Financial Literacy and Education Commission

Promoting Financial Success in the United States:

National Strategy for Financial Literacy

2011

Financial Literacy and Education Commission Members

Board of Governors of the Federal Reserve System

Bureau of Consumer Financial Protection

Commodity Futures Trading Commission

Department of Agriculture

Department of Defense

Department of Education

Department of Health and Human Services

Department of Housing and Urban Development

Department of Labor

Department of the Treasury

Department of Veterans Affairs

Federal Deposit Insurance Corporation

Federal Trade Commission

General Services Administration

National Credit Union Administration

Office of the Comptroller of the Currency

Office of Thrift Supervision

Office of Personnel Management

Securities and Exchange Commission

Small Business Administration

Social Security Administration

White House Office of Public Engagement

For more information on the Financial Literacy and Education Commission, visit www.mymoney.gov.

Introduction

The recent economic crisis has highlighted how essential it is that individuals and families have the information, education, and tools that they need to make good financial decisions in an increasingly complex U.S. and global financial system. Indeed, as we have learned, the financial difficulties of individuals and families can dramatically affect the financial health of local communities and regional markets. The crisis has also illustrated that the financial well-being of individuals and families is fundamental to national financial stability, and that a lack of financial literacy is one barrier that can lower standards of living and limit prosperity.

The Financial Literacy and Education Commission (FLEC) sets forth here a framework—Promoting Financial Success in the United States: National Strategy 2011 —to provide the foundation for an overarching financial literacy strategy. It also establishes concrete goals that the non-profit, government, and private sectors can and should work together to increase financial literacy and improve financial decisionmaking by individual Americans and their families as they pursue personal financial objectives. In recognition of the many changes needed to move our nation forward in this regard, the focus in this strategic framework is on (1) the need for increased financial literacy and effective financial decisionmaking and (2) the educational efforts required to achieve those worthy objectives.

The framework identifies five action areas—policy, education, practice, research, and coordination. Not every stakeholder will engage in all five, but carrying out the national strategy will require that each find its own balanced blend to ensure effective participation.

Congress established FLEC through passage of the Fair and Accurate Credit Transactions (FACT) Act of 2003. FLEC is comprised of 22 federal entities and is chaired by the Treasury Department. One of FLEC's primary responsibilities is to develop a national strategy to promote financial literacy and education. In 2006, FLEC developed its first national strategy, Taking Ownership of the Future: The National

Strategy for Financial Literacy, which reviewed the progress toward financial literacy at that time and proposed calls to action in four areas deemed crucial to the promotion of financial education:[1]

1. building public awareness of available resources;
2. developing tailored, targeted materials and dissemination strategies;
3. tapping into effective partnerships; and
4. supporting research and evaluation of financial education programs.

Development of the National Strategy 2011

In July 2009, the Treasury Department convened a special FLEC meeting to review the Commission's approach to carrying out its purpose and role. As part of that process, FLEC members set up a working group to craft a new national strategy. Over the ensuing months, FLEC's National Strategy Working Group (NSWG) undertook a comprehensive and inclusive process that included reviewing strategic documents from other nations and other agencies as well as reaching out for input to a wide range of stakeholders in the field of financial education. From this process, and building upon the 2006 strategy, the NSWG identified four goals for the National Strategy 2011:

1. increase awareness of and access to effective financial education;
2. determine and integrate core financial competencies;
3. improve financial education infrastructure; and
4. identify, enhance, and share effective practices.

As part of this inclusive process to develop the National Strategy 2011, the Treasury Department, on behalf of FLEC, published a request for

1 The 2006 FLEC strategy can be found online at www.mymoney.gov.

comments in the Federal Register on September 3, 2010. There were 69 unique responses to the Federal Register Notice, with 29 percent of responses coming from non-profits, 20 percent from private businesses, 18 percent from trade associations, 15 percent from private citizens, and 12 percent from the public sector—mostly state-level official commenters. Officials from three foreign nations also responded.

Comments showed significant support for the National Strategy 2011's vision, mission, goals, and objectives: 89 percent of the respondents agreed with the vision, 87 percent agreed with the mission, 81 percent agreed with the goals, and 94 percent agreed with the objectives.[2] The NSWG carefully considered all the comments, and made revisions to the National Strategy 2011 to enhance its clarity and usefulness.

Implementation of the National Strategy 2011

The purpose of the National Strategy 2011 is to create an overarching strategic framework that all organizations involved with personal finance education, research, practice, and policy will find useful to help guide their work over the next several years. The aim is for stakeholders across the country—within the federal government and beyond—to develop, implement and evaluate specific objectives that support and advance the elements of the national strategy as we work together to achieve our shared vision of financial well-being for all people in the United States.

By design, the framework for the National Strategy 2011 represents a broad overview. Achieving the strategy's mission requires that each organization, individually and collectively, implement effective tactics. FLEC suggests ways that organizations can implement the strategy. However, this is not the final implementation plan. FLEC will continue to work on recommendations for how FLEC, its members and other organizations can best incorporate the strategy into their activities and initiatives, and will release an implementation plan in 2011.

2 These percentages refer to those respondents who answered the particular question.

As a first step in the implementation process, FLEC recommends that all organizations involved with personal-finance education, research, practice, and policy should:

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

At the federal level, FLEC recommends that each of its members use the National Strategy 2011 to inform and complement their own efforts at promotingt financial literacy and education.

In addition, FLEC will take the following steps:

- ask each FLEC member to incorporate the mission, vision, and goals of the National Strategy 2011 into their respective programs and activities as appropriate.
- incorporate the National Strategy 2011 goals and related objectives into the work of each FLEC working group so that FLEC can test approaches, provide best practices, and report on results.[3]
- provide leadership in promoting the National Strategy 2011 goals and objectives that are national in scope.
- coordinate with the President's Advisory Council on Financial Capability on the level of progress in achieving the goals and objectives of the National Strategy 2011.
- encourage the implementation of a pilot program of stakeholders to identify customized strategies that address local needs.
- coordinate with the newly formed Consumer Financial Protection Bureau on its efforts to implement the National Strategy 2011.

3 In July 2009, FLEC established three staff-level working groups—on Core Competencies, Research and Evaluation, and Communication and Outreach—to support the key strategic areas it had identified. On September 30, 2010, FLEC established an additional staff-level working group on Financial Access.

Promoting Financial Success in the United States: *National Strategy for Financial Literacy 2011*

Vision
Sustained financial well-being for U.S. individuals and families

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

Goals

Increase Awareness of and Access to Effective Financial Education

Ensure individuals and families are aware of the importance of financial literacy and have access to financial education resources.

Determine and Integrate Core Financial Competencies

Determine the personal finance knowledge and skills that individuals and families need to employ at various life stages and for particular life events to make informed financial decisions. Integrate these competencies into effective resources and programs.

Improve Financial Education Infrastructure

Develop guidelines on content, training, and delivery channels for financial literacy and education providers. Promote opportunities for partnerships and information sharing.

Identify, Enhance, and Share Effective Practices

Support research and evaluation to identify effective programs and practices. Encourage the implementation and reproduction of evidence-based programs and practices for individuals and organizations.

National Strategy for Financial Literacy 2011

Vision:

Sustained financial well-being for all individuals and families in the United States.

National Strategy 2011 establishes a long-term vision of financial well-being, financial stability, and financial security for the diverse U.S. populace. The National Strategy 2011 seeks to foster a culture in which households take periodic stock of their financial situations, individuals seek information and ask questions before entering into financial transactions, and everyone has the information and tools needed to help manage debt, save to meet their financial goals, and plan for secure financial futures. The subsequent mission, goals, and objectives of the National Strategy 2011 have been formulated to help move our nation toward this aspirational vision.

Mission:

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

The mission of the National Strategy 2011 outlines the general areas of action that have been identified as critical in moving toward FLEC's vision. These action areas—policy, education, practice, research, and coordination—are influenced by all participants in the field of financial education, from the federal government and national organizations, to state and regional organizations, to communities, and neighborhoods, all of which help ensure that diverse and underserved populations are reached. Not every organization will engage in all five of these action areas, but the National Strategy 2011 relies on each organization to find its own balanced blend of effective work.

Goals:

The National Strategy 2011 identifies four goals and related objectives to help move the nation, over the next several years, toward the vision and mission outlined above. Some of these goals seem best suited to the federal government; others might be better achieved by state or local governments, the private sector, or through collaborative efforts. Thus, the recommended goals serve not necessarily as a course of action for the federal government only, but rather for the field of financial education as a whole. Furthermore, the objectives provided for each goal are demonstrative and not exhaustive—organizations are encouraged to develop additional objectives in order to advance the identified goals.

Goal 1: Increase Awareness of and Access to Effective Financial Education

Although financial education alone does not guarantee financial success, it is nevertheless important that all individuals and families, including those of diverse and underserved populations, are aware of and have access to reliable, clear, timely, relevant and effective financial information and educational resources. Likewise, it is important that individuals and families have access to effective financial education resources disseminated through many different channels, such as schools, employers, and financial education providers. A recent U.S. survey of financial capability[4] found that many individuals both overestimate their financial knowledge and lack an understanding of key financial concepts.[5]

4 Financial capability is an individual's capacity, based on knowledge, skills, and access, to manage financial resources effectively. To develop this capacity, individuals must have appropriate access to and understanding of financial products, services, and concepts. Financial capability empowers individuals to make informed choices, avoid pitfalls, know where to go for help, and take other actions to improve their present and long-term financial well-being.

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

Objectives for Goal 1:

- Encourage the dissemination and the development of financial education resources and programs that effectively deliver relevant information to diverse constituencies. Build on traditional practices, community strengths, and research on effective approaches and delivery methods.
- Promote a national media campaign to improve financial literacy, including the use of venues and technologies to reach people where they reside.
- Develop a coordinated support structure for distributing financial literacy and education information, including websites and other resources linking people to educational resources and services that are available on a local and national scope.
- Promote safe, reliable, and easy-to-use consumer resources and tools that can be used during different life stages and when experiencing key life events.
- Promote targeted messages about financial literacy in consumer and employee materials.
- Provide unbiased and understandable financial education resources at financial decision points, such as during the home-buying and college-financing, and as part of the educational strategies shared in schools, colleges, and career and technical centers as well as workplaces.

Goal 2: Determine and Integrate Core Financial Competencies

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

Objectives for Goal 2:

- Develop a key set of core financial competencies, and build on them as appropriate.[6]
- Promote the use of transparent, plain-language, and user-friendly forms and information to express core competency topics.
- Encourage financial education providers to align materials with core competencies.

Goal 3: Improve Financial Education Infrastructure

To help ensure that all financial education is consistent, unbiased, and effective, practitioners should follow recommended financial literacy and education guidelines. Additionally, practitioners should foster partnerships and other collaborative opportunities to strengthen the effectiveness of financial education efforts.

Objectives for Goal 3:

- Encourage the dissemination and the development of financial education resources and programs that deliver effectively relevant information to diverse constituencies. Build on traditional practices and community strengths.
- Develop guidelines related to research findings, core competencies, curriculum development, delivery methods, and program evaluation that could be used by financial education providers and counselors.
- Establish clear financial literacy training goals and strategies that stakeholders can use to enhance the consistency and quality of program planning, delivery, and evaluation.

---

6 The FLEC's Core Competency Working Group has developed a key set of core competencies. FLEC identified five core concept areas that define what consumers should know to make informed decisions about their personal finances. The "core competency" topics cover earning, spending, saving and investing, borrowing, and protecting against risk. FLEC also identified the knowledge and actions or behaviors that would be associated with each of the core competencies. On August 26, 2010, the Treasury Department—in its capacity as Chairperson of the FLEC—issued a notice and invited public comments on a proposed set of financial education core competencies. The FLEC is considering those public comments in finalizing the core competencies. When those are finalized, FLEC will conduct a public education campaign to promote the core competencies and disseminate core competency resources.

- Develop recommendations for professional development courses and incentives for financial education providers, identify best practices for organizational accreditation, and provide other support for financial education practitioners.
- Set up a network of financial education providers and counselors and provide opportunities for information-sharing.
- Create strategies for partnerships, mentors or coaches, and other mechanisms for enhancing the delivery and effectiveness of financial education in schools, colleges, and career and technical centers as well as in the workplace.
- Strengthen connections among those working on financial education, financial access, and asset building strategies to improve effectiveness of each.
- Encourage the incorporation of strategies informed by behavioral economics and the psychology of decision-making.

Goal 4: **Identify, Enhance, and Share Effective Practices**

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

Objectives for Goal 4:

- Encourage research on financial literacy and education strategies that affect consumer behavior to determine the role of financial education vis à vis other strategies for improving financial decision-making.
- Establish a clearinghouse either within or otherwise in connection with existing Federal collections of evidence-based research and evaluation studies, current financial topics and trends of interest to consumers, innovative approaches, and best practices.

- Develop and disseminate tools and strategies to encourage and support program evaluation such as common evaluation metrics to measure key outcomes, behavioral change, and program effectiveness.
- Form a network for sharing research and best practices and updating the evidence base.
- Develop approaches to periodically measure the financial knowledge and decision-making of individuals and families.
- Identify customized programs that effectively address local and other needs, such as those that place emphasis on low- to moderate-income, minority, unbanked,[7] and underserved communities.
- Build upon the research priorities identified at the FLEC National Research Symposium on Financial Literacy and Education in October 2008.[8]

7 A person who does not have a bank or credit union account.
8 For a summary of the symposium and the ten recommended priorities, go to www.mymoney.gov.

Financial Literacy and Education Commission

www.mymoney.gov