam websites has an e-mail address, a phone number, and a mailing address. We answer individually every inquiry or comment we receive. And, in many cases, these are wonderful opportunities to educate. We have gotten bank account numbers, wire transfer instructions, and credit card information from would-be investors, who are frustrated because the fake company site would not take their money. While in some cases it may take several attempts before our staff can convince the writer or caller that we are in fact behind that unbelievable investment offer, just about everyone we contact has been appreciative of our real life illustrations of the concept "if it sounds too good to be true, it is."

E. Public Libraries

In order to empower investors in communities across America, we are linking arms with a formidable ally – public libraries. No longer are public libraries hushed repositories of paper volumes. They are now vibrant centers of community activities, with children's programs, senior seminars and, of course, book clubs. Libraries have Internet access, and they are where many Americans who do not have computers at home go to e-mail their families and research their stocks. We are actively working to provide reference librarians with the resources they need to help their patrons effectively research their investment options. To that end, we have created and disseminated bookmarks and special brochures aimed at librarians seeking to better their stock researching skills.

III. Disclosure Initiatives

A. Mutual Fund Disclosure Initiative

There are times, of course, where more information might really be better for investors. The Commission recently proposed a rule change that would require brokers to tell customers whether they have conflicts of interest when selling mutual funds, variable annuities, 529 plans and various other investments. For many Americans, mutual funds, variable annuities, and 529 plans constitute the extent of their participation in our capital markets. It is therefore critical to make the fees and expenses associated

with these investment vehicles transparent to all. It is not right to have a system where some investors, knowing the right questions to ask, are better equipped to make investment decisions than others who do not know the tricks of the trade. We want to make sure that all Americans are equally able to evaluate and select investments that are good for them, and not just financially beneficial to their financial professional.

The rule proposal included draft forms that might be used to communicate information on broker conflicts. These proposed draft forms might be used at two points in time: first, at the "point of sale" before the transaction is consummated, and second, in the form of a confirmation. Our Office has launched a major initiative to seek out investor comments on whether these draft forms are understandable and whether they convey information relevant to investment decisions. My staff has shipped thousands of copies of the draft forms to individuals all over the country, and they are of course available on our website as well. To make it easy for investors to give us their comments, we inaugurated a new "click to comment" feature on our website. While this method of commenting is now standard on all of our proposed rules, we made sure it was implemented on this rule to make it easier for ordinary Americans to participate in our rule comment process. We have been very pleased with the responses, many of which have been extremely thoughtful.

B. Global Analyst Settlement – Investor Education Entity

Our commitment to financial literacy does not stop with our own efforts. Last year, the Commission entered into a $1.4 billion global settlement of an action against ten leading investment firms over conflicts of interest between investment banking and research at those firms. At the Commission's request, the Judge overseeing that matter ordered that $80 million of the money paid by the firms will be spent on investor education. $27.5 million of that money will go to the state securities administrators, to be spent on investor education. $52.5 million will be paid into a new non-profit entity dedicated to promoting investor education.

Just last week the Judge ruled that Charley Ellis, author of the book *Winning the Loser's Game*, will be the new Chairman of the Board, and that George Daly, currently with the Stern School of Business, will be the Executive Director. The Judge also approved of the Commission's Plan for the new entity, which will be an ongoing organization able to receive additional funds in the future from sources other than the settling firms. The Judge's Order notes that the Court "has every confidence that once the Investor Education Entity is established, it will meet and surpass its laudable mandate."

The new Investor Education Entity will support programs designed to equip investors with the knowledge and skills necessary to make informed investment decisions. This entity will thus play a vital role in helping all Americans better

understand the intricacies of the financial markets. As the Judge's Order states, "the contemplated Investor Education Entity will benefit the entire nation at a time when increasing numbers of American households are investing in the equity markets." The SEC is proud to have played an important role in its creation. Chairman William Donaldson has properly called the new investor education fund a "national treasure." We are especially appreciative of the contribution made by Commissioner Cynthia Glassman in the drafting of the Commission's plan and formulation of the education fund.

IV. Partnerships

While the federal government can play an important role in encouraging financial literacy for all Americans, we cannot do it all. That is why it is so important for us to work in partnership with other government agencies, localities and private sector entities that sponsor high-quality financial education. The SEC is a proud member of the Financial Literacy and Education Commission, which had its inaugural meeting earlier this year. The new Literacy and Education Commission is developing a national strategy aimed at educating consumers about their financial choices and options.

The SEC is a member of the Jump$tart Coalition for Financial Literacy and the American Savings Education Council. We are also a charter member of the Department of Defense's Financial Readiness Initiative. The DoD launched the Financial Readiness Campaign to give service members and their families a chance to learn more about personal finances and to encourage them to better manage their money. The effort is

directed towards junior enlisted service members who are most at risk, and spouses of service members since they are less likely to have received the personal finance information that service members received as part of their training. We have pledged our support to the personnel at military installations who are responsible for providing financial education and financial counseling to service members and their families. We have led two Town Meeting programs in Norfolk, Virginia that were aimed at educating our servicemen and servicewomen. We continue to work with DoD to provide helpful financial information.

V. Conclusion

While many worthy and effective programs already exist to address the various aspects of the financial education challenge, coordination and partnering is critical to assuring that all Americans have the tools to manage their personal finances. We have worked with a large number of public and private organizations to tackle investor education needs jointly, and we will continue to do so in order to leverage all of our efforts to obtain the best results possible.

In closing, I would like to thank the Subcommittee for recognizing the importance of the Commission's role in empowering Americans to make informed financial decisions. I appreciate your inviting me to speak on behalf of the Commission, and I would be happy to answer any questions that you may have.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

OFFICE OF
INVESTOR EDUCATION
AND ASSISTANCE

April 23, 2004

The Honorable Peter G. Fitzgerald
Chairman
Subcommittee on Financial Management, the Budget
and International Security
446 Hart Senate Office Building
Washington, DC

Dear Chairman Fitzgerald:

At the Subcommittee's financial literacy hearing on March 30, 2004 you asked for a few more details about the Securities and Exchange Commission's fake scam site initiative. We have been maintaining fake scam sites since January 2001, and we believe it is a powerful educational tool.

Our first fake scam site was www.McWhortle.com. McWhortle Enterprises is a completely fictitious company. Its web site, however, says that it is "an established and well-known manufacturer" and that it has a new product it plans to sell the general public. To raise money for manufacturing the product, the website says the company plans to go public. The company promises unbelievable returns and explains that investors need to act very quickly or risk missing out on this fabulous opportunity. Visitors who try to invest are greeted with a message saying, "Watch out -- if you had responded to an investment idea like this, you could get scammed." The message goes on to explain the typical warning signs of fraud, many of which are included within the McWhortle site. Those who click to review McWhortle's financial statements are told "Congratulations -- you've just taken an important first step before putting your money into an investment."

The SEC quietly launched the McWhortle site in January 2001. On the afternoon of Friday, January 25, 2001 we released, with the cooperation of PR Newswire, a fake press release, purportedly from McWhortle, announcing that it was about to go public. This press release was beamed only to the Internet news portals that distribute news to (primarily) securities-related sites. It did not go to other media outlets. That weekend the site received over 150,000 hits.

The McWhortle initiative was so successful that we have also launched a fake prime bank scheme, a fake mutual fund, a fake hedge fund, and, most recently, a fake investment advice site (www.Seek2Succeed.com). That site boasts of superior stock-picking skills and offers "teasers" of companies that it says have been wildly successful. We use those teaser companies to illustrate the newest Internet frauds.

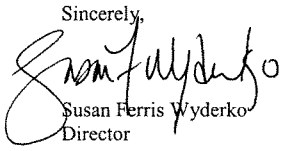
Our fake scam sites have received more than 2 million hits, and the SEC has received hundreds of e-mails from people who have visited the sites. Each fake site was created and designed "in-house" by SEC employees. Our only expense has been to purchase the "dot-com" URLs. The sites are hosted by our SEC computer servers, at no added cost to taxpayers.

For years we have been posting solid, prudent educational material on our website, www.sec.gov. But we have sensed that there are people out there, trolling for hot investment tips on the Internet, who fail to check out our brochures before taking the plunge and committing their hard-earned money. Since these people were not coming to us, we went to them. We wanted people to understand how convincing investment scams can appear. We wanted to show the lengths to which crooks go to separate good people from their money. All of our fake sites illustrate what we mean when we say -- if it sounds too good to be true, it is. The e-mails we have received convince us that this is a highly successful method of reaching investors when their guard is down and their wallets are open.

Attached are a few illustrative e-mails we have received from visitors to our fake scam sites, with identifying information removed. We respond individually to all calls, letters and e-mails we receive, and work to educate those who wish to invest, some of whom have sent us wire transfer instructions and other personal information. In virtually all cases, the people we have reached have told us our sites are a good educational resource.

If you have questions about this or any other educational initiative, please let me know. Again, thank you for the opportunity to testify before your Subcommittee.

Sincerely,



Susan Ferris Wyderko
Director

cc: Senator Daniel Akaka

Enclosure

Illustrative E-Mails
SEC Fake Scam Site Initiative

Great site. I had clicked into the third page looking for more information before I sent an email to my broker to ask him to research the company. Glad I did - I would have felt foolish sending him the link without discovering the scam! Thanks for the public service. (I was a little surprised to see a pre-IPO offering to the general public - I guess the old axiom is true - if it seems to good to be true, it probably is.)

How much could I make if I invest 5000.00?

Hey,

Thank you very much. What a great lesson to be reminded of....even if I do feel like a jerk. I will pass this on to friends and family members as a reminder to them as well. Keep it up, even if not many folks say thanks. Trust me, people do appreciate knowing you are there.

You got me! Outstanding site!! Although I was resigned to not entering any credit card information until I could establish a few more facts, I admit that my interest was peaked. It would not taken much more for me to invest. I heard about the site on a financial talk radio show in Phoenix, Arizona. I'll pass this site on to all of my friends and associates. Please accept my congratulations for an inventive, well-thought out, creative and effective tool to promote awareness of internet-related investment cons!

Please advise price and how I can place an order for 300 shares

Thank you

Actually, after I sent that message I went back to the site and found your "you would have been scammed" page. I felt like a moron for writing to you folks. Sorry about that.

Great job on that site, though. It's pretty clever!

Take care.

Hello,

My friend alerted me to a possible scam/violation. Is it OK for a company to make statements like the following:

Bidding is now accepted for Stage 2 of the McWhortle Enterprises Pre-IPO offering. Estimated share value is approximately $10, which will, upon conclusion of the IPO offering in three (3) months, be worth more than 400 times the initial investment. To bid on these shares, you must quickly e-mail us the number of shares you wish to purchase, together with your major credit card number and social security number (for identification) so we can reserve your slot.

If not, you guys should take a look at http://www.mcwhortle.com/investnow.htm

Please let me know if this will be pursued.
Thank you very much.

Sir,

I have about thirty million dollars in cash, this money is being kept in a security company, i will gladly invest 50% of it with you. what do you say?
contact me if interested.

Statement

Before the

Senate Governmental Affairs Subcommittee on Financial Management,

the Budget, and International Security

Hearing on Financial Education and Literacy

March 30, 2004

By

Don M. Blandin, President

American Savings Education Council

Washington, DC

www.asec.org

www.choosetosave.org

www.ebri.org

The American Savings Education Council is a program of the EBRI Education and Research Fund, a 501(c)(3) organization. The views expressed in this statement are solely those of Don M. Blandin and should not be attributed to the Employee Benefit Research Institute (EBRI), the EBRI Education and Research Fund, the American Savings Education Council, or any of their officers, trustees, sponsors, or other staff. The Employee Benefit Research Institute is a nonprofit, nonpartisan, education and research organization established in Washington, DC in 1978. The testimony draws heavily from research publications of the Employee Benefit Research Institute, but any errors or misinterpretations are those of the witness.

Introduction
Chairman Fitzgerald and distinguished members of the Subcommittee. Thank you for the opportunity to speak to you today on the important role the federal government can play in helping to educate Americans about their finances.

As background, my name is Don Blandin and I am president of the American Savings Education Council (ASEC) —a coalition of private- and public-sector organizations that undertakes initiatives to raise public awareness about what is needed to ensure long-term personal financial independence.

ASEC works through its partners to educate Americans on all aspects of personal finance, saving, and wealth development, including credit management, college savings, home purchase, and retirement planning. ASEC develops and distributes educational materials, all of which are available in hard copy and on the ASEC Web sites: www.asec.org and www.choosetosave.org

ASEC was launched in July 1995 as a result of discussions between representatives of the U.S. Department of Labor and the Employee Benefit Research Institute (EBRI) about taking the savings message to the American public. ASEC is a program of the EBRI Education and Research Fund (EBRI-ERF), a 501(c)(3) nonprofit, nonpartisan public policy research organization based in Washington, DC. We do not lobby or advocate specific policy recommendations.

As president of ASEC since 1996, I have had the unique privilege and opportunity to work closely with public- and private-sector organizations that are truly committed to helping Americans to save and plan for their financial future. In this period of unprecedented attention to the topic of financial literacy, it is imperative that we bring together interested parties and "connect the dots" among their efforts.

We feel strongly that by combining and leveraging our partners' comprehensive networks and resources, we are able to reach people collectively who none of us would be able to reach alone. Education is still key in helping individuals make changes in their financial behavior and we fully support any initiative to forward this mission that we all share.

Overview
First and foremost, I would like to commend the creation by Congress of the Financial Literacy and Education Commission. I had the pleasure of attending the Commission's first meeting in January, convened by the U.S. Department of the Treasury, which brought together representatives from an extensive list of federal agencies and outlined substantive plans for the Commission. It was reassuring to see so many heads of agencies and their staff attend the meeting and show their support and commitment to the Commission.

Additionally, I would like to commend Congress for enacting the Financial Literacy and Education Improvement Act. The document is very comprehensive and well-thought-out and clearly lays the groundwork for the Commission's work. The American Savings Education Council looks forward to helping the Commission meet all of its goals and objectives.

ASEC Government Interagency Group (GIG)
At ASEC, our goal is to bring together organizations and groups that might not normally be "at the same table" — but that clearly *should* be at the same table. From the beginning, we recognized the important contributions and efforts of each of our government partners. As a matter of fact, two federal agencies were integral in helping to launch ASEC in July 1995 — the Department of Labor and the Department of the Treasury. In an attempt to facilitate coordination and open the lines of communication between our government partners, in 1996 we created the ASEC Government Interagency Group or, in short, GIG.

GIG meetings take place every two months and are co-convened jointly by ASEC and the Department of

the Treasury. Representatives from approximately 12 federal agencies have regularly participated in these meetings over the past eight years. GIG meetings are informative and informal and serve as a highly effective information clearinghouse.

We feel that three factors greatly contribute to the success and longevity of GIG: 1) a commitment by our partner organizations to attend the meetings — over time, attendees have gotten to know each other very well, have a real feel for what each organization can bring to the table (if someone cannot attend, a substitute is usually sent in their place), and work well together; 2) it is a trusted, non-threatening forum for information exchange — people are very comfortable sharing their ideas and opinions, asking for assistance/counsel, and providing materials and support to assist each other's events/initiatives; and 3) it has provided effective time management — a lot of work can be accomplished in a short period of time (e.g., ASEC updates all the agencies about upcoming opportunities and events that we know about on the local, state, and national levels and agency representatives are quick to express an interest and often offer their assistance/input on a project).

GIG attendees leave the meetings knowing what all the other agencies are currently doing in the area of financial education. And those seeking assistance with a project usually come out with valuable contacts of people and agencies willing to immediately help. Overall, it is truly a win-win arrangement for everyone.

Challenges & Possibilities

Even despite our efforts to coordinate our work and explore all possibilities in pushing the savings education message, we still face some major challenges. It is very challenging to engage the public about the importance of saving and planning for their future when many people are not receptive to hearing the message. We have all tried to reach out to individuals through public service campaigns, education materials and Web sites, meetings and seminars, etc. Though we are able to reach small segments of the population, millions of Americans remain very lackadaisical about their financial planning approach. To borrow from Aesop's Fable about the grasshopper and the ant, we seem to be dealing with a lot more "live for today" grasshoppers than "plan for tomorrow" ants.

Millions of baby boomers are expecting to retire in the near future, but our research shows that many are inadequately prepared to support themselves financially in retirement. With so many people leaning on our retirement systems at one time, it is imperative that people understand what a toll it will take on the entire nation and the degree to which they will have to depend on *themselves*, rather than others.

Second, we are not seeing enough coordination and outreach among groups that are very involved in this issue of financial education. Organizations are more apt to create their own campaign or event, even re-invent the wheel, rather than collaborate on programs and initiatives that will have the biggest impact. The potential exists for public- and private-sector organizations — including employers; corporations; financial, educational, and consumer groups; nonprofit organizations; trade organizations; and government agencies — to align themselves under one massive, far-reaching, "umbrella" financial education campaign.

Finally, the Congress and the president have an opportunity in 2005 to build added momentum and coordination when the third White House and Congressional Summit on Retirement Savings will be held, as called for by the SAVER Act (Savings Are Vital to Everyone's Retirement Act) of 1997. Previous Summits in 1998 and 2001 provided an opportunity for hundreds of delegates to work together to design initiatives that could make a difference. Both Summits endorsed the Choose to Save® television and radio PSA program, now in its seventh year, which now runs in 49 states.

What we know from the Summits and from the many partners of Choose to Save® and ASEC, is that there are many organizations and individuals truly committed to helping Americans become financially literate

and even savvy. This is a topic that touches all of us and will have a lasting effect on future generations. The new national Commission is in a position to really make a difference and create change. The Commission could help the president and Congress make the 2005 SAVER Summit a truly national event that serves to attract many new partners across the nation.

As an entity made up of government agencies, the Commission has access to millions of Americans who look to the government for objective assistance and guidance in their lives. Our private-sector partners have also shown us that they are committed to the issue of financial education, and are willing and able to assist the Commission with its mission.

As I said at the beginning of my testimony, by reaching out to groups and organizations at all levels, we will be able to achieve greater things collectively than any of us would be able to do alone.

Thank you for the invitation to appear before you today. I would be pleased to take questions and to respond to any written questions following the hearing.

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TESTIMONY OF DARA DUGUAY- EXECUTIVE DIRECTOR

JUMP $TART COALITION FOR PERSONAL FINANCIAL LITERACY

Thank you Chairman Fitzgerald and members of the sub-committee for this opportunity to testify on the newly formed Federal Financial Literacy and Education Commission. My name is Dara Duguay, and I am here today as the Executive Director of the Jump $tart Coalition for Personal Financial Literacy. The coalition which was formed in 1995 is composed of over 150 national organizations battling for the financial future of America's young people. Our members include groups as diverse as the Bank of America, the NAACP, Junior Achievement, and the Girl Scouts. Almost all of the members of the Federal Commission have been committed members of the Jump$tart Coalition for many years. In fact many serve on our Board of Directors. Therefore, I am in the unique situation to be exceedingly familiar with the various financial literacy initiatives of the Commission's members.

Alarming Data

Mr. Chairman, the Congress was moved to create the Commission – functioning as a federal interagency task force- because of alarming data on the financial illiteracy of our students today. Let me give you a brief snapshot of the situation we face. In April 2002, Jump$tart commissioned a national survey of 4,000 high school seniors to test their knowledge about everyday financial matters: things like managing a checking account, handling a credit card, taking out a car loan, and saving for retirement. The disappointing news is that the survey participants failed at staggering rates:

- 68% of high school seniors had failing scores on our financial literacy survey.
- These high school seniors (soon to reach the legal age of responsibility concerning ownership of financial instruments) had an average score of just 50% on a practical 31 question Multiple-choice examination.

- Our 2004 survey's results will be announced this Thursday at the Federal Reserve. Without breaking the survey's embargo, suffice it to say, the 2004 results do not convey a confidence in our young adults' knowledge level of personal finance basics.

As bad as our 2002 scores were, the performance of the students actually deteriorated from our previous surveys stretching back to 1997. In a nation where nearly a third of high school seniors have credit cards, an even higher proportion have an ATM card, and bankruptcy filings for those in the 18 to 25 age bracket numbered 150,000 in 2000 – a tenfold increase in just five years – the need for personal financial literacy is glaringly apparent.

The Federal Financial Literacy & Education Commission

Last year, Congress created the Federal Financial Literacy & Education Commission to focus attention on this growing national problem. By fostering preventative education in personal finance, we will enable young adults to develop a basic financial literacy level, thereby avoiding the damaging money mistakes that many of their parents have made. This type of instruction will ensure that young adults don't miss opportunities that the financial marketplace offers to those who are savvy enough to take advantage of them.

I'm encouraged that the Commission will focus on financial skills instruction for adults as well as improved education for young people. A comprehensive strategy is now being developed that will attack the problem from multiple directions employing institutions at the federal, state, and local level.

Mr. Chairman, the Jump$tart Coalition is deeply committed to the success of the Commission. Moreover, Jump$tart will call upon the grass roots of our 150 national members in addition to our network of 36 state coalitions to help implement the Commission's recommendations. We have already offered the Commission access to our vast resource of

personal finance tools that Jump$tart has created. These include a test bank of 1,000 personal finance questions which were developed to be integrated into the various assessment tests that are required in the states through No Child Left Behind. Other resources include Standards and Benchmarks in personal finance which were created, as was the Assessment, to be incorporated into Standards of other disciplines like Math or Economics. Additionally our "Best Practices" guidelines function to assist publishers with a checklist of "what works" in effective curricula. But our signature tool is our on-line database called the Clearinghouse. This library of over 600 education materials contains a wealth of teaching tools and curricula for students K- College. It is THE one-stop shop for locating teaching materials. As you can see, there is no lack of materials to teach personal finance, there is however a lack of demand for these materials.

Jump$tart's Vision

This is where, in my opinion, the Commission can do its greatest good… to help to increase demand for the implementation of personal finance instruction our nation's school systems. Currently there are only 15% of our nation's high school seniors graduating with any formal instruction in personal finance. This reality is compounded by the fact that the financial world has become increasingly complex. If this instruction is not received in school or at home… it leaves the school of hard knocks, which has a very high tuition.

I would like to conclude my remarks with suggestions as to ways in which the Commission can assist in closing the gap between supply and demand:

1. First, last year six bills passed in the states requiring some form of personal finance integration into K-12 instruction. In the states that have passed this legislation, they have found little accompanying financial burden. There is a huge supply of no or low cost education materials in addition to free teacher training to equip the educators with the

comfort level necessary to teach this subject. In fact, Jump$tart's state coalitions conducted 17 statewide teacher trainings last year that were attended by numerous State Treasurer's, Attorney Generals, Governors and First Ladies around the country. In fact the volunteerism of our state coalition leader in New Hampshire was just recognized by President Bush. So far this year there have been 20 bills, resolutions and Governor's Proclamations introduced on this issue (these are all posted in the legislation section at www.jumpstart.org . These pieces of legislation need to be applauded by the Commission. Without adequate high level support we saw 21 bills fail last year and only six pass. Many state departments of education are fighting these bills assuming that they would result in added costs, which has not been the case.

2. Secondly, the Commission can urge the inclusion of personal finance standards into the standards of other disciplines when state standards are being rewritten. Personal finance is not a separate discipline unto itself; therefore, it is the step child which must be incorporated into other disciplines like Economics or Math in order to have any possibility of entering the classroom. Don't get me wrong, personal finance is being taught in our nation's schools… unfortunately it is most often taught within classes that are NOT required like Business or Family and Consumer Science. Therefore the vast majority of students never receive this instruction.
3. Lastly, if the Commission can urge the many education associations and teachers' organizations in our great country to become more involved in this effort, the resulting outcome would be most beneficial. Currently there is a huge gulf between the financial corporations, government agencies and non-profit organizations who have committed time and resources to this issue and the education policy makers who are responsible for

> its implementation. I have attended countless financial literacy symposiums over the past several years and it is always the educators who are not in attendance. Without their emergence into the dialogue about this issue, there will forever remain a gap between the supply and demand for financial education.

It is pointless to develop the highest quality curricula if it remains on a shelf gathering dust if there is no place for financial education within our nation's schools. If we don't close the gap, I feel we will be failing our nation's young people and ultimately hurting our nation's economy as they make unwise decisions in the marketplace. Mr. Chairman, thank you for this opportunity to testify before the subcommittee today. I'm happy to answer any questions you may have.

National Council on Economic Education

Testimony of Dr. Robert F. Duvall
President and Chief Executive Officer
National Council on Economic Education
before the
Subcommittee on Financial Management, the Budget, and International Security
of the
Senate Committee on Governmental Affairs

March 30, 2004

Chairman Fitzgerald, Ranking Member Akaka, and Members of the Subcommittee:

Thank you for inviting me to testify today on the timely, critical, and vital issue of improving financial literacy through effective education.

Who We Are and What We Do

The National Council on Economic Education (NCEE) is a unique nonprofit, nonpartisan organization directed by a governing board of volunteer leaders from education and business, with the clear and compelling purpose of helping young people learn to think and choose responsibly and successfully.

For 55 years NCEE has been leading the charge to improve economic and financial literacy through education in the nation's schools.

NCEE was founded after the Second World War, by leaders in business and education, who saw the returning GI's and a growing number of high school graduates entering the workforce, and who realized that many of these young people did not have a clue about how the free market economic system worked.

Something needed to be done about the issue then; and that mandate is still before us today. In fact, because of the growing challenges for citizens to exercise responsibility in personal financial decision-making, in an increasingly complex and globally interconnected economy, the need for strategies and purposeful action to improve economic and financial literacy is more pressing and compelling now than ever.

Fortunately, we've learned some things, both about the issue and how to address it.

One is that the best way to make a real and lasting difference in the lives of young people – and, indeed, of all Americans – is to teach the teachers how to make economics and personal financial decision-making skills come alive in the classroom, and to equip those teachers, even at the earliest grade levels, with excellent materials and resources to carry out that worthy work with good – and measurable – effect.

NCEE today is the premier source of teacher training and teaching materials used to instill an understanding of basic, practical and applied economic principles for students in kindergarten through 12th grade.

Our core program is Economics*America* – for the nation's schools.

NCEE also conducts Economics*International* – an international economics teacher-training program, which carries our market principles to the world. Congress has provided funding for Economics*International* through the *Cooperative Education Exchange Program* (CEEP), which has been included in the Labor, HHS, Education Appropriations bill over the last several years. This program has been a tremendous success story in international outreach and education, serving 20 foreign countries and reaching well over one million students annually. NCEE is grateful for the continuing support for this important program.

In the U.S., the NCEE operates through a unique nationwide Network of state Councils, which relates to the standards, requirements, and circumstances of each state, and 230 university-based Centers for economic education. This Network, which delivers NCEE's comprehensive program, makes NCEE the nation's leader in providing professional development and training for K-12 teachers in economics and personal finance.

NCEE publishes and distributes print resources for teachers, students, and parents; electronic and interactive materials; curriculum, teacher strategies and lesson plans for classroom use. **NCEE's materials are the state-of-the-art and the standards-setter in the drive to improve economic and financial literacy.**

Each year, NCEE, through our affiliated state Councils and university Centers, works with more than 120,000 K-12 teachers, who in turn get into the heads and hands and hearts of over 7 million of our children in our schools. But much more needs to be done!

Economic and Financial Literacy

The need to strengthen, expand and enhance education in economics and personal finance in our nation's schools has never been more apparent. We must prepare our students with the basics of economic and financial literacy so that they can succeed in life. This literacy, together with reading and mathematics, is key to home ownership, managing credit, financing higher education, saving and investing, for retirement, and responsible citizenship.

What happens when individuals leave school and begin their adult lives without a basic understanding of economics?

- *Savings are neglected. An estimated 30% of Americans do not save.*
- *Credit card use leads to unmanageable debt and bankruptcy.*
- *Individuals do not make reasoned purchasing decisions because they do not calculate the real cost of products and services.*

In conjunction with the launch of its current *Campaign for Economic and Financial Literacy*, NCEE commissioned the independent Lou Harris organization to conduct a poll on Americans' understanding of economics and personal finance. The poll surveyed a cross-section of adults and high school students, asking a series of questions on basic economic concepts. The results revealed a disturbing lack of understanding:

- *Nearly two-thirds of American adults and students didn't know that in times of inflation money loses its value.*
- *Half of the adults and almost two-thirds of the students didn't know that the stock market provides a venue for ordinary people to buy stock.*
- *One quarter confused "budget deficit" with "national debt."*
- *Only one third understood that active competition in the marketplace lowers prices and improves quality.*

What Can Be Done?

In order to address such gaps in knowledge of economics and finance, our elementary and secondary schools must integrate standards-based economic education into their curricula. NCEE, through its Economics*America* program and network, and with other partners, is striving to accomplish this goal – with the first-ever NAEP Assessment of Economics in 2006 as a benchmark.

Teaching the Teachers

What we need is a strategy and support for seeing not only that the life skills of economics and personal finance are taught, but taught well.

What we know is that well-prepared teachers instill in children a sense that they are themselves future stakeholders, decision-makers and movers of the American economy. Through innovative lessons, games and other techniques, they help students see that to grasp the basics of economics is to grasp the reins of lifelong empowerment – for themselves, their families, their communities and our country. For male and female students alike, these lessons of economic and financial fluency pay dividends, literally.

By teaching the teachers, NCEE helps equip them to teach economics as a stand-alone subject in high school <u>and</u> to weave economic concepts into the curriculum in other subjects, K-12.

For example, NCEE, working with the National Council of Teachers of Mathematics, recently introduced a comprehensive curriculum, grades 3-12, in *Econ and Math: Connections for Life*. This is most significant in the context of the goals of "No Child Left Behind" legislation.

And NCEE's *Choices and Changes* curriculum has proven to be the best teaching tool in the nation to encourage inner-city and at-risk young people to stay in school. It develops an "economic way of thinking." It changes lives.

One of NCEE's outstanding products is *Financial Fitness for Life*, a collection of interactive print and electronic economic and financial literacy teaching materials. It provides standards-based materials for grades K-2, 3-5, 6-8 and 9-12, and a website, and workbooks for parents: "How To Talk to Your Kids About Money!" These prize-winning, comprehensive, fully integrated teaching and learning tools are also being translated into Spanish.

What Can Congress Do?

Let me respectfully commend two significant actions that will have impact on the issue – actions already referenced by others giving testimony.

First, we urge that attention be paid to ensure that the newly created Financial Literacy and Education Commission stay on task to develop and produce a real national strategy to coordinate federal financial literacy efforts.

In 2002 the NCEE, together with the Federal Reserve Bank of Minneapolis, convened and conducted the first-ever National Summit on Economic and Financial Literacy. Senator Sarbanes was our Keynote speaker. The Summit concluded with a call for just the kind of Commission that has been created. I had the opportunity, in fact, to contribute to the wording of the proposal.

We believe it is very important for the Commission's charge to be implemented and for its work to be pro-active. This is serious business. Coordination and coherence are essential to enable us <u>all</u> to go forward in financial literacy efforts, especially with the 2006 NAEP assessment – the "report card" on the nation – coming up.

Second, Congress has recently implemented a modest, but important program that will go a long way to improve K-12 economic education. The 2005 Consolidated Appropriations Act provided $1.5 million for the Excellence in Economic Education ("EEE") program.

Congress established the EEE program in the No Child Left Behind Act "to promote economic and financial literacy of all students in kindergarten through grade 12." Congress specified that the Department of Education would award the EEE funding through a competitive grant. The grantee will use the funds to strengthen relationships with state and local economic education and financial literacy entities; support K-12

teacher training; support research and assessment of economic and personal finance education, and develop and distribute economic and personal finance educational materials.

We support Senator Akaka's efforts to continue funding for EEE in fiscal year 2005. The EEE program allows the federal government to strengthen and expand economic and financial literacy education at the local level in our nation's primary and secondary schools, for relatively few dollars. Furthermore, EEE maximizes the impact of federal resources by leveraging ongoing private sector efforts.

Summary

Enhancing elementary and secondary education in economics provides the grounding necessary for a lifetime of learning and financial decision-making. Basic economics, taught in grades K-12, is the irreplaceable foundation to this lifelong learning process. Just as basic math is an essential first step in learning algebra and geometry, learning basic economics is the essential first step to becoming financially literate.

Conclusion

I am very pleased that the Subcommittee is focusing on economic education and financial literacy, especially the work ahead for the Commission. Effectively teaching economics and finance is not only vital to an individual's success and well-being, but will ultimately contribute to ensuring a strong national economy.

Better educated individuals making better individual financial decisions will add up to a more prosperous future for the entire country.

Thank you again for inviting me to testify today, and I will be happy to answer any questions that you have.

Girl Scouts of the USA
1025 Connecticut Avenue, NW, Suite 309
Washington, DC 20036-5405
T 202 659 3780 F 202 331 8065

Washington Office

March 30, 2004

The Honorable Peter Fitzgerald, Chairman
Subcommittee on Financial Management, the Budget and
International Security
Committee on Government Relations
446 Hart Senate Office Building
Washington, DC 20510

Dear Mr. Chairman:

The Girl Scouts of the USA is deeply appreciative of the opportunity to submit for the record our views regarding financial literacy for young people. For 92 years, Girl Scouts has provided extended learning opportunities to girls in safe, drug free and supervised environments during the non-school hours. Today, Girl Scouts continues to be the world's preeminent organization dedicated to girls.

Young people have never had greater spending power than they do today. However, their financial literacy is not keeping pace with their spending. Our nation's youth are offered many financial options at an increasingly young age, yet too few are equipped to make informed decisions about financial matters. The U.S. Department of Education estimates that the average credit card debt among college student was over $3,000 in the year 2000. As Chairman Alan Greenspan states, "the importance of basic financial skills underscores the need to begin the learning process as early as possible."

In response to this trend, the *No Child Left Behind* law requires that in 2006 students are tested on their progress in learning economics. There are also provisions in the law that encourage schools to develop activities to promote consumer, economic and personal finance education, including the basic principles involved with earning, spending, saving and investing.

Girl Scouts of the USA has a long-term goal of expanding financial literacy activities for all girls ages 5 through 17. Our program is rooted in developing money management skills early in life and helping girls gain the confidence they need to take control of their own financial future. To that end, we have developed several comprehensive initiatives and resource materials with the assistance of private sector partners. These initiatives include:

- *CentsAbility*: An initiative for girls 11 to 14 that teaches personal money management key concepts.
- *Money Smarts*: Using hip, contemporary pictures and flash animation design, this GSUSA financial literacy website was created "for today's centsable girls." Through fun, interactive activities geared towards girls ages 11 to 17, girls learn about four topic areas including, earning, spending, saving and investing. Money Smarts also includes a savvy book that covers these topic areas.
- *Making Cents of Her Life*: A web-based fun, interactive money management game, based on four girls. The game helps girls strengthen their fiscal understanding by examining and recommending financial choices for the four girls (due Spring 2004).
- *Cashin' In*: A teen-savvy developmental piece on personal money management as it relates specifically to trying to afford what matters most in high school (due Spring 2004).
- *Mind Your Own Business*: A publication that encourages girls ages 11 to 17 to consider entrepreneurship as viable career option (due Spring 2004).

The Girl Scouts of the USA is committed to preparing young girls to achieve financial autonomy, and we are grateful for your committee's ongoing interest in this issue. We look forward to working with you and other partners in the federal government to achieve our shared goals. If you have additional questions about our programs, please contact Laurie Westley, Vice President for Government Relations for the Girl Scouts of the USA at 202-659-3780.

Sincerely,
Kathy Cloninger,
Chief Executive Officer

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STATEMENT FOR THE RECORD
OF VISA U.S.A. INC.

We thank the Subcommittee for the opportunity to submit a written statement for the record on Visa's efforts to address financial literacy. Visa U.S.A. Inc. applauds the efforts of the Senate Committee on Governmental Affairs and the Subcommittee on Financial Management, the Budget, and International Security for addressing the importance of empowering Americans to make informed financial decisions. Financial literacy education must be an essential component of the ongoing need to protect each and every consumer engaged in important financial transactions. Financial institutions are increasingly offering consumers the ability to enjoy the benefits of new or innovative financial products and services. But, new or innovative financial products by their nature can be unfamiliar to consumers. In some cases, new benefits may come with added complexity.

Today, financial literacy is critical to all individuals. Consumers need to be able to make informed choices about financial transactions that affect their daily lives as well as their long-term financial well-being. In order to make these choices understandable to consumers, while the range and complexity of these choices is expanding, requires a continuing growth in consumers' ability to understand financial transactions. The only way to achieve this growth is through a continuing focus on financial literacy. Accordingly, Congressional focus on this subject is essential to building the national awareness that will benefit all Americans.

Many of America's youth are graduating from secondary school or even college today without the vital skills necessary to enable them to have a successful financial life—skills like how to create a budget and how to develop a savings plan for retirement and other future needs.

In a national survey conducted by Visa last year, 77 percent of American adults surveyed said young people are learning money management skills in the "school of hard knocks." Nearly half of the adults surveyed said today's youth believe they are more likely to become millionaires by starring in a reality TV series than by learning how to budget and save wisely.

It is critical that children learn these important financial facts of life before leaving home. Money skills are lessons a student can take from the classroom to the boardroom. Visa U.S.A. is proud to bring teachers, students and consumers our educational program, *Practical Money Skills for Life,* free of charge online at www.practicalmoneyskills.com. This cutting-edge Internet-based personal finance curriculum program is designed to educate consumers of all ages about a number of key personal finance subjects, including budgeting, saving and investing. This program reaches more than 37 million students in more than 100,000 schools across the country.

Practical Money Skills for Life has customized material for parents, teachers, students and general consumers, including lesson plans, interactive calculators, games and budgeting worksheets. In addition to the *Practical Money Skills for Life* online material, the following at-home and in-class resources are available:

- A 14-chapter lesson plan book with overhead projection materials, activities and exercises covering budgeting, saving, investing and how to recognize financial trouble, along with resources to find solutions.

- An interactive CD-ROM, which includes a fun interactive game about financial decision making, a quiz show to test students' fiscal savvy, and a loan and credit card calculator, as well as a series of budget worksheets.

- A teaching video that corresponds with the lesson plans, designed to illustrate a variety of financial situations and spark in-class conversation.

These financial literacy tools—developed by teachers for teachers—are available in English, Spanish and traditional Chinese. Teachers and college professors can integrate the curriculum directly into their lesson plans for a one-time course or a year-long program. Visa U.S.A. is working to make sure *Practical Money Skills for Life* meets each state's standards for academic curriculum so that teachers may easily incorporate the program into their classrooms.

Additionally, Visa U.S.A. has partnered with the Council for Exceptional Children to provide a version of the *Practical Money Skills for Life* curriculum for children with special needs.

Practical Money Skills for Life has received the stamp of approval from educators at the 2001 National Education Association's Expo. More than 94 percent of the educators surveyed graded the program an "A" or "B," and 98 percent said they would recommend it to fellow educators. This "educator developed and educator approved" program has received a "four star" rating from The Detroit News and Free Press, hailed for offering "a great mixture of educational and fun activities that can help teachers, parents, students, and consumers manage money." Additionally, *Practical Money Skills for Life* has been recognized by Teacher.com as a Teacher Information Network Gold Award winner, and is also the recipient of the prestigious Golden Web Award presented by the International Association of Web Masters and Designers.

Visa U.S.A. is proud to partner with the Jump$tart Coalition for Personal Financial Literacy to bring financial literacy to the forefront of the national agenda. Visa actively supports their efforts to promote April as Financial Literacy for Youth Month.

To more directly engage teachers in incorporating financial education in the classroom, Visa U.S.A. co-sponsors the annual *Practical Money Skills for Life Educator Challenge* with Future Business Leaders of America. Winning participants show how their students have increased their financial literacy using elements of *Practical Money Skills for Life*. This past year, almost 700 high school teachers from 47 states went to www.practicalmoneyskills.com to enter for a chance to win computers and school supplies.

Beyond providing a free personal finance curriculum, Visa U.S.A. continues its efforts to bridge the digital divide. Working with Members of Congress, Visa U.S.A. donates computer equipment to schools in need and provides free *Practical Money Skills for Life* training for teachers. During the 2003-2004 school year, Visa U.S.A. plans to donate computer labs and introduce our educational program to 10 more high schools across the United States. To date, Visa U.S.A. has donated more than 40 computer labs nationwide.

Visa U.S.A. is proud of each of these achievements and strives to make every American teacher, parent, student and consumer aware of the availability of *Practical Money Skills for Life* in order to do our part to promote financial literacy. Visa U.S.A. appreciates the opportunity to submit a written statement on this very important matter.

The Bond Market Association
Statement Submitted for the Record

To the
Subcommittee on Financial Management, the Budget, and International Security
Government Affairs Committee
United States Senate

Hearing on The Federal Government's Role in Empowering Americans to Make Informed Financial Decisions

March 30, 2004

Chairman Fitzgerald and Ranking Member Akaka, the members of The Bond Market Association appreciate the opportunity to submit for the record an overview of our approach to providing financial education. The Association's program is a strong example of the complementary role private industry can play as another resource in the campaign for financial literacy. We applaud your leadership in this important area as the process of financial education is one of continual and life-long learning.

The Association represents securities firms and banks that underwrite, trade and sell debt securities, both domestically and internationally. For more than a decade, the Association has taken a direct role in financial education. We firmly believe that well-educated investors make for a better market, and investor education has become an important mission for the Association. To fulfill that mission, we publish a series of investor guides geared to different types of bonds, publish the popular and informative reference book *Fundamentals of Municipal Bonds*, and operate the website investinginbonds.com. This website is both a comprehensive resource itself and a link to more than 400 other websites related to bond investing. The site provides unbiased information on bonds and related financial concepts including such topics as taxes and interest rates.

The Association shares its promotion of financial literacy with its charitable partner, the Bond Market Foundation. The Foundation is a 501(c)3 (IRS designation) non-profit charitable and educational entity organized by members of the Association. It was launched three years ago to harness resources to help society strengthen communities. Through its websites, tomorrowsmoney.org, ahorrando.org and unwantedchange.org, the Foundation serves the personal financial education needs of women, young people, Spanish-speaking Americans, people facing unexpected change such as a loss of a spouse or job, and anyone else needing basic, accessible information on personal finance concepts. The websites are leveraged by the Foundation's educational outreach efforts, including its commitment to training and community-based partnerships.

Bond Investor Education

Association members have long recognized the value of public financial education, particularly with respect to the fixed-income markets. Many people, including many investors, are

not familiar with the different types of bonds and other credit-related products. A good understanding of the fixed-income markets requires familiarity with interest rates, taxes and many other topics. As a resource for bond investors, the Association in 1998 launched investinginbonds.com, a site offering a comprehensive overview of the bond markets.

The Association continually updates the content on investinginbonds.com with new data, information and features, and this site has become a daily source for bond price information in the municipal, corporate and government bond markets. Most recently, the website added a new Fixed-Income Calculator with which investors can test various yield and price scenarios, calculate convexity, duration and various yield values, and map cash flows. The calculator was provided in cooperation with the firms BondDesk Analytics and TIPS, Inc.

In addition, investinginbonds.com equips first time bond investors with the tools they need to make sound investment decisions with the following information:

- **7 Simple Steps:** A great starting place for investors to become familiar with bond investing.
- **Investor Guides:** Links to online versions of the Association's 15 educational brochures, including the popular "An Investor's Guide to Bond Basics."
- **The Bond Glossary:** Hundreds of frequently and not-so-frequently used terms investors might hear in the marketplace.
- **Free Bond Prices:** The only known website to offer municipal, Treasury and corporate bond prices for free.
- **Investor Fraud Alert:** Direct links to sites including the SEC, Treasury and others that post investor alerts regarding scams and fraudulent practices and tell investors where to go for more information.
- **State Tax Tables:** State and federal income tax tables, updated with tax law changes every six months, provide all of the state tax tables in one place.
- **Tax-Free vs. Taxable Yield Comparison Calculator**: A calculator to determine "equivalent taxable yield" on municipal bonds, determining how much the tax break on municipal bonds is worth by factoring in income tax bracket, marital status and the state in which the investor resides.
- **Exclusive Articles:** Timely articles on specific investing techniques and tools.
- **Links:** An indexed, searchable database of hundreds of links to authoritative sites covering every aspect of the bond markets.

The Need for Relevant, Targeted, Accessible Financial Education

The growing sophistication of the U.S. capital markets have, in many ways, helped make a greater array of financial products available to a much broader cross-section of individuals. These products offer consumers an opportunity to more efficiently manage their finances and potentially open up opportunities, such as homeownership, that may not have been possible before. But with this market shift there also comes a need for better fundamental and targeted financial education.

In its financial education efforts, the Foundation recognizes both the evolving nature of the financial services industry and the diverse makeup of U.S. consumers. To this end, our website-driven strategy focuses on filling the financial education needs of specific demographic segments. Foundation websites are tailored toward women; young people; Spanish language speakers; as well as individuals faced with a sudden life change such as death of a spouse or loss of a job.

The Foundation's sites are built on research related to the target groups. Many of the site visitors want to learn more about personal finance concepts from a source that does not also sell financial products and services. Not-for-profit sites, such as the Bond Market Foundation's, offer individuals the chance to become more knowledgeable and confident about financial concepts before engaging with financial professionals and advisors. The Foundation's effort is built on the core principal of targeted education that includes skill- and motivation-building elements. Research and experience suggest that people in the Foundation's target audiences will start to save and think about other financial options—including going to financial professionals and seeking additional advice—if they have access to knowledge- and skill-building tools in a clean, clear, accessible "tomorrowsmoney.org style" beforehand.

The Foundation's work is aimed at providing tools, information and empowerment in basic personal finance. This research-based, skill-building, and developmental approach can help Americans take the steps to begin to save and then to invest.

Partnering with the National Association of State Treasurers (NAST)

In 2003, The Bond Market Foundation began the State Treasurers Gateway Initiative. The Initiative is designed to link the Foundation's public education efforts with those of participating State Treasurers. The Foundation plans to provide a gateway from each state treasurer's website to the Foundation's family of research-based websites. The Honorable Brian K. Krolicki, State Treasurer of Nevada and President of the National Association of State Treasurers in 2003, entered into the first partnership with the Foundation. Kansas and Kentucky have also created websites in coordination with the Foundation. Ultimately, some 30 additional states are likely to participate.

Tomorrowsmoney.org and ahorrando.org ("ahorrando" is the Spanish word for saving) were built for people who want to use basic knowledge and skill building tools to learn more about how to become first a saver, and then an investor. An additional related site unwantedchange.org (in Spanish and English), contains basic information on financial decision making for people who have experienced

sudden change in their circumstances such as losing a spouse or a job. These sites are a completely free resource. Nothing is bought or sold on the sites and visitors' privacy is protected.

In coordination with the NAST Foundation, in partnership with individual treasurers' offices, the Foundation creates a gateway for each State Treasurer to:

- Leverage state-based efforts to address the personal financial skill-building needs of women; young people, Spanish speaking Americans by providing a "dot.org" suite of sites aimed at these audiences.

- Give the visitors to state sites additional personal financial education tools. The partnership sites have a section of content related to particular personal finance issues that citizens of each state are particularly concerned with. This section includes basic "Did You Know?" facts relevant to the target groups' situations as well as links to additional state based resources that residents can access.

- Provide a robust, timely and timeless, resource to leverage existing and planned event-based state treasurer's efforts that promote the importance of citizens taking steps to get personal finances organized and begin to save and then to invest. After a state treasurer holds a seminar, fair or other event, the Foundation websites and materials provide an ongoing resource for individuals interested in additional information and skill building. For example, a number of state treasurers host women and money seminars. The new partnership will contribute an additional on going educational and outreach tool to the citizens who attend these events.

A gateway page welcomes visitors from each state. The visitor is directed to an entire section of unbiased, basic information on various financial issues that are particularly helpful and relevant to them as citizens of a specific state who want to take steps to address personal financial situations. The Foundation tailors additional content to that state's particular needs. Several states, for example, have military installations around which many families have experienced quick military deployment. The Foundation has already posted in English and Spanish a basic checklist of financial decision-making information and resources in clear basic language on "Ways to Prepare When Your Spouse is Deployed." The sites are designed so that citizens can always return to the section of the site that contains information specific to their states no matter where they are in the site.

In closing Chairman Fitzgerald, and members of the Subcommittee, we believe citizens with better financial educations contribute to a strong financial system and overall economy. Better educated citizens make better financial decisions and empower them to face financial challenges and build wealth. Helping Americans gain and develop an understanding of fundamental financial concepts is a win for everybody.

Again, we thank you for this opportunity to share with the Subcommittee the Foundation's goals, outreach and undertakings to increase financial literacy. We appreciate the leadership you have provided on this matter, Mr. Chairman, in partnership with Ranking Member Akaka. We would look forward to continuing our dialogue with you and Members of this Subcommittee as the need for financial education and informed consumers is an enduring mission.

Statement of the Honorable Susan Molinari
Chairman, Americans for Consumer Education and Competition
Senate Governmental Affairs Committee, Subcommittee on Financial Management, the Budget and International Security

March 30, 2004

Chairman Fitzgerald, Ranking Member Akaka, members of the Committee, my name is Susan Molinari. I am Chairman of Americans for Consumer Education and Competition (ACEC), an organization to improving the financial literacy of young people today, so that they might enjoy more fruitful lives tomorrow. Thank you for the opportunity to submit this statement.

ACEC was created in response to a national survey that found that 81% of adults wanted solid, personal finance courses taught in their children's schools. The same survey indicated that less than 1 in every 5 adults believed their children's schools were adequately teaching personal money management skills.

ACEC launched the *Money Skills Report Card,* a national survey of high school seniors – 82% of whom failed the personal financial quiz. Tested on real life questions involving interest rates, loans, and savings options, a passing grade from students on financial literacy was hard to find.

Teaching our young people to manage their finances should be as much a part of their academic curriculum as teaching them math or grammar. It is a subject that will affect them throughout their lives and will impact their ability to purchase a home, raise a family and prepare for retirement.

Financial literacy forms the foundation that supports such American dreams as home ownership and a secure retirement. Sound financial skills are crucial to avoiding the pitfalls that result in many of our citizens – particularly young ones – getting into financial trouble or becoming victims of charlatans who prey on the financially illiterate. Quite simply, being financially literate is essential to controlling, rather than being controlled by one's financial circumstances throughout life. And, as Federal

Reserve Board officials have pointed out, mastery of these financial ABC's by consumers is essential to the smooth and efficient functioning of our free market economy.

It is evident from this hearing that our federal government and this administration is taking a leadership role along with the financial literacy community in the mission to educate our young people, many of whom will be leading this country in the future, on how to responsibly manage finances and make sound fiscal decisions with their own money. We live in a society where more than half of our households live paycheck to paycheck and have not saved enough for retirement. Our younger generations need to chart a new financial course and the programs we are hearing about today can help them.

The financial literacy programs spearheaded by the Department of Education, the Securities and Exchange Commission, and the Department of the Treasury's Financial Literacy and Education Commission within the Office of Domestic Finance demonstrate the needed recognition and action by government to help develop and promote sound money management skills for all Americans.

ACEC pledges to continue to work with Congress and the administration on these initiatives we are hearing about today.
An investment today in our children and young adult consumers for financial literacy education will yield great dividends and prevent us from borrowing on their future. Government, both state and federal, plays a key role in keeping this commitment.

Thank you, Mr. Chairman and members of the committee.

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