December 1, 2008

Dear Governor Gregoire,

In the following pages you will find an overview of the work completed by the Washington Financial Literacy Work Group, supporting documentation for the group's nine recommendations to improve financial education for all Washington State residents and several reference documents in the attached appendices.

Acting on the requirements cited in SB 6272 (Chapter 3, Laws of 2008), the group was tasked to:

1. *Identify current state funded efforts to support financial literacy;*
2. *Assess whether there are opportunities to create a centralized location of information regarding these existing state efforts; and*
3. *Identify whether there are opportunities for expanding partnerships with other community entities also providing financial literacy services.*

Members of this group answered your directive, completed the tasks and provided additional research and data in an effort to present you with the most comprehensive report possible on financial education in Washington State. The Work Group was careful to ensure their nine recommendations address the needs of all Washington residents and recognize existing works to improve financial education for Washington's K-12 students by groups such as the Financial Literacy Public Private Partnership and Jump$tart Washington Coalition.

A diverse group of more than 30 financial education advocates in Washington State gathered to address the importance of financial education – as it pertains to individuals as well as our state and national economy.

The full Work Group met seven times — from April through October. Additionally, subcommittees formed and met on numerous occasions. Meeting notes and audio files are available on the Work Group Web site: www.dfi.wa.gov/work-group.

The group developed and distributed five surveys to educators, non-profit organizations, private sector businesses, state agencies and state schools. The surveys have garnered 749 responses to date, resulting in one of the most comprehensive state-wide surveys ever conducted on financial education in this state. This group's work paralleled the President's Advisory Council on Financial Literacy and resulted in very similar recommendations.

Since the passage of SB 6272 (Chapter 3, Laws of 2008), the importance of financial education has become a higher priority and a topic of discussion on a global level. National financial education organizations and partners recognize Washington as a leader in the financial education arena – the directive establishing and tasking this Work Group emphasizes that fact.

We commend you for your foresight in activating this talented and dedicated group of individuals that comprise the Washington Financial Literacy Work Group and for asking us to focus on this most important issue. We thank you for giving us the opportunity to serve the people of Washington.

Sincerely,

Scott Jarvis, Director
Department of Financial Institutions

Letters of Support

"A strong and effective system of education is one fundamental way to strengthen our economy and raise living standards. And education about personal finance that helps consumers of all ages meet the challenges and demands of our increasingly knowledge-based economy is one important component of such a system…

Children and teenagers should begin learning basic financial skills as early as possible. Indeed, improving basic financial education in elementary and secondary schools can help prevent students from making poor decisions later, when they are young adults, that can take years to overcome…

Building bridges between community organizations, educational institutions, and private businesses is essential to increasing familiarity with new technological and financial tools."

— Chairman Alan Greenspan, September 26, 2003,
at the 33rd Annual Legislative Conference
of the Congressional Black Caucus,
Washington, D.C.

AARP
The power to make it better.

November 24, 2008

Governor Christine Gregoire
Office of the Governor
P.O. Box 4002
Olympia, WA 98504-0002

Dear Governor Gregoire:

I am writing to offer AARP's support of the Washington Financial Literacy Work Group's nine recommendations to improve financial education for all Washington residents.

The overarching goal of providing the people of our state with the skills and knowledge to manage their financial resources effectively for lifetime financial security is of utmost importance, especially at a time when there is unprecedented insecurity in our financial markets.

In these difficult economic times, significant numbers of people are being forced to make difficult decisions about daily living. Implementing the recommendations of the Financial Literacy Work Group would be an excellent opportunity to help the people of our state.

AARP believes that Americans of all ages should have access to tools to help manage their finances and save for the future, as well as easy to understand information to help them increase their financial literacy and manage their money wisely.

Thank you for your leadership in directing the work of the Financial Literacy Work Group and asking the members to focus on this most important issue. It was an honor for our organization to participate in the work group and serve the people of Washington State.

Sincerely,

Doug Shadel, Director
AARP Washington

Dear Governor Gregoire, November 20, 2008

Never before has it been so alarmingly evident that a lack of financial education is a prescription for personal and national disaster. Yet even the most basic financial education is not required for students graduating from high school. As the mother of eight children, I can think of no more important life skill for any high school graduate than a fundamental education on how to manage their finances.

Currently, unless students specifically take a class on accounting, they aren't taught even the basics of opening a bank account, how to shop for car insurance, or manage a budget. However, as soon as they turn eighteen, offers for credit cards flood their mail boxes. Knowing virtually nothing about interest rates, annual fees, late fees, balance transfer fees, Universal Default, they are presented with multiple offers to go into debt. Instead of being prepared for success, they are set up for failure. They're kids, they need help. They need education.

Financial education in the public schools is of vital importance and it is virtually non-existent. High school students are required to pass the Washington Assessment of Student Learning (WASL) tests, to graduate from high school, yet financial education isn't included in the assessment. If they can pass the math portion of the test, which includes Geometry, but can't read or balance a bank statement, how prepared are they for adult life?

The idea that every graduate learn geometry is a lofty one. I took it, when I was in high school. It was, and is, a requirement for application to go to a university. I haven't used it since high school, but I learned what a negative number (taught in algebra) is when I overdrew my checking account. How useful it would be for high school graduates to learn the practical application of algebra to their checking accounts.

If we are going to assess what students in Washington are learning, we should want to know that they are able to balance a bank statement, understand compound interest, and how not to commit to a mortgage or a car payment that will leave them unable to heat their house or buy gas. We should be absolutely certain that they have a basic financial education.

I understand that there will be a cost to funding financial education, but not funding it also comes at a price. In my opinion, we can't afford not to fund, and require, financial education.

Sincerely,

Nancy Knouff

Nancy Knouff
9017 A Street
Tacoma, Washington 98444
nlknouff@comcast.net

November 21, 2008

Scott Jarvis, Director
Department of Financial Institutions
P.O. Box 41200
Olympia, WA 98504-1200

Dear Director Jarvis:

The Financial Literacy Work Group you and your staff directed will soon be submitting its 2008 Final Report to the Governor. I am pleased to submit this letter on behalf of Washington Jump$tart in support of the findings and recommendations set forth in that report.

As you probably know, Washington Jump$tart is a coalition of individuals and organizations dedicated to promoting financial education and literacy in Washington. The Legislator Awareness Committee works with the state coalition to raise awareness of financial literacy among legislators—specifically Education Committee members—and how it impacts their constituents' lives.

We believe access to financial education should be a right, not a privilege. Financial education should be particularly important to state government as training in the basics of financial education supports the goals of Washington's Basic Education Act {RCW 28A.150.210} which states that ***"The goal of the basic education act for the schools of the state of Washington set forth in this chapter shall be to provide students with the opportunity to become responsible global citizens, to contribute to their economic well-being and that of their families and communities, and to enjoy productive and satisfying lives."***

It is clear to us that we have already made the promise of accessible and affordable financial education to our children. We must now implement this promise and provide the same for adults in the workplace (and beyond) who are already out of school or unable to attend.

Everyone seems to agree on the importance of a financially literate society. Indeed, this country's current economic crisis and subsequent recession and record high unemployment might have been avoided had Americans been aware of the basic fundamentals affecting their personal finances.

Questions invariably arise when the financial literacy discussion turns to the best method of delivery. We believe implementing a statewide financial education plan providing policy and guidance for standards, assessments, training, certification, a central clearinghouse, consistent outreach, and of course, funding, would yield the best results, especially in regards to financial education in schools.

The FLWG's report is comprehensive, thorough, focused, and characterizes the diverse background of the work group's members. Their recommendations are visionary, on-target, and are in line with and increased national focus regarding the importance of financial education.

We applaud your efforts to put this report together, and we urge the Governor and the Washington State Legislature to champion the financial literacy cause in our state, especially on behalf of our children and future generations. With the current state of the economy, prioritizing will be crucial in the next budget cycle. We urge you to consider implementing the recommendations of the FLWG as one of your priorities for 2009.

On behalf of Washington Jump$tart, thank-you for the opportunity to voice our support for the Washington State Financial Literacy Workgroup 2008 Final Report.

Sincerely,

Members of the Washington Jump$tart Board of Directors and the Washington Jump$tart Legislator Awareness Committee

Washington Jump$tart Board of Directors

Scott Kinney – President
WaMu

Kimberly Scott – Co-Vice President
Washington Society of CPAs

Amy O'Donnell – Co-Vice President
Washington Society of CPAs

Melanie Hess – Secretary
Junior Achievement of Washington

Kristin Mowat – Treasurer
Washington Bankers Association

Stacy Augustine
Washington Credit Union League

Jamie Chase
Chase Public Relations

Chris Conway
Northwest Education Loan Association

Tony Leahy
CENTS – King County Bar Association

Leslie Lum
Bellevue Community College

Lyn Peters
Washington Department of Financial Institutions

Will Rance
Washington State Employees' Credit Union

Washington Jump$tart Board of Directors, Cont.

Dana Twight
Seattle Times Newspapers in Education

Debbie Wege
Boeing Employees' Credit Union

Washington Jump$tart Legislator Awareness Committee

Scott Daukas
TwinStar Credit Union

Brenetta Ward
YMCA

Sheldon Levias
BizKid$

Sue Welberry
Leadership Spokane Program Chair

November 17, 2008

Governor Chris Gregoire
Office of the Governor
PO Box 40002
Olympia, WA 98504-0002

The focus of this letter is to express my appreciation for a financial education course that I took and a request to invest in this type of program in order to lay the ground work for rebuilding our economy.

My name is LaTasha A.R. Smith and I am a 30 year old African American single mother of one child. I usually don't mention my race ever because what I am going through in my life affects the majority of this county but I want to paint a picture for you of who I was and who I am to becoming.

I was born in El Paso Texas the oldest child of 4. My mother was alone in raising us and when is came to money we never talked about it. College was not a big topic either unfortunately and I think that it's because some people (like my mother) don't think that the "American Dream" includes them as part of it. I stared working when I was 15 and I have been on my own ever since. I lived in a homeless shelter for a short while in Austin, Texas and the program set me up with a place to live but when it came to knowing how to manage my money I did not have the toolsthat it takes to save money and provide for myself on my own. My mother moved to Washington State and told me that I should move up here and build a life for myself and so I did.

I have never had a problem finding a job. I have been on welfare and I used the money for its intended purpose which in my opinion is for short term help until I can care formyself. This is not living to the fullest of my potential (overtime this began to chip away at my dignity)so I made the choice to make a life for myself and my child. I have a job as a receptionist at an engineering firm now and I have not been on welfare for almost 4 years. Money is still tight and I found myself picking and choosing which bills I was going to pay. (Should I pay the electric or get groceries this week?) I went to my local community assistance office and found a program that has helpedme see that it's possible to manage my life responsibly with goals in mind for myself as well as my daughter's future.

This class was free and offered to the public here in Washingtontwo days a week in the evenings for a little bit over a month. I learned how to start up communication with my bank in order to start a checking account, I never knew what a 401K was whenever it was offered to I would decline because I only saw the short term loss out of my paycheck without seeing the long term investment in my future. I found out what it means to shop with a budget in mind, following lists that my daughter helps me with. I had not opened any of my mail for 4 yearsout of complete fear of how I was going to mange the pressure of paying everyone that I owed. I learned how to organize my bills in a filing cabinet (20 files) and how to keep all of our important documents together in one place at all times. I learned about how credit works for me and against me if I buy into scams or purchase outside of my means with a credit card and how compound interest can ruin my life if I am choose not to read what the penalties are for paying bills late.

I had the humbling experience of having my entire credit report given to me and slowly studied line my line to see my past and I was given the tools to move forward with resolving my debts while still saving for my future for my daughter. I answer the phone when bill collectors call me rather than live paralyzed by fear of the unknown. When I come home I don't have to hope that my lights are going to turn on when I flick the switch I know my bill is paid.My office at the moment is not too sure if it will stay open at the beginning of next year and I am saving money for the first time in my life in order to prepare for job loss without worrying about it and remaining stagnant. I am a participant in my life and fully aware of what I need to do to plan for financial strain. I did not have any of these tools prior to taking this adult financial education course. Can you imagine what good this type of program will be for the thousands of people who are losing their jobs and don't have a plan for their financial future as you read this letter?

I went to see you and Joe Biden speak just before Barak Obama became our president with my daughter right by my side. The thing that stood out for me was the topic of education for our children. I want this to remain a top agenda for this state however there is only so much that the schools can provide. It starts at home. Some people have the tools that can be passed on to their children in order to make it in the world but I feel that the majority of parents have never learned how to dream of a life outside of the one that they were raised in. Without a solid foundation at home with the adults learning how to maintain their finances, set goals and show that it is possible to thrive and not just survive I feel as though all children will suffer because they do not have a living example of responsibility in their lives. I pray that first, you read this letter and second that you are able to find a way to keep these types of programs alive in this state.

Thank you for your time and if you have any questions or comments please feel free to contact me at anytime.

LaTasha AR Smith

LaTasha A.R. Smith
3717 E. K Street
Tacoma, WA 98404
(253) 507-4265
Tashmahal03@hotmail.com

Friday, November 14, 2008

To Whom it May Concern:

A recently divorced middle aged woman, has a 29% interest rate on a used car loan; a young couple has several credit cards maxed out; a single working mother with three young children tries to balance what the family needs vs. what the children want; a middle aged man wants to be able to move his brother, who is currently in a nursing home in Washington, back to his home state of Florida; a grandmother is doing well with her own finances but wants to help her grandchildren; a small business owner is trying to balance his personal and work finances.

What do all of the above mentioned stories have in common? They provide a small snapshot of the many and diverse stories I have been exposed to over the last two years while teaching financial literacy at Goodwill. No two stories are the same, but the common thread throughout them all is a fundamental lack of understanding or education related to money management.

That is why I continue to volunteer as a financial literacy teacher and am writing this letter in support of expanding financial literacy education into as many venues as possible.

At first, you could say, "well most people in financial trouble are there of their own making," and in some cases you would be correct. Lack of control on spending choices has driven people into high debt but I believe the lack of spending control is rooted in a deeper issue which is a lack of financial education or money management role modeling in our society.

In the real world short of accounting school where does one learn to balance expenses with income? Where does one learn about net income versus gross income? Who teaches what interest rates are and how they are negative when related to debt and positive when related to long term investing?

In my case, I was blessed with a mother and father who were excellent money managers and were able to not only teach their children but model it in their daily lives. However, those that don't have the gift of parents with money management skills or are lucky enough to get a teacher, friend or relative to help them learn these important skills, where do they learn financial literacy?

In my opinion the power of financial literacy goes far beyond the individual person that receives the education. For example that person becomes a model for others of good money management and is able to better participate in our economic world. Managing debt wisely, saving money, and investing for their future, all contribute to a better economic system. I also believe that financial literacy on an individual level can be the long term tonic that the United States needs. If a vast majority of the citizens of the United States don't have the knowledge to manage their personal finances, how can we expect them to understand and hold their elected officials accountable for public spending or reduction of the national debt?

With the Federal government modeling poor financial management by running up massive debt how can we expect it citizens to take debt management serious on an individual level? My hope is that if enough citizens become financial literate, they will begin to question the management of public funds and improvements can be made.

The real power of financial literacy thought is in its ability to improve the quality of life for people. When one learns to manage their money instead of the money managing them, relationships become less pressured. Think of marriages pressured by finances, think of the parent child relationships strained by finances, think of family members driven apart by poor money decisions. Think of the person that gets up every morning and trudges off to a job they don't like because of poor money management. That lack of money management is eliminating the opportunity to change jobs, take a job that pays less but makes them happier, or return to school and get a more fulfilling job that might even pay more. Lack of financial literacy and the money issues it creates requires people to work longer hours or work two jobs instead of spending time raising their children or volunteering at a charity close to their heart.

Can financial literacy really solve all the problems of the world? The answer of course is no.

Did it help the recently divorced woman whose husband had always paid the bills and who had no credit of her own and now needed a car to start looking for a job and who didn't understand the cost of high interest rates? Yes.

Did it help the young couple, one a spender and one a saver, better understand the choices they were making and why the debt was piling up? Yes.

Did it help the young mother with three children explain to her children what the actual family income was and what buying expensive clothes would do to their ability to find a bigger apartment or maybe one day have a family car? Yes

Did it help the brother set up a savings plan to maybe one day be able to move his brother? Yes

Did it provide the grandmother the tools to explain why her finances were doing find but her grandchildren were not doing as well. Yes.

Did it help the small business owner? The business is open and successful.

Are they all living more comfortable lives due to financial literacy and better money management? I believe so which is why I continue to volunteer and promote financial literacy as much as possible.

Thank you very much for the opportunity to share.

Edwin Valbert

2101 North Huson

Tacoma WA 98406

November 6, 2008

Dear Governor Gregoire and Legislature,

I am in favor of the recommendations to increase financial literacy at all age levels that have been compiled by Mrs. Dani Small and her colleagues.

I, myself, grew up with very minimal financial literacy because my parents weren't financially savvy nor was financial literacy being taught in the public schools. Fortunately for myself, I was hired by a Financial Services Company as an Administrative Assistant. Hearing the conversations daily and having wonderful mentors, I was able to learn a whole lot.

Today, I am proud to say that I am still with the Financial Services Company, now as an Independent Associate as well as an Instructor of the Financial Literacy Classes offered at Goodwill Industries in Tacoma.

I understand though that there are many individuals out there who are not privy to the opportunities, tools, and knowledge that I've had. There is a great need for financial literacy here in Washington.

Through the several months as Instructor of the Financial Literacy class at Goodwill, I have had students of all ages hungry for knowledge of financial basics. Students who like me were not taught by their parents or through the school system.

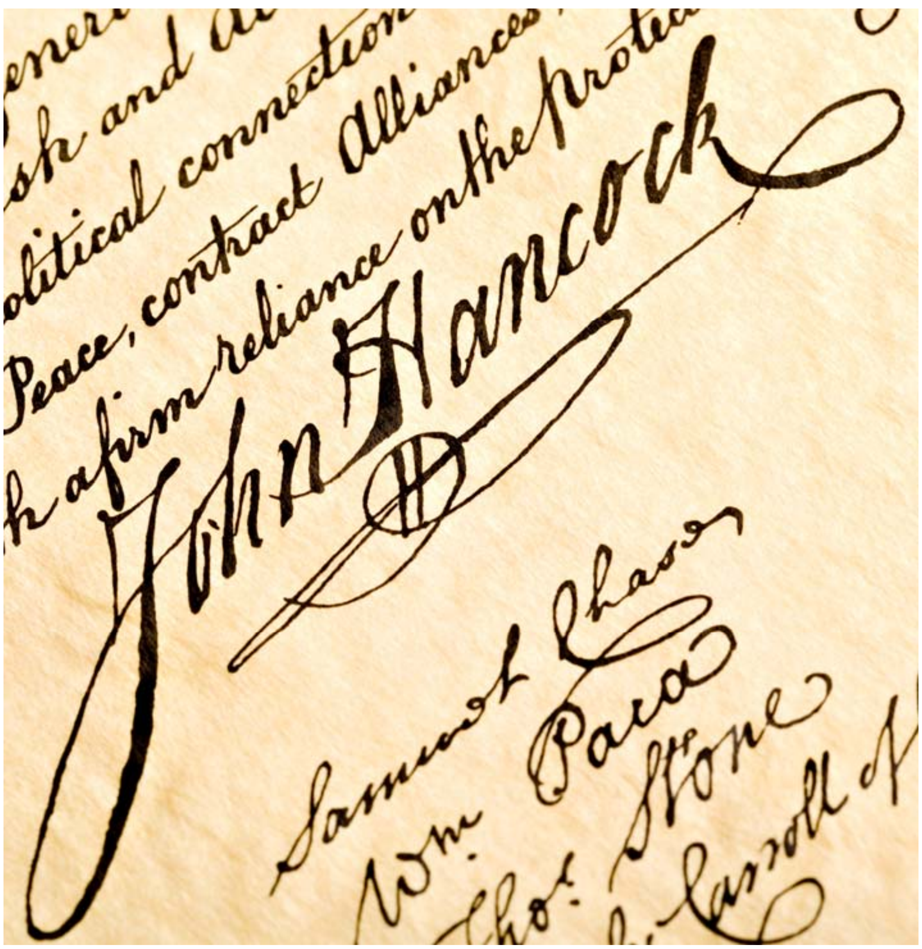
It's been typical for each student that completes the courses to walk away changed and empowered with new information. For example, I had one student who her biggest problem was spending money every day on snacks. The first couple weeks, she would come into the class with a bag of chips, candy, and a bottle of Coca Cola. After learning about creating a monthly spending plan, she realized that she was spending almost $200 on junk food. By the last two weeks of the course, she had curbed that spending. She was bringing in snacks but in little zip loc baggies. This has helped her in her finances, but additionally, her health is now being positively impacted.

Please, Governor Gregoire, please consider the recommendations for increasing financial literacy so that more people will be empowered.

Sincerely,

Deena M. Giesen

We Respectfully Offer Our
Signatures as Members of the
Washington Financial Literacy Work Group
In Full Support of This Report
and All Recommendations Within



Washington Financial Literacy Work Group

______/s/____________
Stacy Augustine
Sr. VP & General Counsel
Washington Credit Union League

______/s/____________
Greer Gibson-Bacon
CFP, Founder
Asset Planning & Management

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Brian Berghoff
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President/CEO
Consumer Counseling Northwest

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Melanie Hess
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Program Mgr., Teen, Adult & Employee
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Paul Knox
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United Way of Pierce County

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Amy O'Donnell
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Caleb Perkins
Social Studies & International Education
Office of the Superintendent of
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Cheryl Reed
ASD Community Outreach
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CJ Robinson
Director,
Community Impact and Advocacy
United Way of Pierce County

_____/s/___________
Rep. Sharon Tomiko-Santos
37th Legislative District

_____/s/___________
Dave Sieminski
Managing Director
Express Advantage

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Kimberly Scott
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Washington Society of CPAs

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Danielle (Dani) Small
Financial Literacy Program Coordinator
Tacoma Goodwill

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Dee Taylor
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Linda Taylor
Housing Director
Urban League of Metropolitan Seattle

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Fehi Tuivai
Western Washington Program Manager
Consumer Counseling Northwest

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John Tye
Education & Training Manager
Tacoma Goodwill

_____/s/___________
Pam Whalley
Director, Washington Council of
Economic Education
Faculty, WWU
College of Business & Economics

_____/s/___________
Lance Wrzesinski
Asst. Prof. of Business Administration
Centralia College

SUPERINTENDENT OF PUBLIC INSTRUCTION

DR. TERRY BERGESON OLD CAPITOL BUILDING • PO BOX 47200 • OLYMPIA WA 98504-7200 • http://www.k12.wa.us

November 26, 2008

The Honorable Christine Gregoire, Governor
PO Box 40002
Olympia, WA 98504

Dear Governor Gregoire:

On behalf of the Office of Superintendent of Public Instruction (OSPI), I would like to thank the Washington Financial Literacy Work Group for their hard work in putting together this final report. Unfortunately, at this time, I am unable to be a signatory on this document given the transition at the state superintendent's office.

The scope of the recommendations in the final report require the careful review of the new leadership in our agency. However, I look forward to bringing this important work to the attention of Superintendent-elect Randy Dorn in the coming year. I have also appreciated the opportunity to be a part of these efforts.

Please contact my office at (360) 725-6334, should you like to discuss my decision and OSPI's position on this matter.

Sincerely,

Joseph L. Willhoft, Ph.D.
Assistant Superintendent
Assessment and Student Information

Cc: Scott Jarvis, Director
Department of Financial Institutions

Lexie Domaradzki, Assistant Superintendent
Teaching and Learning, OSPI

File

JW:CP:ms

Washington State
Financial Literacy Work Group
Final Report

"Putting The Pieces Together"

**Assessing Financial Education
in Washington
and
Recommendations to Improve
Financial Education
For All
Washington Residents**

Prepared for Governor Christine Gregoire
December 1, 2008

Table of Contents

History

- Governor Gregoire formed the Homeowner Security Task Force in September 2007 to address the rising foreclosure rates in Washington. The Task Force submitted their final 88-page report (http://dfi.wa.gov/taskforce/default.htm) with 24 recommendations to Governor Gregoire and the legislature in December 2007. Eight of the recommendations pertained to financial literacy.

- Governor-requested legislation, inspired by the Task Force report and recommendations, resulted in SB 6272 (Chapter 3, Laws of 2008). The bill passed the Senate unanimously and the House 69-27.

- Implementation of SB 6272 (Chapter 3, Laws of 2008) mandates the formation of a Washington Financial Literacy Work Group to assess the State's financial education status. A group of more than 30 members selected from organizations representing a wide variety of demographics (toddler to retired, low-income to wealthy, government, non-profit, education and private business) conducted its first meeting Friday, April 25, 2008.

- The Work Group and its four sub-committees — State, State with Education focus, Non-Profit (501c3) and Private Sector (including 501c6 and 501c14) — are tasked with:
  - *Identifying current state funded efforts to support financial literacy;*
  - *Assessing whether there are opportunities to create a centralized location of information regarding these existing state efforts; and*
  - *Identifying whether there are opportunities for expanding partnerships with other community entities also providing financial literacy services.*

- The Work Group submitted two interim reports. The first assessed state-funded efforts, the second identified gaps and needs in financial education throughout Washington. Details on the Work Group (recordings of meetings, interim reports, subcommittee reports, etc.) can be found at the Web site: http://dfi.wa.gov/work-group/.

Work Group

Members:

- Stacy Augustine, Sr. VP & General Counsel, Washington Credit Union League
- Greer Gibson-Bacon, CFP, Founder, Asset Planning & Management
- Brian Berghoff, DCP Administrator, Department of Retirement Systems
- Cathy Brorson, Outreach Coordinator, Kitsap Credit Union, Chair, Credit Union Youth Development Council of Washington
- Ty Cordova, Commission on Hispanic Affairs, State Farm Insurance, Assistant Public Affairs Manager, Pacific NW Zone
- Donna Dziak, Program Manager, Solid Ground Housing Counseling & Prevention Programs
- Mary Gould, Outreach & Education Coordinator, Consumer Protection Division, Washington State Office of the Attorney General
- Erica Benson-Hallock, CEO, United Ways of Washington
- Charles Helms, President/CEO, Consumer Counseling Northwest
- Melanie Hess, Sr. VP of Operations, Junior Achievement of Washington
- Linda Jekel, Director, Division of Credit Unions, Department of Financial Institutions
- Scott Kinney, Program Mgr., Teen, Adult & Employee Financial Education, Community & External Affairs Division, Washington Mutual
- Paul Knox, Asset Building Managing Director, Department of Community Trade and Economic Development
- Paula Mahoney, Community Affairs Manager, Community and External Affairs Division, Washington Mutual
- Allen Morrow, VP, Senior Lobbyist, Wa State Senior Citizen's Lobby
- Kristin Mowat, Communications and Marketing Manager, Washington Bankers Association
- Helen Myrick, VP of Community Impact, United Way of Pierce County
- Amy O'Donnell, Financial Literacy Program Manager, Washington Society of CPAs
- Caleb Perkins, Social Studies & International Education, Office of the Superintendent of Public Instruction
- Cheryl Reed, ASD Community Outreach, AARP
- CJ Robinson, Director, Community Impact and Advocacy, United Way of Pierce County
- Rep. Sharon Tomiko-Santos, 37th Legislative District
- Dave Sieminski, Managing Director, Express Advantage
- Kimberly Scott, Director of Member Services, Washington Society of CPAs
- Danielle (Dani) Small, Financial Literacy Program Coordinator, Tacoma Goodwill
- Dee Taylor, Director, Homeownership Division, WA State Housing Finance Commission
- Linda Taylor, Housing Director, Urban League of Metropolitan Seattle
- Fehi Tuivai, Western Washington Program Manager, Consumer Counseling Northwest
- John Tye, Education & Training Manager, Tacoma Goodwill
- Pam Whalley, Director, Washington Council on Economic Education, Faculty, WWU, College of Business & Economics
- Lance Wrzesinski, Asst. Prof. of Business Administration, Centralia College

Work Group Coordinator, Report Preparation: Lyn Peters, Communications Director, Washington Department of Financial Institutions

Work Group Web, Survey & Statistic Lead: Jeremy Lushene, Web Master, Communications Consultant, Washington Department of Financial Institutions

Subcommittees

State:

- Brian Berghoff
- Mary Gould – Co-Chair
- Linda Jekel – Co-Chair
- Allen Morrow
- Dee Taylor

Non-Profit:

- Donna Dziak
- Erica Benson-Hallock
- Charles A. Helms
- Paul Knox – Co-Chair
- Helen Myrick
- Amy O'Donnell
- Cheryl Reed
- CJ Robinson
- Kimberly Scott
- Danielle (Dani) Small – Co-Chair
- Linda Taylor
- Fehi Tuivai
- John Tye

State-Education:

- Cathy Brorson – Co-Chair
- Melanie Hess
- Caleb Perkins
- Rep. Sharon Tomiko-Santos
- Pam Whalley
- Lance Wrzesinski – Co-Chair

Private Sector:

- Stacy Augustine – Co-Chair
- Greer Gibson-Bacon
- Ty Cordova
- Scott Kinney
- Paula Mahoney
- Kristin Mowat – Co-Chair
- Dave Sieminski

Special Contributors:

- Kathy Cooper, Office of Adult Basic Education, Washington State Board for Community and Technical Colleges
- Alicia (Haus) Diefenbach, Consumer University
- Leslie Lum, Bellevue Community College
- John Nofsinger, WSU
- Orlando Cano, Policy Analyst, House Democratic Caucus

Executive Summary

A lack of financial education has been cited repeatedly by financial experts as a principal reason for the nation's current economic troubles.

> *"In light of the problems that have arisen in the subprime mortgage market, we are reminded of how critically important it is for individuals to become financially literate at an early age so that they are better prepared to make decisions and navigate an increasingly complex financial marketplace.*
>
> ***Choosing a credit card, saving for retirement or for a child's education, or buying a home now requires more financial savvy than ever before.*** *Financial literacy and consumer education — coupled with robust consumer protection — makes the financial marketplace effective and efficient, and better equips consumers to make tough yet smart financial decisions...*
>
> *I believe more states should consider making personal finance a requirement for all students who seek a high school diploma.*
>
> ***I am personally convinced that improving education is vital to the future of our economy and all its citizens, and I strongly believe that promoting financial literacy, in particular, must be a high priority.****"*
>
> — Chairman Ben S. Bernanke, April 9, 2008, at the Jump$tart Coalition and Federal Reserve Board Joint News Conference

Washington is in better economic shape than much of the nation. Washington has lower foreclosure and unemployment rates than the national average. Our state is in worse shape when it comes to financial education, however.

In 2008, Washington high school students failed the national survey administered by the national Jump$tart Coalition for Personal Financial Literacy (48.6% correct answers). Alarmingly, Washington's numbers declined from the previous survey conducted in 2006. Washington slid 11.6% — the national score declined 7.8%.

Creating better educated students and adults is critical. Educated consumers are more likely to maintain their ability to pay taxes and contribute to a growing economy – something Washington needs if it is to recover from the current economic decline.

Taking these issues into account, Washington's Governor and the Legislature, through SB 6272 (Chapter 3, Laws of 2008) directed that the Washington Financial Literacy Work Group address the status of financial education in Washington. This group specifically completed the tasks given in SB 6272 (Chapter 3, Laws of 2008) and also provided additional data and analysis to address the overall financial education needs of Washingtonians.

Though we recognize not all of these recommendations may be implemented immediately due to a declining budget, **it is our hope that Washington's Governor and Legislature will consider a phased implementation approach to ensure proper funding and support of financial education for all Washington residents for years to come.**

Executive Summary

The Washington Financial Literacy Work Group:

- Surveyed **749** state agencies, non-profit organizations, private sector organizations, K-12 educators, and 2-year community and technical colleges;
- Supports **nine recommendations** to expand financial education in Washington;
- Identified state funding for financial education;
- Believes a central warehouse of information for financial education is needed;
- Believes there is opportunity to expand partnerships;
- Supports the adoption of the Washington Financial Literacy Public Private Partnership (FLPPP) definition of financial literacy.

"Financial literacy is defined as the achievement of skills and knowledge necessary to make informed judgments and effective decisions regarding earning, spending and the management of money and credit."

- Supports the adoption of the Jump$tart Coalition standards *(Section 7 pages 4-5)*; and
- Supports the adoption of Consumer University's Lifetime of Financial Literacy Proficiencies *(Section 4 pages 1-8).* We recommend they be considered as foundations for any curriculum development to be implemented in Washington.

The group agreed to use the phrase "financial education" as opposed to "financial literacy" after learning consumers found the phrase "financial literacy" offensive and implied illiteracy.

The group recognizes financial education must vary depending on age and cultural background — **financial education must speak to a consumer's specific needs in order to be culturally relevant and readily applicable in their life**.

The concept of money and wealth can be taught as early as age 5 and there is a need for continuing education throughout one's life. **Taking a "cradle to grave" approach in addressing financial education is necessary to adequately meet the needs of all Washington residents.**

The group recognizes that the need for financial education crosses socio-economic boundaries: **It's not about how much you make – it's about what you do with it.**

Though the four Financial Literacy Work Group subcommittees worked independently of each other, each reported similar gaps and needs. The surveys garnered similar results from teachers, state employees and staff at non-profit and for-profit organizations.

The Work Group worked on a parallel timeline with the President's Advisory Council on Financial Literacy – and this group's recommendations (determined largely at the September 24, 2008 meeting) closely mirror the President's Council recommendations released in a working draft October 6, 2008 *(Section 3 pages 1-35).*

We feel the similarities of findings throughout the subcommittees and with the President's Council indicate that implementation of this group's recommendations will further financial education in Washington for all age groups.

Recommendation Summaries

Improving state funded efforts to support financial literacy

1. The Legislature shall require that all Washington State agencies provide financial education to the people they employ and serve. Agencies will be directed to integrate financial education and coaching into existing state services for targeted populations.

2. Common assessment standards will be adopted to assist entities that provide financial education to measure educational and behavioral improvements.

3. Recommend that the Legislature establish a Financial Education mandate to be integrated and phased in throughout the K-12 grade level expectations (GLEs).

4. Create dedicated state funding sources for financial education, outreach and related activities.

5. The Legislature shall create an advisory council to advance the lifelong acquisition of personal financial skills and knowledge. The council shall include but not be limited to leaders from government, state education, private for-profit and non-profit organizations, bi-partisan representation from the House and Senate and representatives from AGO, DFI, OIC, DRS, OSPI, SBCTC, HEC Board, and Treasurer's offices.

   5.1 To coordinate and oversee the council, the Legislature shall establish a position within the Governor's Office to create better synergy and communication among government, state education, private for profit and non-profit organizations.

6. Task relevant agencies with providing guidance to educators on implementing a sustained financial education curricula for grades K-12 and financial education programs for post-secondary education.

Improving opportunities to create a centralized location of information regarding these existing state efforts; and

7. Create a central clearinghouse to provide a single access point via phone and Web that offers information to meet the specific needs of consumers, instructors, advocates and parents.

Improving opportunities for expanding partnerships with other community entities also providing financial literacy services

8. The advisory council shall strongly encourage employers and community based organizations (public, private and non-profit) to provide financial education — including wherever possible multiple languages and culturally relevant services — to their employees and audiences using incentives.

Additional Recommendation

9. Create and implement a comprehensive, statewide educational messaging and outreach plan (e.g. Washington's Healthy Living) to advance the importance of life-long learning of financial education.

When conducting its surveys, the Work Group used the national Jump$tart Coalition's definition of "financial literacy" to be consistent on a national level.

> *"Financial literacy is the ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security."*

After surveying **749** Washington educators, state agencies, non-profits and private businesses, we offer the following information.

Identify current state funded efforts to support financial literacy

While the initial belief of this group was that Washington State offers little funding for financial education, survey responses indicate the opposite. Conflicting responses within agencies, however, indicate internal messaging is needed to ensure greater awareness of existing financial education outreach.

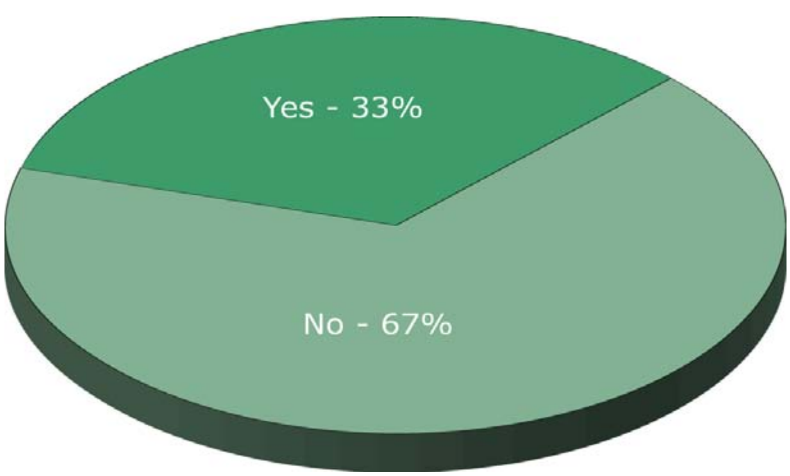
State Agency Programs and Outreach
Representatives from 59 state agencies, commissions, and committees responded to the financial education survey.

- 19 state agencies, commissions, and committees said they provide financial education training and or services to Washington State constituents.
  - 5 Commissions
  - 14 State Agencies

The majority of state agencies that responded said they offer both direct and indirect financial education services.

- Of the 27 state agencies that responded, **17 said state funding for financial literacy is not adequate.**
- Of the 19 respondents that indicated they provide financial education, 13 state agencies, commissions and committees said they provide financial education training and or services to their employees.

State Agency Survey Data
Do you provide financial literacy training or services to Washington State constituents?



Identify current state funded efforts to support financial literacy

Grants: Six state agencies and two commissions indicated they offer grants to community or non-profit partners to deliver financial literacy services.

- **Department of Community Trade and Economic Development**
  Funds or supports 14 local asset building coalitions, all providing some level of financial education, counseling and debt reduction services while seeking to better coordinate, market and expand those services locally.
- **Department of Financial Institutions**
  Provides funding to a number of partners and organizations to provide financial education outreach.
- **Office of the Insurance Commissioner**
  Provides funding through sponsoring agencies.
- **DSHS — Children's Administration**
  A Federal Chaffee grant funds provider services as part of an overall effort to prepare youth for adulthood. Among other areas covered are education, job readiness, housing, daily living skills, etc.
- **Higher Education Coordinating Board**
  "Gear-up" programs funded through state and federal funds provide information on college savings and financial aid.
- **Office of the Attorney General**
  Distributes money when available from litigation settlements.
- **Arts Commission**
  Provides grants to service organizations that provide financial training as part of their services.
- **Washington State Housing Finance Commission**
  Receives pass-through funding through HUD, DFI, NeighborWorks, and other earmarked federal funds.

Private sector organizations across Washington are offering financial education to their local communities and schools. Of the 148 responding organizations, 76 (51%) indicated they offer financial education. **Only 4 of the 148 private sector organizations responding indicated they receive state funding.** (One responded anonymously)

- The Money Savvy Generation receives money from the Department of Financial Institutions for elementary and middle school curriculum and programs.
- Tacoma Goodwill received a small grant from the Department of Community Trade and Economic Development.
- TULIP Cooperative Credit Union has received grants in the past.

Budget Line Item: Only one state agency and one commission said they contain a budget line item for financial education.

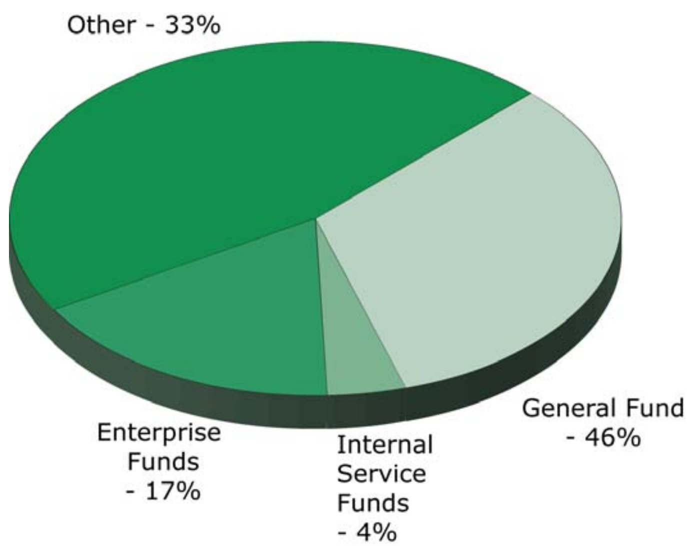
- **Department of Financial Institutions**
  DFI's financial education outreach is funded mostly by the Consumer Services Division, but some items are funded by all DFI divisions. The Washington Homeownership Information Program is funded by appropriated funds and given a budget designation for reporting purposes.
- **Washington State Housing Finance Commission**
  Pays for one FTE Homebuyer Education and Training Administrator position.

Identify current state funded efforts to support financial literacy

General Fund: 11 state agencies and commissions said they use money from the general fund to promote financial education activities.

- Washington State Department of Agriculture
- Department of Community Trade and Economic Development
- Department of Financial Institutions
- Office of Secretary of State
- Washington State Housing Finance Commission
- Higher Education Coordinating Board
- Washington State School for the Blind
- State Conservation Commission
- Department of Corrections
- Arts Commission
- Office of the Attorney General

State Agency Survey Data:
How do you currently fund your financial literacy programs? (21 responses)



Non-Profit Survey respondents indicated they sought funding from several other sources to provide financial education.

- United Way
- Federal
- Local
- Private fundraising
- Foundation
- County
- Banking institution
- Other — which includes; Tribe, NEFE, business operations (Tacoma Goodwill), VITA, charging a fee for service, using volunteers or incorporating financial education into another program or service.

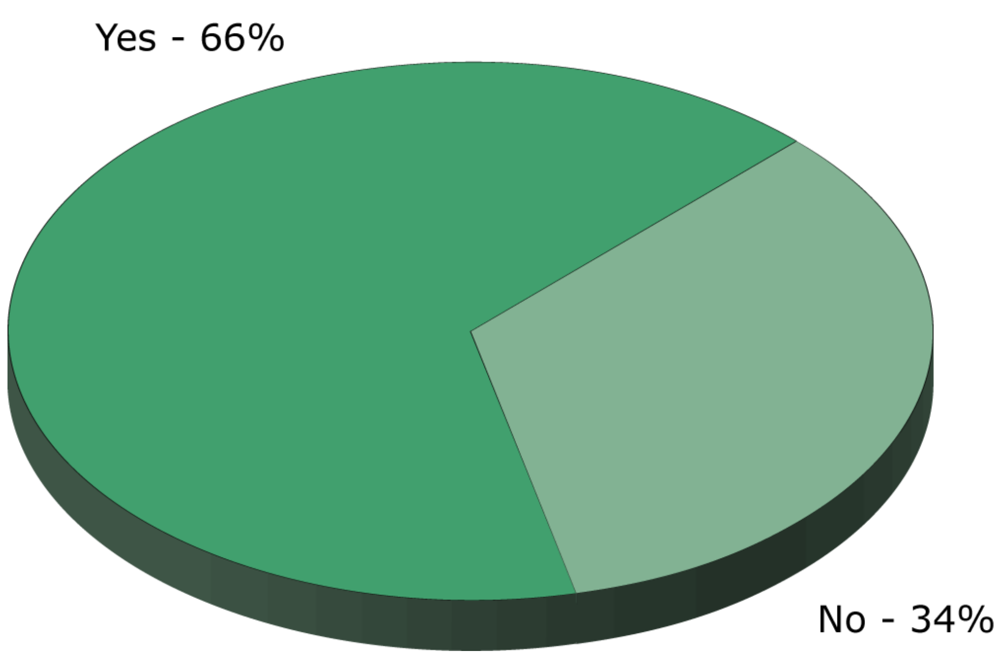
Identify current state funded efforts to support financial literacy

Community and Technical Colleges
Representatives from 32 of Washington's 34 (94%) community and technical colleges responded to the survey.

Of the 163 community and technical college administrators, instructors and student services providers surveyed, 65.6% of respondents said they offer financial education instruction or resources.

- 31 out of Washington's 34 schools had at least one instructor, administrator, or student service provider indicate they offer financial education instruction or resources.
  - 13 (42%) of those colleges said they purchased financial education resources.
- **58.1% of respondents who offer financial education said they integrate financial education with other curriculum and activities.**
- 107 of the 163 survey respondents (65.6%) said they offer financial education.

College Survey Data
Do you provide financial education or resources?



Identify current state funded efforts to support financial literacy

K-12 Programs and Resources
According to the Office of Superintendent of Public Instruction (OSPI), there are approximately 48,000 teachers that teach core academic classes in Washington State. This survey was sent to approximately 10,000 contacts through the organizations listed above, representing about 20% response of the core teachers. The primary goals of the survey were to determine:

- Where financial education is offered (by district, grade level, and course);
- Why it isn't taught; and
- What educators believe they need in order to offer financial education to their students.

As of November 7, 2008, the survey has recorded 280 responses. While we recognize this is a very small percentage of the total teacher population, representation was wide.

- Response was regionally well-distributed.
- 51 elementary school responses.
- 22 middle school responses.
- 120 high school responses.
- Respondents overall represent:
  - 89 school districts.
  - 193 schools and/or school groups.
  - Of the 277 K-12 educators surveyed, **201 said they provide some form of financial education** to Washington students.
- Of the K-12 educators who said they provide financial education, 67 or 41.4% said the materials they use were purchased by the school or district.

Of the teachers who indicated they do not currently teach personal finance, 50% asked to be kept up to date with the progress of this committee, indicating an interest in offering financial education.

Three main obstacles to teaching financial education were identified by 54 respondents who do not currently provide financial education:

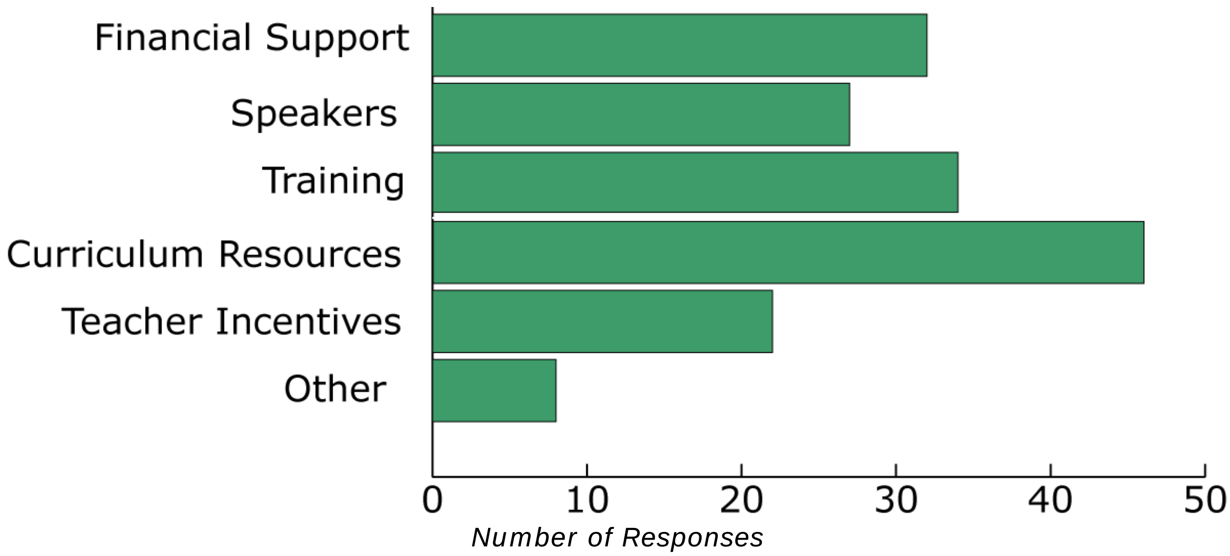
- **Curriculum and resource availability (85.2%).**
- **Professional development and training (63.0%).**
- **Sustainable funding (59.3%).**

Identify current state funded efforts to support financial literacy

K-12 Programs and Resources
Teachers responding to the survey recommended that there is a need for:

- More teacher training opportunities;
- Funding for programs;
- Time to teach;
- Ways to integrate Financial Education into various subjects; and
- Include Financial Education as part of the WASL

K-12 Survey Data
What support do you need to teach financial education?



These results imply that Financial Education may need to be more directly addressed in the General Learning Expectations (GLEs) with evaluation criteria established and adequate funding provided to meet expectations. Members of the sub-committee who work directly in classrooms believe the evaluation piece reflects the underlying message that teachers focus instruction on what will be evaluated.

Assess whether there are opportunities to create a centralized location of information regarding these existing state efforts

Of the 38 responses to the state agency survey, **21 state agencies, commissions, and committees (55.3%) said they would favor centralizing financial literacy services in state government.**

Washington financial education partners need an established single location to post those projects they are working on or need assistance with.

To date the only financial education calendar[1] open to all partners that we know of is housed within DFI's financial literacy blog Money Talks[2].

Work Group members determined if there were a central warehouse of financial education partners listed with what they do (population serviced, topic, content, etc.) financial education partners could more effectively connect, share information, resources and contacts. For example, Pennsylvania offers a print/online directory in "Take Control of Your Money" *(Section 17 pages 1-32).*

Some of the group members indicated they envisioned something similar to www.craigslist.com with the ability to search by geographic area (i.e. a tab for Tacoma, South King, Seattle, Olympia, etc.) or topic (saving, investing, credit, home loans, foreclosure, etc.).

For K-12 application, the resource list should indicate whether a curriculum meets standards, includes measurables and includes a forum for sharing ideas of what works in the classroom. FLPPP is working to develop such a database.

Any central warehouse should define the targeted audience with "public" and "educators" links and should be accessible via a toll-free number such as 2-1-1 and a Web site.

There are several examples of what a central warehouse could look like:

- Wisconsin's ide@s interactive dialogue with educators across the state[3]
- Jump$tart Coalition Clearinghouse[4]
- FLEC National Financial Education Network Database[5]
- National Youth Involvement Board financial literacy portal[6]
- New York State offers a Financial Education Network Directory and information online through the Office of Financial Empowerment online[7] or by calling 311
- Washington DFI's financial education portal[8]

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[1] Washington Financial Literacy Calendar, http://dfi.wa.gov/consumers/calendar.htm
[2] Financial Literacy News and Developments in Washington, http://finlit.blogspot.com/
[3] Wisconsin ide@s personal financial literacy portal, www.ideas.wisconsin.edu/subject.cfm?sid=45
[4] Jump$tart Coalition Clearinghouse, http://www.jumpstart.org/search.cfm
[5] FLEC Network Database, http://www.flecnationalnetwork.org/members.cfm
[6] National Youth Involvement Board financial literacy portal, http://nyib.org/financial_literacy.php
[7] New York State online financial education network directory, www.nyc.gov/ofe
[8] Washington DFI financial education portal, http://dfi.wa.gov/financial-education

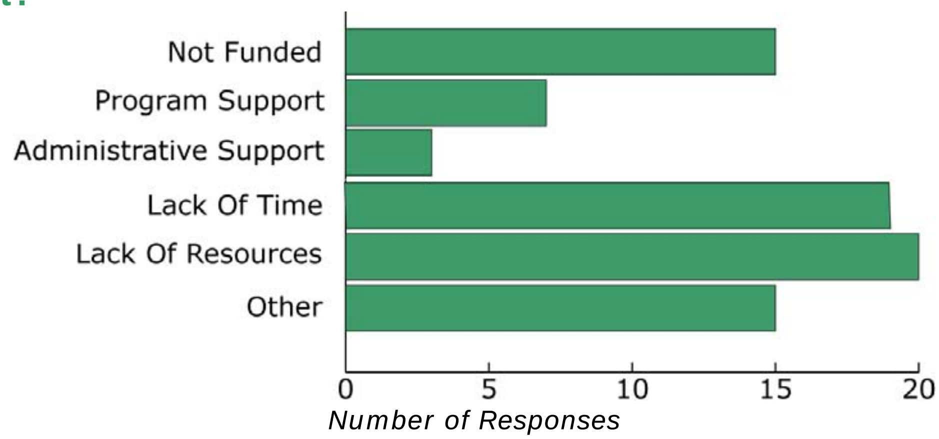
Identify whether there are opportunities for expanding partnerships with other community entities also providing financial literacy services

Stronger partnerships would allow financial education providers to avoid duplication of efforts, promote areas of particular expertise and combine and coordinate the often slim resources available for financial education.

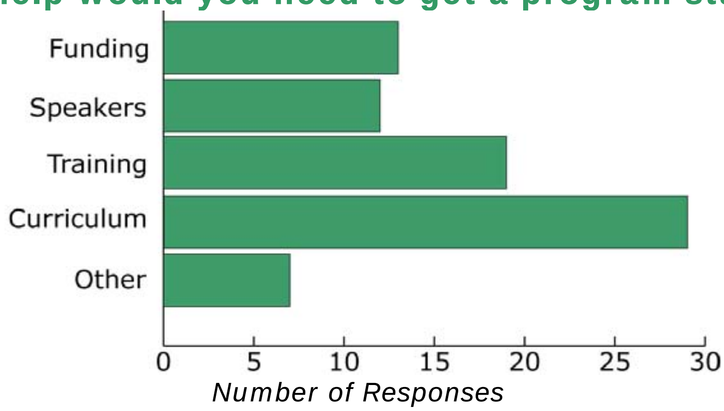
Of the 56 administrators, instructors, and student service providers participating in the college survey who said they do not offer financial education instruction or resources:

- 45.5% said they do not offer financial education resources because of lack of resources.
- 70.7% said that they need curriculum resources in order to get a financial education program started.

College Survey Data:
You indicated that you do not currently provide financial education. Why not?



What kind of help would you need to get a program started?



If these respondents had access to a central warehouse they could connect with resources to provide financial education.

Identify whether there are opportunities for expanding partnerships with other community entities also providing financial literacy services

Ability to partner is most often a direct result of access to information on what is currently being done and by whom. The group sees vast potential for partnership opportunities.

Partnerships expand outreach, allowing more people to benefit with less effort:

- Utilizing the Work Group distribution list, Urban League of Metropolitan Seattle shared notice of the last of three foreclosure prevention workshops. Attendance and participation at this workshop was higher than any other.
- DFI shared information about the National Financial Literacy Challenge, utilizing a statewide distribution of e-mails among Work Group partners, resulting in one of the highest participation rates in the nation.
- Washington credit unions signed an agreement to underwrite the third season of BizKid$, the PBS television show about financial literacy and entrepreneurship that's now showing in all major media markets in America. BizKid$ was originated by Washington credit unions and is being produced here in Washington. This program reaches thousands of students.
- Express Advantage (the non profit affiliate of Express Credit Union) is launching a new low-income credit union project in King County in 2009.
  - Using best practices, Express Advantage worked closely with eight community-based non-profit organizations to develop a common set of standards for financial education that will provide consistent content and offer practical applications of coursework to students, and provide a methodology for measuring the effectiveness of the curriculum and the instructors.
- Washington Council on Economic Education/Center for Economic Education at Western Washington University offered Teacher Training Workshops.
  - Financing Your Future workshops (Seattle, Bellingham, Wenatchee) for 75 middle and high school teachers, funded by Citigroup Foundation.
  - Financial Fellows Program: Twenty-one 3-12th grade teachers from across the state were trained to act as trainers and mentors to their peers in the 2008-2009 academic year. The Fellows will be presenting full and half day teacher workshops and concurrent sessions at professional conferences under supervision of WCEE personnel, reaching 670 teachers and, through them, 51,911 K-12 students. Funded by the Russell Group.
  - The Academy for Success in Business: A Week Long Student and Teacher Educational Experience Focusing on Financial Literacy. Bellingham. Funded by College of Business and Economics, WWU.

Noting these successes, it is clear there is great potential for more organizations to connect with local, state and national partners to further their outreach and goals of expanding financial education.

Additional Work Group Findings:
Outreach and Messaging

Throughout the state there are many financial education programs available, some within state agencies, which teachers, trainers and consumers are not aware of because they are not well-publicized. In some instances, staff within the organization, agency or school surveyed were unaware of the programs being taught by their own agency. This furthers the perception that the state does not provide funding for financial education, when in reality it does. [9]

Advertising and marketing is done sporadically, often to coincide with a particular event or calendar date (April — Financial Literacy Month) as opposed to having a regular, ongoing efforts to promote financial education.

Efforts by national organizations such as the American Savings Education Council (ASEC) Employee Benefit Research Institute's (EBRI) Education and Research Fund[10] and the American Institute of Certified Public Accountants (AICPA)[11] are ongoing, offering new campaigns to keep consumers' awareness heightened.

Outreach should be aimed at all Washington residents, not just particular association members or teachers.

A consistent funding source must also be established to ensure regular financial education outreach and marketing campaigns that target a variety of audiences and promote a variety of programs offered in and by the State.

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[9] *"State funds 13 local projects to help families achieve financial fitness"* http://www.cted.wa.gov/DesktopModules/CTEDNews/CTEDNewsView.aspx?tabID=0&ItemID=184&mid=840
[10] ASEC/EBRI ChooseToSave.Org PSAs at http://www.choosetosave.org/psaplayer/index.html
[11] AICPA Feed The Pig saving campaign http://www.feedthepig.org/

Additional Work Group Findings: Standards and Assessments

A lack of financial education standards has resulted in a hodge-podge of teaching techniques, curriculum, trainers and testing.

For the state to fund financial education, particularly in the K-12 setting, it will be necessary to adopt a set of standards that establish consistency in curriculum.

Evaluations must also be adopted for curriculum to provide accountability so funds provided have a measurable result.

For K-12 purposes, curriculum should align with Essential Academic Learning Requirements (EALRs), Grade Level Expectations (GLEs) and Washington Assessment of Student Learning (WASL) segments to provide consistent testing measurables.

If K-12 curriculum were required to meet Jump$tart Coalition's National Standards in K-12 Personal Finance Education[12] there would be a level of consistency that would allow a student from Washington to transfer to a school (within the state or to another state) and not find themselves lacking in personal finance education.

Standards should be set for all stages of life, utilizing the research conducted by national organizations with Washington components like the Jump$tart Coalition, AARP, the Financial Industry Regulatory Authority (FINRA) Save And Invest.org, and the Financial Literacy and Education Commission (FLEC). Consumer University's Lifetime of Financial Literacy Proficiencies *(Section 4, pages 1-8),* created for the Work Group is a good example.

The Financial Literacy Public Private Partnership is working to determine possible financial education standards for Washington K-12 curriculum in a manner that ties them to EALRs and GLEs, and potentially to WASL requirements *(Section 10, page 3, 6 and 8).*

One of the main components missing from many curriculums is the inclusion of a testing method that indicates the curriculum's efficacy.

Though financial education experts continue to debate how one can accurately test and prove a change in a person's behavior — spending wisely, saving, investing, protecting oneself against fraud and identity theft, etc. — some form of testing must be included for standardization.

Testing should be done before the implementation of curriculum to establish a baseline for the targeted group and at the end of the training.

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[12] Jump$tart Coalition K-12 Standards, http://www.jumpstart.org/national_standersK12.html#The_Standards

Additional Work Group Findings: Standards and Assessments

Survey respondents indicate there are no common assessment tools that measure the effectiveness of financial education.

Questions should be formulated in a manner that tests a person's actual knowledge of a personal finance/financial education topic and should be demographically appropriate.

Current concerns regarding the overall lack of requirements are based in the general consensus of survey respondents and field experience of financial education trainers:

- Things that aren't mandated aren't taught;
- Teachers are leery of unfunded, non-mandated requirements on their time as they struggle to meet existing EALR, GLE and WASL requirements.

Any mandated form of financial education must be sustainable and consistent.

All mandated financial education must have a method of measuring outcomes that indicate short-term and long-term effectiveness.

While the main emphasis nationwide, and in Washington (largely through FLPPP and Jump$tart) has been on K-12, many financial education experts have urged states to include college mandates as well.

- 1 in 10 students drops out of college due to debt.
- College students will be considering major credit cards, car loans, mortgages, department store credit cards, etc.
- Many college students have received little or no financial education either at home or in school.

During the June 2008 Financial Literacy and Education Commission (FLEC) summit, breakout sessions included one addressing the pros and cons of mandating financial education in school curricula. Most participants agreed it was necessary to ensure access to financial education early enough in life to prevent financial problems. One member of that breakout group, Theodore R. Daniels, President and CEO of the Society for Financial Education and Professional Development and also a member of the President's Advisory Council on Financial Literacy, urged all attendees to include community and voc-tech colleges and 4-year universities in any mandates. Mr. Daniels indicated that these institutions reached a diverse and vulnerable population: youth applying for their first credit card and/or loan as well as those preparing to buy their first car and/or home.

It is generally held by all on the Work Group that there must be a fully-funded mandate that financial education be taught in K-12 schools to avoid having a public education system that produces adults who are unprepared to make sound financial decisions.

Additional Work Group Findings:
Training for Educators and Training Standards

Of the 41 community and technical colleges (46.3%) that responded, 19 said training is needed to get a financial education program started.

When asked what was needed to start a financial education program, 34 out of 54 K-12 teachers (63.0%) said training.

"If the state were to provide training for teachers then I would be interested in teaching financial education. I would also like to see the district support the initiative."

— Matthew Yarkosky, High School Teacher, Clover Park School District
in response to a survey question asking respondents
to identify the most important thing the state could do
to promote and ensure financial education for everyone

Training should begin with basic money management education so educators are comfortable with their own finances before they begin teaching students.

Educators should have a basic knowledge of how current economic events affect consumers in order to be able to clearly explain to students how financial education studies are relevant to "living in the real world."

Educators need a resource for "tips and tools" for teaching financial education.

- Basic resources should be gathered from reliable, legitimate sources that are not product-driven.
- Resources should be accessible to educators so they can add their comments and information in a manner that specifically applies to their colleagues.

Teachers will need diversity training to better understand how to reach specific populations within their classrooms in a manner that best suits the students learning.

Specific teaching styles for the classroom must be addressed (special needs students, ESL students, etc.).

Training should be offered to teachers in a manner that is either a free workshop or train the trainer seminar and/or a session that offers continuing education credits.

Professional experts in the financial education field should be sought to train instructors. Topics should be covered in detail (i.e. credit reports, how credit scores affect one's ability to get a cell phone, a job or car insurance) to ensure teachers are comfortable answering questions that apply specifically to students' life experiences.

Teachers should be tested to verify their knowledge and provide accountability.

Additional Work Group Findings:
Certification for Trainers and Educators

Certification in financial literacy/education training should be provided for teachers who complete approved training and pass a required test of understanding course principles.

Many organizations and states offer certification Washington can review when developing a certification model/standards:

- New York State Banking Department, Blue Star Financial Literacy Certification Program[13].

- Cities for Financial Empowerment (CFE)
  - Launched in March of this year (2008) by NYC Mayor Bloomberg and San Francisco Mayor Gavin Newsom, the Cities for Financial Empowerment Coalition received a $1.45 million grant from the AIG Financial Literacy Fund to support innovative citywide financial education initiatives in the six coalition cities: New York City, San Francisco, Miami, San Antonio, Savannah, and **Seattle**. The grant will help fund online financial education directories, enhancements to local telephone information services, financial coaching and counseling pilots and financial education certification and standardization in each of the cities — similar to the initiatives that New York City has already implemented. The CFE Coalition is co-chaired by the City of New York, led by Consumer Affairs Commissioner Jonathan Mintz, and the City of San Francisco, led by Treasurer José Cisneros.
  - *"At no other time has the need for financial education been more apparent,"* said San Francisco Mayor Gavin Newsom. *"I am delighted at the generosity and vision of AIG in supporting the CFE member cities. This grant will allow us to continue creating innovative and effective financial education programs."*

In Washington, Oweesta and the Department of the Treasury's Community Development Financial Institution (CDFI) Fund offer Expanding Native Opportunity: Native Financial Skills Initiative, comprehensive financial education training for Native communities. The initiative offers a three-day instructor training and certification program to help Native CDFIs, Tribes and other Native organizations establish and sustain financial education programs in their communities.

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[13] New York State Banking Department, Blue Star Financial Literacy Certification Program (http://www.banking.state.ny.us/fec/clbsflcp.htm)

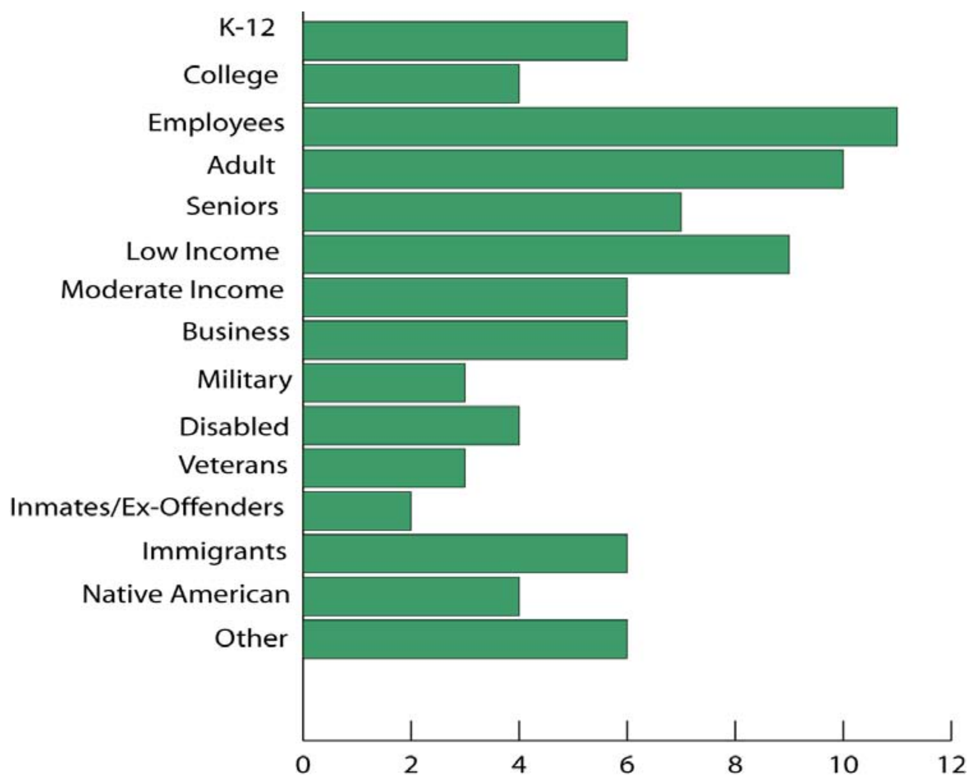
Additional Work Group Findings:
Meet the Needs of a Diverse Audience

Understanding that Washington has a diverse population, financial education must be offered in a manner that appropriately meets the needs of such diversity. Currently, it does not. It is this group's recommendation that steps be taken to remedy this shortcoming.

When defining "diversity" financial education should include:

- Age
  - Pre-K
  - K-12
  - College/Community College/Voc. Tech.
  - Adults
  - Retirees
  - Seniors

State Agency Survey Data
Which demographics do you target with your financial literacy services? (26 responses)



Number of Responses

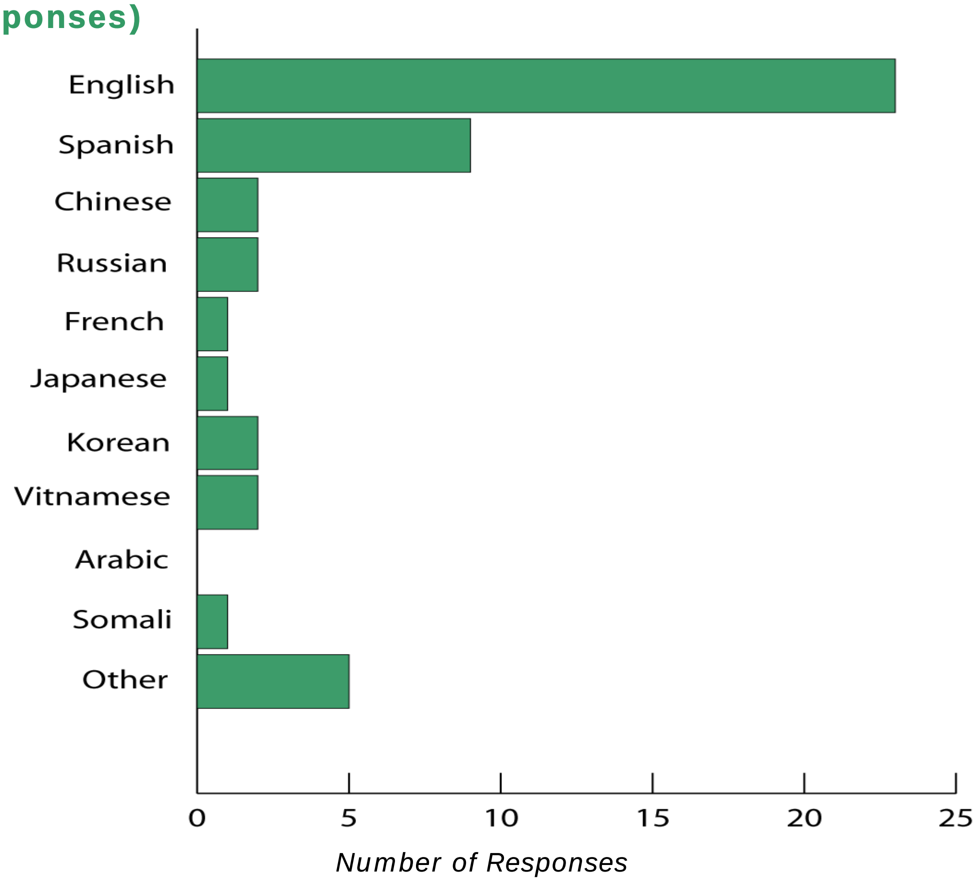
Additional Work Group Findings:
Meet the Needs of a Diverse Audience

When defining "diversity" financial education should include:

- Race
  - Different cultures handle education and topics as sensitive as money and personal finance very differently.
  - Specific topics should be considered when reaching out to diverse populations. Some may be of more value, while others may even be viewed as topics not to be addressed outside of the family.

- Language
  - If you can't offer education in a person's native language, they are less likely to retain the information and less likely to put it to use in their everyday lives.
  - Schools currently provide few options.

State Agency Survey Data
In what languages does your agency provide constituent services? (26 responses)

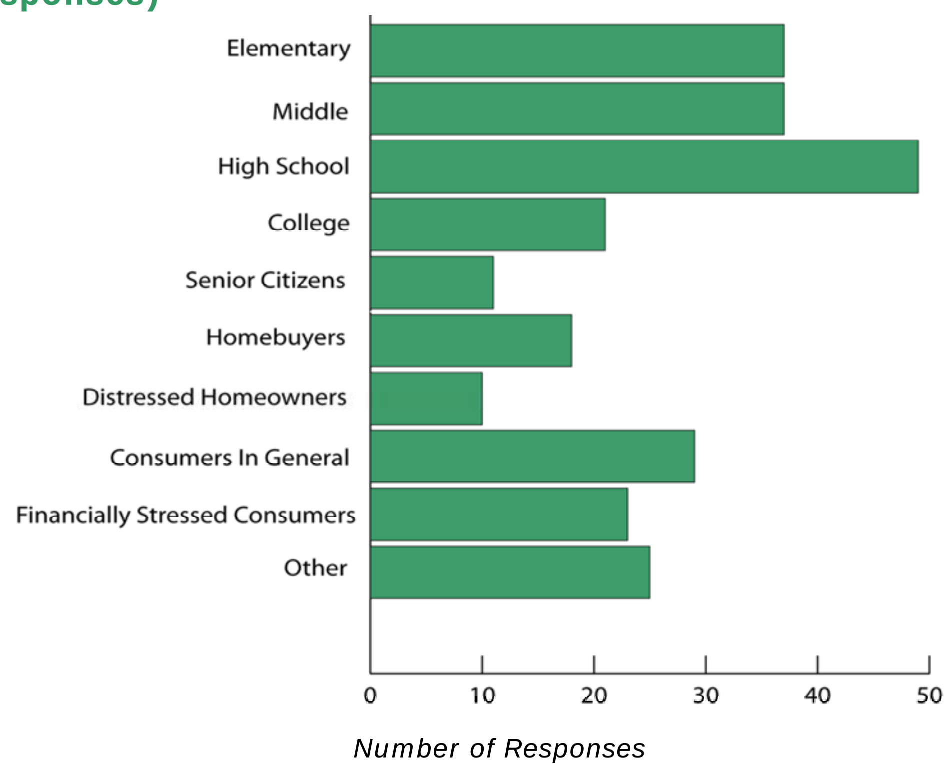


Additional Work Group Findings:
Meet the Needs of a Diverse Audience

When defining "diversity" financial education should include:

- Socio-Economic Background
  Private Sector organizations providing financial education are working to fill the gaps left by state agencies and state education organizations. They are working to reach out to a diverse population. The problems, or gaps, for these organizations are funding, curriculum consistency and testing.
  - Low income
    - Someone overcoming homelessness may need more emphasis on learning how to budget and save as opposed to investing.
  - Moderate income
    - Once someone is living above the poverty line, investing, growing their savings and avoiding fraud and identity theft may become a priority.
  - High income
    - It's not about how much money you make, it's about how much you spend and how you spend it. Wealthy residents are facing foreclosure, bankruptcy and debt default, too.

Private Sector Survey Data
Who is the target population of your financial literacy program? (76 responses)



Additional Work Group Findings: Meet the Needs of a Diverse Audience

When defining “diverse” consideration should also be given to meeting the needs of those within the various “alternative” education systems:

- Religious groups/schools
- Ethnic groups (Tribal)
- Home School
- After School Programs
  - Boys and Girls Clubs
  - YMCA/YWCA
  - Communities In Schools
- Pre-K/Daycare
- Residents in transition (i.e. domestic violence victims, unemployed, homeless, at-risk youth)

Additional Work Group Findings: Incentives for Adult Participation (Employer, Program, State)

Understanding that many adults today are hesitant to admit they do not understand basic principles of financial education, some tests indicate that providing incentives for adults to attend courses results in higher participation and completion rates.

Surveys indicate it may be beneficial for Washington State to:

- Provide incentives to offer financial education;
- Encourage credit and banking organizations to offer a favorable rate on a credit card after completing a certain amount of clock hours;
- Work with employers on some kind of incentive possibly involving a retirement account; and
- Work with landlords/apartment complexes to accept a renter regardless of past history after completing a financial education course.

Recommendations & Supporting Statements

1. The Legislature shall require that all Washington State agencies provide financial education to the people they employ and serve. Agencies will be directed to integrate financial education and coaching into existing state services for targeted populations.

- In defining “the people they serve” – this means EVERYONE: consumers, businesses, etc.
- Each State Agency will provide access to financial education and determine internally what to offer, when, how to fund it and how to increase their outreach annually.
- It is the goal of this Work Group that in requiring financial education outreach from all state agencies, more Washington residents will be reached in a more cost-effective and timely manner.
  - For example: Require that financial education be integrated into already existing programs such as WorkFirst that already provide skills training to their clients.
  - For example: Those who implement TANF should educate staff and recipients as to how much personal savings recipients can accumulate without losing TANF assistance.
- State agencies will encourage non-profits — both current and future contracts — to provide financial education where appropriate.

Conflicting responses within agencies, however, indicate internal messaging within the agencies is needed to ensure greater awareness of existing financial education outreach.

In not defining specific curriculum to be used, it is the hope of the Work Group that agencies will use already existing curriculum – many of which are offered free of charge.

If financial education programs are offered internally as part of new employee orientation and other already scheduled regular training sessions, costs associated with this financial education expansion could be minimized while impact would be maximized.

To ensure financial education is offered to those served by agencies, immediate initial offerings could be as simple as including referrals/links to the state’s central financial education clearinghouse for additional information (or other reliable sources until the clearinghouse is created) until a formal plan for financial education outreach is established within the agency.

2. Common assessment standards will be adopted to assist entities that provide financial education to measure educational and behavioral improvements.

One of the main components missing from many curriculums is the inclusion of a testing method that indicates the curriculum's efficacy. A lack of financial education standards has resulted in a hodge-podge of teaching techniques, curriculum, trainers and testing.

Though financial education experts nationally continue to debate how one can accurately test and prove a change in a person's behavior — spending wisely, saving, investing, protecting oneself against fraud and identity theft, etc. — some form of testing must be included for standardization.

For the state to fund financial education, particularly in the K-12 setting, it will be necessary to develop a set of standards to establish consistency in curriculum.

For K-12 purposes, curriculum should align with Essential Academic Learning Requirements (EALRS), Grade Level Expectations (GLEs) and Washington Assessment of Student Learning (WASL) segments to provide consistent testing measurables. The Financial Literacy Public Private Partnership (FLPPP) is working to determine financial education standards for Washington K-12 curriculum in a manner that ties them to EALRs and GLEs, and potentially to WASL requirements *(Section 10, page 3, 6 and 8).*

If K-12 curriculum were required to meet Jump$tart Coalition's National Standards in K-12 Personal Finance Education[14] there would be a level of consistency that would allow a student from Washington to transfer to a school within the state or to another state and not find themselves lacking in personal finance education.

Standards should be set for all stages of life, utilizing the research conducted by national organizations with Washington components like the Jump$tart Coalition, AARP, the Financial Industry Regulatory Authority (FINRA) Save And Invest.org, and the Financial Literacy and Education Commission (FLEC). Consumer University's Lifetime of Financial Literacy Proficiencies, created for the Work Group is a good example. *(Section 4, pages 1-8)*

Survey respondents indicate there are no common assessment tools that measure the effectiveness of financial education.

Questions should be formulated in a manner that tests a person's actual knowledge of a personal finance/financial education topic and should be demographically appropriate.

All mandated financial education must have a method of measuring outcomes that indicates short-term and long-term effectiveness.

[14] Jump$tart Coalition's National Standards in K-12 Personal Finance Education
http://www.jumpstart.org/national_standersK12.html#The_Standards

3. Recommend that the Legislature establish a Financial Education mandate to be integrated and phased in throughout the K-12 grade level expectations (GLEs).

- Recommend the Legislature and/or the State Board of Education address the cost issues associated with said mandate, including time and implicit and explicit costs.
- Cross-curricular assessments will be created to allow districts and schools flexibility to integrate financial education into existing requirements.
  - For example: In an Excel class, a teacher uses a classroom-based assessment to determine whether students understand compound interest.
- Implementation may take traditional classroom-driven or non-traditional approaches, such as:
  - Encourage connection to parents/families
    - Family Financial Fitness nights – pizza dinner, separate sessions for age groups.
  - Train older students to teach younger students
    - Include this option under service learning and volunteer work.
  - Utilize outside resources/financial education providers identified in the clearinghouse – see recommendation # 7.

For K-12 purposes, curriculum should align with Essential Academic Learning Requirements (EALRS), Grade Level Expectations (GLEs) and Washington Assessment of Student Learning (WASL) segments. FLPPP is working with OSPI to integrate financial literacy materials into Washington's K-12 curriculum in a manner that ties them to EALRs and GLEs, and potentially to WASL requirements *(Section 10, page 3, 6 and 8).*

West Virginia's NetWorth[15] financial education program *(Section 12 pages 1-16)* is proof it can be done in a time and cost-efficient manner. NetWorth was created and is being implemented with $250,000 seed money for the first year. Their group recognized what the Work Group has heard repeatedly from teachers: financial education is necessary — but if it isn't tested it isn't taught.

NetWorth is intended to be fully implemented within three years in an integrated manner that spirals through K-12, provides teacher training, offers materials to all teachers on a single Web site and involves community and family in achieving real world success for students. The plan is to develop curriculum in the first year, pilot in approximately 100 classrooms in year two, and implement statewide in the fall of 2010. The resources will be available to all teachers as soon as they have been vetted and juried.

It is the feeling of this group that Washington could – and should – be able to see similar successes in the coming year with your support.

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[15] See additional details and comments from NetWorth Program Manager Lynn Bennett in Additional Discovery, Section 1, page 1.

4. Create dedicated state funding sources for financial education, outreach and related activities.

- Bring funding to a level that more closely meets the needs for financial education.

- Funding should come from a variety of sources, not a single industry.
  - Example: Consider funding financial education by using some or all of the interest on profits from unclaimed property (Department of Revenue).

- Encourage public-private matches.
  - Example: Through contracts.
  - Example: Dedicating funding for specific organizations.

- Consider providing matching funds to qualify for Federal grant programs.

Current funding is rarely dedicated specifically for “financial education” in Washington. State agencies apply for funds to support programs that often include a financial education component, but only two agencies surveyed indicated they have a line item in their budget for “financial education” or “financial literacy.” As a result, funding comes from a variety of sources and is inconsistent from year to year.

Understanding the State cannot be expected to be the sole funding source for financial education in Washington, public-private partnerships could result in additional funding for financial education. To establish consistent funding, however, the State needs to annually dedicate resources specifically for financial education.

Other states such as New York have successfully established public-private partnership funding and should be consulted for best practices to ensure consistent levels of funding. Locally, Washington’s FLPPP has obtained public-private funding and is exploring opportunities to obtain additional, more consistent funding to support the group’s financial education agenda.

5. The Legislature shall create an advisory council to advance the lifelong acquisition of personal financial skills and knowledge. The council shall include but not be limited to leaders from government, state education, private for-profit and non-profit organizations, bi-partisan representation from the House and Senate and representatives from AGO, DFI, OIC, DRS, OSPI, SBCTC, HEC Board, and Treasurer's offices.

5.1 To coordinate and oversee the council, the Legislature shall establish a position within the Governor's Office to create better synergy and communication among government, state education, private for profit and non-profit organizations.

The Advisory Council shall:

- Determine reporting requirements for State Agencies to assess financial education based on the assessment standards indicated in recommendation #2.
- Explore certification of financial education – create standards and measures.
  - Explore funding support for Certified Financial Counselors or other certified achievement (standards based);
  - Explore creation of incentives to use (like the Washington State Housing Finance Commission down payment assistance/interest reduction incentives); and
  - Connect state initiatives with community organizations providing financial education.

The position shall:

- Facilitate financial education implementation and expansion throughout Washington State.
- Oversee and maintain a centralized, online clearinghouse to increase awareness of financial education and training materials.
  - Create an online opportunity for teachers, instructors and professors to share existing practices and materials.
  - Create a data bank of materials that are not commercialized.
- Coordinate with existing state-wide and local community efforts.
  - For example: Establish pilot projects to improve community-wide financial education.
    - Such as Bank on Seattle-King County.
    - Such as the U.S. Department of Treasury Community Financial Access Pilot in Cowlitz County.

A major roadblock in creating cohesive partnerships, expanding financial education outreach and implementing standards and integrated curriculum is the lack of a dedicated position with a clearly defined support network. Without a leader focused solely on the expansion of financial education, efforts will continue to be disjointed and done "as can be accomplished outside of core job description duties." **Washington must back its verbal commitment to financial education with the creation of a state identified and state-funded position to lead the way in financial education outreach.**

Recommendations & Supporting Statements

6. Task relevant agencies with providing guidance to educators on implementing a sustained financial education curricula for grades K-12 and financial education programs for post-secondary education.

- Include coordination of appropriate assessments and provide professional development opportunities for all state educational institutions as well as public, private and non-profit entities.
- Utilize community resources and financial education organizations to support development and implementation of sustained financial education curricula (K-12) and post-secondary education.
- These agencies will comply with reporting requirements of the financial education advisory council.

Existing programs should be evaluated and considered for implementation whenever possible rather than "re-inventing the wheel."

As the chief regulatory agency of K-12 schools, OSPI must be an active participant in the development and implementation of an integrated financial education curriculum.

Using existing research and data collected by other agencies and organizations and best practices of other successful states, development and implementation of an integrated financial education curriculum is possible in a short time frame with minimal start-up funding when all parties agree to work collectively. Implementation of said curriculum can and should occur the year following final development and vetting.

In developing curriculum for post-secondary education, members of the Washington State Board for Community and Technical Colleges Office of Adult Basic Education as well as Financial Aid, student services, counseling and business/accounting divisions should be included in developing and implementing curriculum to meet the needs of their communities.

The Washington Higher Education Coordinating Board, Financial Aid, student services, counseling and business/accounting divisions of four-year universities should be included in development and integration of curriculum for Washington colleges and universities.

7. Create a central clearinghouse to provide a single access point via phone and Web that offers information to meet the specific needs of consumers, instructors, advocates and parents.

In identifying existing support for financial education, several gaps/needs were identified, including a need for readily accessible, reliable and legitimate financial education resources:

- Quality/credible speakers.
    - Washington residents need and deserve to receive information they can trust and afford – reliable, accurate, up-to-date and free of charge or very low-cost that aren't promoting a commercial product.

- Non-commercial materials.
    - When financial education resources promote an organization's agenda or encourage use of a specific product (buy a book, purchase a "system" or open a specific financial institution's account) it becomes more difficult for consumers to discern between legitimate education and businesses aimed at making money. (For example, freecreditreport.com verses annualcreditreport.com, FDIC Money Smarts verses the many money guru "memberships" @ $89.95/year and up).

- Non-commercial services (train the trainer).
    - When financial curriculum promotes an organization's agenda or encourages a specific product (buy a book, purchase a "system" or open a specific financial institution's account) trainers have to decide whether or not they are willing to risk the perception that they are endorsing or promoting a product in order to offer financial education.

- Reference for topics that would be covered in a comprehensive financial education program.
    - Financial education curriculum varies greatly and not all curriculums cover all aspects of financial education. To provide comprehensive financial education, trainers are often required to do a great deal of research to locate the resources necessary to provide a well-rounded course.

Some Work Group members indicated they envisioned a Web site similar to www.craigslist.org with the ability to search by geographic area (i.e. a tab for Tacoma, South King, Seattle, Olympia, etc.) and topic (saving, investing, credit, home loans, foreclosure, etc.).

Understanding these needs, it is this Work Group's recommendation that such a clearinghouse of resources be available to all residents and address the needs of all: businesses, educators, parents, students and consumers in a manner that addresses the diverse needs of Washington's constituency. Resources should include multi-lingual, culture-specific and regionally accessible speakers/presenters.

7. Create a central clearinghouse to provide a single access point via phone and Web that offers information to meet the specific needs of consumers, instructors, advocates and parents. (continued)

Any central warehouse should include "public" and "educators" links and should have access via a toll-free number such as 2-1-1 and a Web site.

- For example: Use the 2-1-1 call system to combine phone access with a Web portal to create a centralized place for inquiry and referral on financial education topics and existing curriculum.
- Create a statewide database for information sharing between experts and financial education providers.
  - Directory of advisory council-approved resources by region and county.
    - Education (on-the-spot or referral to agency)
    - Instructors/speakers
    - Agencies
    - Financial institutions
    - Activity Calendar
- For example: Use Wisconsin model: experts train instructors/educators and vice versa. *(Section 11, pages 1-56)*
- Provide continuing education credit for experts (CPA, financial planner, real estate agent, etc.)
- Include financial education meeting the Lifetime of Financial Literacy Proficiencies *(Section 4, pages 1-8)* and/or Jump$tart standards *(Section 7, pages 4-5)*.
- Link to existing Web resources (One Economy, AICPA Web site model) utilizing resources similar to CTED's resource map identifying services in each region.

For K-12 application, the resource list should indicate whether a curriculum meets standards and/or includes measurables and include an interactive forum for sharing ideas for use in the classroom. FLPPP is working to develop such a database, but a lack of manpower and funding is slowing the release of such an extensive, vetted interactive database.

There are several examples of what a central warehouse could look like:

- Wisconsin's ide@s interactive dialogue with educators across the state[16]
- Jump$tart Coalition Clearinghouse[17]
- FLEC National Financial Education Network Database[18]
- National Youth Involvement Board financial literacy portal[19]
- New York State offers a Financial Education Network Directory and information online through the Office of Financial Empowerment online[20] or by calling 311
- Washington DFI's financial education portal[21]

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[16] Wisconsin ide@s personal financial literacy portal, www.ideas.wisconsin.edu/subject.cfm?sid=45
[17] Jump$tart Coalition Clearinghouse, http://www.jumpstart.org/search.cfm
[18] FLEC Network Database, http://www.flecnationalnetwork.org/members.cfm
[19] National Youth Involvement Board financial literacy portal, http://nyib.org/financial_literacy.php
[20] New York State online financial education network directory, www.nyc.gov/ofe

8. The advisory council shall strongly encourage employers and community based organizations (public, private and non-profit) to provide financial education — including wherever possible multiple languages and culturally relevant services — to their employees and audiences using incentives.

Recognizing that employees without financial education are more likely to be at risk of absenteeism and higher stress, we recommend the State work with employers to expand financial education opportunities in the workplace.

Understanding that incentives are often necessary to encourage non-mandatory participation in financial education programs, we offer the following:

- Employee Incentive Examples:
  - Create incentives for businesses that provide financial education resources to their staff which result in higher than average levels of retirement savings:
    - Time off (personal day);
    - Gas cards, gift cards; and
    - $100 savings deposit for completion.
  - Model after Treasury's proposed *Workplace Financial Education Honor Roll Program.*

- Employer Incentive Examples:
  - Employer support: B&O/property tax credit for business owners providing financial education to their employees. (Financial education must meet criteria);
  - Gas cards, gift cards;
  - $100 savings deposit for completion; and
  - Savings match

- Business Incentive Examples:
  - Financial Institutions could offer lower interest rates, savings bonds, or other incentives. (i.e. BECU home mortgage model, discount on closing costs.)

- Non-Profit Incentive Examples:
  - Community-based organizations providing financial education may also include club directors, or organization's volunteers, such as Boys & Girls Clubs, YMCA, YWCA, etc. so that they all receive the same training and have access to the same curriculum and resources;
  - When applying for State grants, additional consideration will be given to those non-profits providing advisory council-approved financial education; and
  - Non-profits may offer discounts on service fees as an incentive to clients for taking financial education courses.

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[21] Washington DFI financial education portal, http://dfi.wa.gov/financial-education

9. Create and implement a comprehensive, statewide educational messaging and outreach plan (e.g. Washington's Healthy Living) to advance the importance of life-long learning of financial education.

Budgeting, saving and investing for one's future are rarely discussed at home, in school, at work or in social settings. Money has been a taboo topic of discussion for family dinner tables – much like sex or politics. It is rarely promoted in the advertising industry that drives our society to spend – buy this car, these clothes, that gadget and even what pharmaceuticals we should ask our doctors for. Organizations such as the American Institute of Certified Public Accountants (AICPA) and the American Savings Education Council (ASEC) offer messaging with their "Feed The Pig" and "Choose To Save" campaigns — but their **messaging is few and far between the ads driving consumers to spend**.

In the article "Practical Advice from the Union of Concerned Scientists" by Michael Brower, PhD, and Warren Leon, PhD, it is noted: "**The average American is exposed to about 3,000 advertising messages a day**, and globally corporations spend over $620 billion each year to make their products seem desirable and to get us to buy them."

Financial education and fiscal responsibility messaging must become as much a part of the consumer's daily life as the messaging to spend.

Once more, there isn't a need to "reinvent the wheel." Several organizations have already developed public service announcements ready for television, radio, Web and print. Existing messaging outreach initiatives include:

- AICPA "Feed The Pig"[22]
- ASEC "Choose To Save"[23]
- MyMoney.Gov[24]
- CreditFairy.org (a partnership of the Consumer Bankers Foundation, Ad Council and Leadership Conference on Civil Rights Education Fund)[25]
- The Advisory Council could coordinate and explore outreach opportunities.
    - For Example: Work with businesses to stress importance of educating their employees. Employees worried about personal finances are not as productive.
- Explore opportunities for a private funding match.
- Maximize free and educational messaging, churches/religious, social and employer groups.
- Explore other opportunities to disseminate the financial education messaging.
    - For Example: Use of local government cable channels.

[22] AICPA "Feed The Pig" www.feedthepig.org/VideoPage.aspx
[23] ASEC "Choose To Save" www.choosetosave.org/psaplayer/index.html
[24] MyMoney.Gov www.mymoney.gov/psa/psa_mov_30.htm
[25] CreditFairy.org (a partnership of the Consumer Bankers Foundation, Ad Council and Leadership Conference on Civil Rights Education Fund) www.creditfairy.org/info/psas.php

Supporting Documents

- **Supporting Documents Sections:**

Supporting Documents

- **Supporting Documents Sections:**

Attachment
Section 1

Additional Discovery

5 pages

Additional Discovery

Integration in state curriculum can be accomplished

It should be noted that with the joint efforts of educators, private sector and non-profit community organizations as well as representatives from Washington's Office of Superintendant of Public Instruction (OSPI), development and implementation of an integrated financial education curriculum does not need to be overly costly or difficult and can be ready for implementation in a short time period.

Case in point – West Virginia's NetWorth *(Section 12 pages 1-16)* financial education was created and is being implemented with $250,000 seed money for the first year. Their group recognized what the Washington Financial Literacy Work Group has heard repeatedly from teachers: it's necessary — but if it isn't tested it isn't taught.

NetWorth Program Manager Lynn Bennett describes the program as follows:

> *"NetWorth will expend approximately $100,000 in project staff, $50,000 for training for pilot sites, $25,000 for completed curriculum guides, $25,000 for research, and $50,000 for training and work sessions for task force members. These work sessions are provided by West Virginia Department of Education (WVDE) staff to ensure that the products developed meet the standards for inclusion in the state 21st Century Learning Skills curriculum. NetWorth also secured additional funding to expand the professional development efforts.*
>
> *The plan is to develop curriculum in the first year, pilot in approximately 100 classrooms in year two, and implement statewide in the fall of 2010. The resources will be available to all teachers as soon as they have been vetted and juried.*
>
> *The research includes pre- and post-testing by all teachers and their students who are engaged in the pilot sites. The results will be used as a formative evaluation to determine any needed changes and document the impact on students.*
>
> *Another phase of the program to integrate into the K-12 environment is through the counseling program. Our guidance counselors are required to commit 25% of their time to classroom instruction. Counseling programs include academic, career, and personal/social. Financial education naturally fits into career and personal/social. A team of counselors is developing a curriculum for elementary, middle and high school which will be implemented statewide.*
>
> *We will be partnering with the Jump$tart coalition in the state to integrate NetWorth into their Financial University summer institute. We also have established a project to incorporate financial education into afterschool programs through the Department of Education's 21st Century Learning Centers and the WVU Extension AfterSchool Network."*

Additional Discovery

Students, in particular, need more financial education

The Jump$tart Coalition's **2008 high school students' financial education survey** of Washington students produced results well below passing marks:

- **Overall score: 48.6 %** (in 2006 it was 55%; decline of 6.4%. Comparatively, national scores declined 4.1%)
- Passed (60%+): 23.7%
- C or better (75%+): 3.6%

Many financial experts and financial education advocates feel this poor showing can be attributed to the lack of coordinated, sustained and systemic financial education integrated within the school curriculum and continuing through the various stages of adult life (college, homeownership, parenthood, retirement, etc.).

This is not to say that Washington students are not competitive. Participation and results of the first National Financial Literacy Challenge in April 2008 were encouraging:

- WA ranked 11th in participation with 1,332 students participating
- WA had one student with a perfect score
- WA ranked 11th with 11 students in the top 1st percentile
- WA ranked 13th with 305 students in the top 25th percentile

It should be noted, however, the national **average score** of students taking this challenge **was only 56%** — not a passing grade — another indicator that more financial education is needed to prepare our students to compete in today's global economy.

According to the Jump$tart Coalition research:

- Only three states require at least a one-semester course devoted to personal finance[26]: Utah, Missouri and Tennessee.
- 17 states require personal finance instruction incorporated into other subject matter.
- Washington is among the remaining 32 states and territory that have no personal finance requirements in their K-12 system.

Why is so much emphasis placed on teens and their financial education? Because **today's teens are this country's future**. Additionally, K-12 is the one of only times we have a captive audience of people who aren't already deep in financial trouble.

[26] Jump$tart Coalition interactive map, http://www.jumpstart.org/state_legislation/index.cfm

Additional Discovery

Students, in particular, need more financial education

A 2007 survey by Charles Schwab — Teens & Money 2007 Survey Findings *Insights into Money Attitudes, Behaviors and Concerns of Teens* – indicates **this generation is not ready for this responsibility**:

- Teens assert they don't like the way it feels to owe someone money, with 88% agreeing with this statement.
- However, almost three in 10 **(29%) are in debt**.
- Among those who do owe money, the **average amount owed is close to $300** ($293), up from $230 in 2006.
- Almost half **(41%) of those who owe money report that they are concerned about paying it back**, down from 46% who expressed this concern in 2006.
- Given the choice, almost one in three **(29%) teens would prefer buying things with a credit card than cash**. This represents a 61% increase over last year (18%).
- **Teens are motivated by their parents' behavior**, with one in four teens (25%) saying their parents/guardians are more likely to use a credit card than cash.

Educators who took part in the Work Group surveys agree financial education is needed:

> *"I just finished the survey and really believe strongly in what you are putting together. Fight hard for us.*
> *As I watch the market do crazy things, housing foreclosure[s] skyrocket, and the annual average savings for Americans go steadily into the negative I wonder why Art is a requirement and financial literacy is struggling to be taught at all.*
> *Let me know what I can do."*
>
> — Skip Fabritius, Olympia High School

> *"It is critical that all students obtain financial education before they graduate. All students should be required to take a personal finance class to graduate. Our students are going to college and yet do not know about credit, debt, stocks, mutual funds, 401 K's, banking (reconciling a checking account), financing a house or car, what the Federal Reserve is, etc. Please add financial education as a graduation requirement."*
>
> — Diane Bates, Squalicum High School
> Personal Finance and Accounting Teacher

Additional Discovery

There is much to do, but we recognize work is underway

While it is clear there is much to be done, Washington has taken steps in the right direction and recently included financial education as part of the Grade Level Expectations (GLE) for grade 7 Social Studies in the Economic Choices component[27]. The following excerpt is taken directly from the GLE. *(Section 2, page 1)*

> *Analyzes the importance of financial literacy in making economic choices related to spending, saving, and investing.*
>
> *Examples:*
> - *Examines the costs and benefits of getting a credit card and accumulating debt.*
> - *Examines the pros and cons of buying a Washington State lottery ticket.*
> - *Examines how people in Washington State make choices about where to invest their money for the highest return and lowest risk.*
> - *Examines how people evaluate advertising when choosing where to spend their money.*

Overall, we see today the result of generations having received little or no financial education in consumers with large amounts of debt, little or no savings, and a lack of knowledge and understanding of complex financial products such as mortgages.

- The **Q3 2008 national personal savings rate is only 1.3%.** (Source: U.S. Department of Commerce Bureau of Economic Analysis[28])
- The **average American** with a credit file is responsible for **$16,635 in debt**, excluding mortgages, according to Experian. (Source: U.S. News and World Report, "The End of Credit Card Consumerism," August 2008)
- **Average credit card debt** among indebted young adults **increased by 55 percent** between 1992 and 2001, to $4,088. (Source: "Generation Broke: Growth of Debt Among Young Americans")
- 83% of undergraduate students have at least one credit card, a 24% increase since 1998. (Source: Nellie Mae 2001 Credit Card Study)

Cultural relevance is important

A report from The Washington New Americans Program describes Washington's multi-cultural diversity:

- Foreign born individuals represent **12%** of Washington's population.
- We are the **10th** largest immigrant-receiving state in the country.
- Washington is the **4th** largest Refugee Resettlement State in the nation.
- Currently **170,000** Legal Permanent Residents are eligible for citizenship in our state.

These figures must be kept in mind when contemplating the development of a financial education curriculum that will address the needs of all Washington residents.

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[27] Washington OSPI, http://www.k12.wa.us/CurriculumInstruct/SocStudies/pubdocs/SocialStudiesGLEs.pdf
[28] Department of Commerce Bureau of Economic Analysis, http://www.bea.gov/bea/dn/nipaweb/TableView.asp?SelectedTable=58&Freq=Qtr&FirstYear=2006&LastYear=2008

Additional Discovery

Improving financial education is a global concern

It should be noted that financial education – and the lack thereof – is not unique to Washington or the United States – it is a global issue being addressed in many countries. Careful consideration should be taken to ensure that existing research, successes, failures and resulting best practices are noted in the creation of any curriculum prior to implementation within Washington's school system.

Financial education messaging must be increased

Most experts agree the need for education is greater than ever due to the increasing number of scams, con-artists and frauds creating new ways to victimize consumers. Adding to the problem is the fact that consumers are bombarded daily with marketing messaging targeting every age, from youth (Shopping Spree Barbie and the FASHION FEVER™ SHOPPING BOUTIQUE™) through mid-life (iPhone, Direct TV, Old Navy, Budweiser, etc.) and into retirement (find financial freedom with a reverse mortgage, enjoy life more in "X" retirement community). These advertisements come with one message: you CAN have the life you want if you buy what we're selling today.

The impact of consistent messaging can be seen in the current mortgage crisis. While home loan advertising proliferates, often touting too good to be true interest rates, **roughly one-third of consumers participating in the Washington Homeownership Information Program indicated they had never received homebuyer education prior to seeking this counseling.** And yet an estimated 14% of the people who spoke with a Washington State Housing Finance Commission (WSHFC) employee after calling the program's toll-free number indicated they learned of the program from an advertisement.

Financial education and fiscal responsibility messaging must become as much a part of the consumer's daily life as the messaging to spend.

Many consumers don't understand that their credit rating will impact their daily lives. Credit scores are becoming deciding factors in employment, housing rental, cell phone plans, insurance rates and more.

Lack of financial education has economic impacts in the workplace

The current lack of financial education also has ramifications in the professional world.

A 2006 study "Relationship between Financial Stress and Workplace of Credit Counseling Clients" notes: *"The results indicate credit counseling clients'* ***financial stress affects their absenteeism at work. Clients with high levels of financial stress are more likely to experience higher levels of absenteeism****; thus spending work hours handling personal finances, which decreases the time they are at work. The results suggest some insight into providing financial education and assistance for employees with financial strains as productivity loss might influence their pay."*

Attachment
Section 2

SB 6272 (Chapter 3, Laws of 2008)

4 pages

CERTIFICATION OF ENROLLMENT

SENATE BILL 6272

Chapter 3, Laws of 2008

60th Legislature
2008 Regular Session

FINANCIAL LITERACY AND HOMEOWNERSHIP SECURITY

EFFECTIVE DATE: 02/11/08

Passed by the Senate January 18, 2008
YEAS 48 NAYS 0

BRAD OWEN

President of the Senate

Passed by the House February 6, 2008
YEAS 69 NAYS 27

FRANK CHOPP

Speaker of the House of Representatives

CERTIFICATE

I, Thomas Hoemann, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 6272** as passed by the Senate and the House of Representatives on the dates hereon set forth.

THOMAS HOEMANN

Secretary

Approved February 11, 2008, 10:11 a.m.

FILED

February 11, 2008

CHRISTINE GREGOIRE

Governor of the State of Washington

Secretary of State
State of Washington

SENATE BILL 6272

Passed Legislature - 2008 Regular Session

State of Washington 60th Legislature 2008 Regular Session

By Berkey, Hobbs, Fairley, Keiser, Kilmer, McDermott, Kauffman, Kohl-Welles, Murray, Shin, Regala, Kline, Spanel, Rasmussen, and Franklin

Read first time 01/14/08. Referred to Committee on Financial Institutions & Insurance.

AN ACT Relating to expanding financial literacy through education and counseling to promote greater homeownership security; adding new sections to chapter 43.320 RCW; making appropriations; and declaring an emergency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec. 1.** A new section is added to chapter 43.320 RCW to read as follows:

The director of financial institutions or the director's designee shall:

(1) Disseminate information to the public concerning the laws regulating financial institutions of this state; and

(2) Provide assistance to members of the public in obtaining information about financial products.

NEW SECTION. **Sec. 2.** A new section is added to chapter 43.320 RCW to read as follows:

The director of financial institutions or the director's designee may establish, administer, and implement financial literacy and education programs, including but not limited to:

(1) Education and outreach programs that assist Washington citizens of all ages in understanding saving, investing, and budgeting, and other skills necessary to obtain individual financial independence, fiscal responsibility, and financial management skills.

(2) Counseling, marketing, and outreach programs regarding residential mortgage transactions, nontraditional or subprime mortgages, predatory lending practices, or other financial products or practices in the marketplace relating to homeownership.

The department may deliver the programs in subsections (1) and (2) of this section using grants, contracts, or interagency agreements with state and local governments and other nongovernmental organizations as necessary. The department may coordinate these programs with ongoing efforts by other public and private sector entities to maximize the programs' effectiveness.

NEW SECTION. **Sec. 3.** A new section is added to chapter 43.320 RCW to read as follows:

The director or his or her designee shall convene an interagency work group to identify current state funded efforts to support financial literacy, assess whether there are opportunities to create a centralized location of information regarding these existing state efforts, and to identify whether there are opportunities for expanding partnerships with other community entities also providing financial literacy services. A report of the findings and recommendations of this interagency work group shall be due to the governor and the appropriate committees of the legislature by December 1, 2008.

NEW SECTION. **Sec. 4.** (1) The sum of seven hundred thousand dollars, or as much thereof as may be necessary, is appropriated for the fiscal year ending June 30, 2008, from the general fund to the department of financial institutions for homeownership prepurchase outreach and education and postpurchase counseling and support.

(2) The sum of eight hundred thousand dollars, or as much thereof as may be necessary, is appropriated for the fiscal year ending June 30, 2009, from the general fund to the department of financial institutions for homeownership prepurchase outreach and education and postpurchase counseling and support.

NEW SECTION. **Sec. 5.** This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect immediately.

Passed by the Senate January 18, 2008.
Passed by the House February 6, 2008.
Approved by the Governor February 11, 2008.
Filed in Office of Secretary of State February 11, 2008.

Attachment
Section 3

WA 7th Grade Social Studies GLE
EALR 2: Economics

1 page

Social Studies EALR 2: **ECONOMICS** The student applies understanding of economic concepts and systems to analyze decision-making and the interactions between individuals, households, businesses, governments, and societies.

Component 2.1: Understands that people have to make choices between wants and needs and evaluate the outcomes of those choices.

GLE	6	7	8	9/10	11	12
2.1.1		*Recommended Scope & Sequence*		*Recommended Scope & Sequence*		
ECONOMIC CHOICES	**Analyzes the costs and benefits of economic choices made by groups and individuals in the past or present.** Examples: – Examines how the Phoenicians' use of finite natural resources forced them to relocate.	**Analyzes the importance of** financial literacy **in making economic choices related to spending, saving, and investing.** Examples: – Examines the costs and benefits of getting a credit card and accumulating debt. – Examines the pros and cons of buying a Washington State lottery ticket. – Examines how people in Washington State make choices about where to invest their money for the highest return and lowest risk. – Examines how people evaluate advertising when choosing where to spend their money.	**Analyzes examples of how groups and individuals have considered profit and personal values in making economic choices in the past or present.** Examples: – Examines how the profit motive inspired the entrepreneurship of Levi Strauss, Richard Sears, Alvah Roebuck, Henry Wells, and William G. Fargo during the Gold Rush. – Examines how the personal values of settlers determined what services were established, including saloons and general stores.	**Analyzes how the costs and benefits of economic choices have shaped events in the world in the past or present.** Examples: – Examines how competition for natural resources contributed to the beginning of World War I and World War II. – Examines how the French bourgeoisie's commercial success contributed to the beginning of the French Revolution. – Examines how latifundistas' decisions to expand their plantations contributed to the desire in Latin America for independence from Spain.	**Analyzes the incentives for people's economic choices in the United States in the past or present.** Examples: – Examines what economic incentives caused people to join labor unions in large numbers during the Great Depression. – Examines how the overproduction of agricultural products led farmers to destroy their supply to boost prices at the beginning of the Great Depression. – Examines how automobile producers set prices in the 1920s to generate sustainable demand among middle-class Americans. – Examines what economic incentives caused the U.S. government to institute the Bracero program.	**Analyzes how economic choices made by groups and individuals in the global economy can impose costs and provide benefits.** Examples: – Examines how choices made by businesses in China to produce low-price consumer goods affect economic opportunities in Washington State. – Examines the costs and benefits of Boeing's decision to produce the Dreamliner. – Examines the costs and benefits of the outsourcing of steel production for residents in the United States. – Examines the costs to and benefits for U.S. residents on Intel's decision to outsource the production of computer chips to China. – Evaluates the costs and benefits of individuals' decisions to buy a hybrid automobile, boycott Nike, or purchase only shade-grown coffee.
Suggested Unit	World—Ancient Civilizations (8000 BCE—600 CE)	WA—Contemporary Washington State (1980—present)	U.S.—Development and Struggles in the West, Industrialization, Immigration, and Urbanization (1870—1900)	World—Age of Revolutions (1750—1917)	U.S.—Reform, Prosperity, and the Great Depression (1918—1939)	CWP—Globalization and the Economy
CBA	People on the Move					You and the Economy

Note: The specific content in the examples are intended as suggestions. Most of the examples correspond with the suggested unit.

Attachment
Section 4

President's Advisory Council
On Financial Literacy
2008 Annual Report
To The President

35 pages

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

2008 ANNUAL REPORT TO THE PRESIDENT

of the

PRESIDENT'S ADVISORY COUNCIL ON FINANCIAL LITERACY

November 15, 2008

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

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

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

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

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

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

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

Sincerely,

Charles R Schwab

This draft is a working document prepared by the President's Advisory Council and in its present form, it does not reflect the views of the Treasury Department.

Charles R. Schwab
Chairman

Acknowledgements

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

Executive Summary

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

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

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

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

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

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

Accomplishments

Among the key accomplishments of the Council in 2008:

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

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

Recommendations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recommendation 14 -- Adopt a definition of financial literacy.

Recommendation 15 -- Adopt a definition of financial education.

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

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

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

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

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

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

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

Part I – A Year of Accomplishment

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

1. **Middle School Curriculum** – The Council endorsed "Money Math: Lessons for Life" an easy-to-use, readily available financial literacy curriculum for middle-school students that has been downloaded more than 92,000 times (*Note: Update for current figure at time of final report)* from the Council's website. The four-unit, 86-page curriculum uses real-life examples to help teachers to integrate personal finance topics into math classes.

2. **High School Financial Literacy Contest –** The Council agreed to recommend and promote the first-ever National Financial Literacy Challenge (administered by the Treasury Department), a 35-question exam on personal finance issues that was taken by more than 46,000 American high school students in May 2008. Students achieving scores in the top quartile received a Certificate of Achievement from the Treasury Department, and students answering at least 33 of 35 questions correctly received a medal from the Treasury Department. In addition, the Charles Schwab Foundation offered college scholarships to 10 students from around the country who achieved a perfect score on the exam. While the exam was a success, the average score was 56% -- another indicator that more rigorous financial education is needed in our schools. A second Challenge will be available to teachers in November 2008.

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

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

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

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

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

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

6. **Recognition Program for Employers and Post-Secondary Institutions** -- The Council approved to recommend to Treasury the creation of a Workplace Honor Roll program, to honor employers that have innovative and effective programs to provide financial education to employees, and the Post-Secondary Honor Roll program, to recognize colleges and universities that are providing high-quality financial education to students.

7. **Office of Entrepreneurial Education** -- The Council collaborated with the U.S. Small Business Administration on the establishment of the SBA Office of Entrepreneurial Education. The new office offers resources and support for individuals seeking to start a small business.

8. **Financial Literacy Research –** The Council recommended that the Treasury Department consult with and support a private-sector research initiative that will examine financial literacy among U.S. adults and how they fare in handling their finances. The study, conducted with the Financial Industry Regulatory Authority Investor Education Foundation, is the first of its kind to focus on adult consumers at both state and national levels. Preliminary survey data is expected to be released to researchers and the general public in early 2009. The survey is being conducted by the Financial Industry Regulatory Authority Investor Education Foundation, chaired by Council Member Mary Schapiro.

9. **Collaboration with Financial Literacy and Education Commission –** The Council agreed that it was important to collaborate with the Financial Literacy and Education Commission, which comprises 20 federal agencies that have financial education programs. The Council named a liaison and alternative liaison to the Commission, at least one of whom attends each Commission meeting to ensure that the lines of communication remain open between the two panels.

Public Outreach

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

1. Council Members hosted or participated in more than a dozen town hall meetings, "listening sessions," conferences, roundtables and other public events in which one or more Council members met with local community, business, education and non-profit leaders to explore ways to enhance financial literacy in the community. Among the events:

    a. Roundtable and town hall in Oakland, Calif., featuring Treasury Secretary Henry Paulson, U.S. Treasurer Anna Cabral, Oakland Mayor Don Dellums, Council Chairman Charles Schwab, Council Vice Chairman John Hope Bryant, and Council Member Don McGrath.

b. Council Vice Chairman John Hope Bryant made presentations at a variety of events, including the OECD International Conference on Financial Education; and FDIC Forum on the Future of Subprime Lending; a conference of the Georgia Consortium for Financial Literacy; and a roundtable convened by the Federal Reserve Board of Atlanta (ADD OTHERS)
c. Council Member Ted Daniels and his organization, the Society for Financial Education and Professional Development, included a Listening Session at the organizations First Annual Financial Literacy Leadership Conference. Several Council Members and Council Executive Director Dan Iannicola, Jr., participated.
d. Council Member and Research Committee Chair Dr. Tahira Hira convened a listening session attended by several Council members in Des Moines, Iowa.
e. Council Member David Mancl hosted a roundtable discussion in Madison, Wisconsin.
f. Council Vice Chairman John Hope Bryant hosted a listening session in Los Angeles, Calif.

2. Council Members participated in the first-ever White House Roundtable on Financial Literacy, which brought together nearly 150 government officials, policymakers, business leaders, foundation representatives, philanthropists and faith-based and community leaders in a robust discussion of the most effective means to improve financial literacy.

3. Council Members participated in a Financial Literacy Roundtable meeting convened by Secretary of Housing and Urban Development (HUD) Steve Preston. The HUD Roundtable focused on the role of financial literacy in underserved communities and strategies to help Americans facing the threat of foreclosure.

4. The Council solicited comments from the public on the best ways to improve financial literacy in the United States and received more than 150 comment letters, with a wide variety of suggestions about effective strategies and programs. The Council also solicited public comments on two specific initiatives, the Community Financial Access Pilot program and the Workplace Honor Roll Program. Comments from organizations and individuals have been incorporated into the recommendations in this report.

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

Part II -- The Recommendations

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

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

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

<u>The Facts</u>

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

<u>The Need</u>

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

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

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

The Recommendation

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

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

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

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

The Facts

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

The Need

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

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

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

The Recommendation

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

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

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

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

The Facts

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

on food (21%), entertainment (19%) and putting too many purchases on their credit card (16%).
- Sallie Mae found that more than half of college students accumulated more than $5,000 in credit card debt while in school. One-third piled on more than $10,000 in credit card debt while in school. Only 19 percent said they did not acquire any credit card debt while in school.

The Need

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

The Recommendations

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

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

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

The Facts

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

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

The Need

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

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

The Recommendation

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

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

The Facts

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

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

The Need

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

The Recommendation

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

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

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

As these findings show, many adults in the workforce today may not have the skills, knowledge or assistance necessary to meet their financial challenges. When employees are worried about debt and other personal finance issues, they often have difficulty focusing on their jobs. Stress, including personal economic stress, is estimated to cost business as much as $150 billion a year in lost productivity, according to research conducted and compiled by E. Thomas Garman, president of the Personal Finance Employee Education Foundation and professor emeritus of Virginia Tech University. In today's highly competitive marketplace, engaged employees are a critical asset.

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

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

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

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

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

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

<u>The Facts</u>

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

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

<u>The Need</u>

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

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

<u>The Recommendation</u>

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

- To recognize organizations with exemplary workplace financial education efforts to enhance employee financial understanding and well-being; and

- To encourage other organizations to implement, support and further develop financial literacy programs in the workplace.

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

Invitations to apply for the Honor Roll distinction would be distributed through financial education and literacy organizations, business groups, human resources associations, and other stakeholders in order to reach the broadest range of interested organizations. The U.S. Department of Treasury would also market the Honor Roll selection process annually, and provide those selected with recognition among the public and their professional peers.

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

The Facts

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

The Need

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

The Recommendation

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

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

The Facts

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

package, or is part of re-active services available through Employee Assistance Programs (EAPs).
- Broadly based and proactive programs — requiring greater benefits expenses to the employers — are the exception, rather than the rule.

The Need

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

The Recommendation

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

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

The Facts

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

The Need

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

The Recommendation

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

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

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

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

The Facts

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

The Need

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

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

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

The Recommendation

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

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

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

The Facts

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

The Need

There is a critical need for immediate action. There are community-based organizations and non-profits that have the ability to implement financial education programs within their communities immediately and are hampered only by the lack of resources. Community-based and non-profit organizations have demonstrated the ability to accomplish much with modest funding, thank to the benefits of their community- and philanthropic-based structure.

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

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

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

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

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

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

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

The Facts

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

- A review of the current literature clearly shows that, on one hand, there are National Standards[2] for both K-12 and adult financial literacy education intended to provide guidance, benchmarks and the best practices to improve the overall quality of financial literacy education materials.
- At the same time, programs focusing on a single aspect of financial literacy, while very important, are also often referred to as "financial literacy programs," though they are not, by design, comprehensive outside of their specialized topic.
- Studies that measure levels of financial literacy or changes in the level of financial literacy among Americans (adults and youth) are using various approaches.
    - Some studies use the definition developed by the Jump$tart Coalition: "the ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security." More than 30 separate items are used to measure financial literacy.
    - By way of example, however, Dr. Annamaria Lusardi, Professor of Economics, Dartmouth College (2008) used one topic (investments) and a three-item test to determine if Americans are "financially literate."
    - On the spectrum of program measurement, there are others that lie in-between.
- While these various studies all make important contributions to our understanding of the state of financial literacy generally, they underscore the fact that not everyone is measuring same thing, even though the same terminology is being used.

The Need

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

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

The Recommendations

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

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[2] Institute for Financial Literacy's *National Standards for Adult Financial Literacy Education*, the Jump$tart Coalition's *National Standards in K-12 Personal Finance Education*, & standards at the state level

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

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

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

Specifically, the Council should endorse:

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

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

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

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

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

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

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

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

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

<u>The Facts</u>

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

<u>The Need</u>

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

<u>The Recommendations</u>

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

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

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

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

<u>The Facts</u>

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

<u>The Need</u>

Americans are inundated with financial information and overwhelmed into inaction. They don't even know where to start when it comes to learning about their own situation because there is too much to absorb. The desire for privacy prevents many from seeking outside help, especially when their financial situation is deteriorating. Americans need a simple way to give themselves a check-up on their financial knowledge and personal financial situation. If they find themselves with low scores and the need to learn more, they need to know where to go to get easily-understood information about basic financial topics to improve their financial situation and capability.

The Recommendation

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

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

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

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

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

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

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

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

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

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

The Facts

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

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

The Need

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

<u>The Recommendation</u>

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

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

REPORT CONCLUSION

Appendix A

Members of the President's Advisory Council on Financial Literacy

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

Attachment
Section 5

Consumer University
Suggested Lifetime of
Financial Literacy Proficiencies

8 pages

CONSUMER UNIVERSITY

Suggested Lifetime of Financial Literacy Proficiencies
Prepared by Consumer University for the Financial Literacy Work Group

Pre-School:
INTRODUCED TO THE CONCEPTS OF:
- Currency and its uses
- How money is earned
- Financial institutions as a place to keep money safe
- Saving, as a concept

Kindergarten:
INTRODUCED TO THE CONCEPTS OF:
- Counting currency
- How money is earned
- Ways children can earn money
- Telling time

DEMONSTRATE PROFICIENCY IN:
- Counting currency
- Financial institutions as a place to keep money safe

Grades 1 – 3:
INTRODUCED TO THE CONCEPTS OF:
- Wants vs. Needs, age appropriate
- Recordkeeping of saving and spending
- Balance between spending, saving, charity, long term saving
- Financial goal setting
- Debit cards connected to savings/checking
- Comparison shopping
- Interest paid on savings
- The difference between debit and credit cards
- Saving for higher education

DEMONSTRATE PROFICIENCY IN:
- Counting currency
- How money is earned
- Ways children can earn money
- Telling time
- Currency and its uses
- How money is earned
- Saving, as a concept

Grades 4 – 6:
INTRODUCED TO THE CONCEPTS OF:
- Wants vs. Needs, age appropriate
- Checking accounts
- Debit cards and their uses
- Budgeting
- Uses of loans for personal, vehicle, education, homes and associated risks/costs
- Compounding interest, age appropriate
- Saving for higher education

DEMONSTRATE PROFICIENCY IN:
- Wants vs. Needs, age appropriate
- Recordkeeping of saving and spending
- Balance between spending, saving, charity, long term saving
- Financial goal setting
- Debit cards; how to use, how they work
- Comparison shopping
- Interest paid on savings
- The difference between credit and debit cards

Grades 7 – 9:
INTRODUCED TO THE CONCEPTS OF:
- Wants vs. Needs, age appropriate
- Making a plan to achieve a financial goal
- Budgeting, family
- Insurance: Auto, Life, Renters, etc.
- Compounding interest, age appropriate
- Credit cards, intro
- Interest expenses on debt
- Credit reports, intro
- Responsible credit management, intro
- Per unit pricing (grocery)

DEMONSTRATE PROFICIENCY IN:
- Wants vs. Needs, age appropriate
- Checking accounts
- Debit cards; how to use, how they work
- Budgeting for teen life, for adulthood
- Uses of loans for personal, vehicle, education, homes and associated risks/costs
- Compounding interest, age appropriate
- Saving for higher education

Grades 10 – 11:

INTRODUCED TO THE CONCEPTS OF:

- Wants vs. Needs for teens and adults, age appropriate
- Financial goals/goal setting for young adults, longer term
- Financial goals/goal setting for families, longer term
- Budgeting for a household, life skills
- Expenses/procedures related to renting an apartment/home
- How to earn good credit
- How poor credit is earned
- Consequences of bad credit
- Financial fraud awareness and prevention skills (identity theft, credit, phishing, and other financial schemes)
- Auto loans: Purchase price and interest rate negotiations
- Choosing a career: Salary analysis in combination with creating a family budget
- Stocks, mutual funds, bonds, and other investment savings and investing products
- Costs of short term loans
- Knowing where and how to report financial crimes

DEMONSTRATE PROFICIENCY IN:

- Wants vs. Needs, age appropriate
- Making a plan to achieve a financial goal
- Budgeting, family
- Insurance: Auto, Life, Renters, etc.
- Compounding interest high school level
- Budgeting, general
- Compounding interest, young adult concepts
- Credit cards, young adult concepts
- Credit reports, young adult concepts
- Per unit pricing (grocery)
- Responsible credit management
- Interest expenses on debt
- Saving for higher education, advanced

Grade 12:
INTRODUCED TO THE CONCEPTS OF:
- Checking one's credit
- Repairing one's credit
- How, and to whom, to report a financial crime
- The role of financial institution regulators
- Retirement savings
- The differences between retirement savings accounts
- Pricing/Fees for financial service products

DEMONSTRATE PROFICIENCY IN:
- Wants vs. Needs, age appropriate
- Financial goals/goal setting for young adults, longer term
- Financial goals/goal setting for families, longer term
- Budgeting for a household, life skills
- Earning good credit
- Consequences of bad credit
- Financial fraud awareness and prevention skills (identity theft, credit, phishing, and other financial schemes)
- Auto loans: Purchase price and interest rate negotiations
- Choosing a career: Salary analysis in combination with creating a family budget
- Stocks, mutual funds, bonds, and other investment savings and investing products
- Costs of short term loans
- Knowing where and how to report financial crimes
- Knowing how to rent an apartment, and associated expenses

College Students:
Demonstrate capability in and willingness to research:
- Managing household budgeting/expenses
- Paying bills in a timely fashion
- Living within one's means/budget
- Regularly depositing money into an emergency savings fund
- Costs and benefits of needed insurances, comparison shop
- Using credit cards to continue to build a good credit history
- Reading all statements related to accounts; savings, checking, credit

Military Service:
Understand the following concepts, take the following actions:
- Wants vs. Needs, age appropriate
- Financial goals/goal setting for young adults, longer term
- Financial goals/goal setting for families, longer term
- Budgeting for a household, life skills
- Earning good credit
- Consequences of bad credit
- Financial fraud awareness and prevention skills (identity theft, credit, phishing, and other financial schemes)
- Auto loans: Purchase price and interest rate negotiations
- Insurances: Knowing what's needed and obtaining in appropriate values
- Choosing a career: Salary analysis in combination with creating a family budget
- Stocks, mutual funds, bonds, and other investment savings and investing products
- Understanding of Military Relief Act
- Understanding of military benefits
- Understanding of retirement planning options
- Open and begin contributing to a retirement plan
- Create/Update/Change an estate plan/will
- Costs of short term loans

First Job:
Seek out information in the workplace on the following:
- Employer sponsored retirement plan, if any, and participate when eligible
- Employer sponsored health/medical plan
- Employee sponsored insurance plans
- Employee benefits package

Prior to Purchase of a Home/Refinance/Second Mortgage:
Know how to research:
- Comparison shopping for interest rates
- Checking out the background of the mortgage/banking professional
- Checking out the background of the real estate professional
- Attending a home-buyers education course
- Seeking out additional educational resources
- How to understand all documentation related to the transaction

CONSUMER UNIVERSITY

Suggested Lifetime of Financial Literacy Proficiencies
Prepared by Consumer University for the Financial Literacy Work Group

Pre-Marriage / Marriage and Domestic Partnership:

- Share and compare credit reports
- Discuss and share consumer debts
- Discuss and share savings and investment achievements
- Discuss and share financial values and ideals
- Set financial goals together and begin to achieve them
- Determine what your financial life will look like
- Determine which insurances will be needed after marriage
- Determine what sort of lifestyle you hope to share with spouse/partner
- Determine what sort of lifestyle you want for your children
- Determine your shared financial commitment to your child (to include higher education)
- Determine your shared idea retirement ideals
- Determine values around saving for higher education of children
- Consult a financial planner to determine action steps needed to achieve all these goals
- Review your plan every so often and make necessary adjustments
- Create an estate plan/will

Preparing For The Birth of a Child:

- Create a new budget to include new pending family expenses
- Discuss how to teach your child about financial responsibility at all ages
- Create a parenting plan to insure family financial goals are met
- Determine what insurances/policy adjustments will be needed post-birth
- Create/Update/Change estate plan/will
- Investigate and open up an education fund

Divorce:

Seek out information and resources on:

- Budgeting, post-divorce
- Credit scores and debt, post-divorce
- Debt repayment plans, if necessary
- Legitimate methods of rebuilding credit, post-divorce
- Preparing for retirement on one's own
- Consult a financial planner
- Create/Update/Change estate plan/will

Parents of Teen Children:

Take responsibility and action steps to insure your teens:

- Know how to earn money
- Know how to track money
- Know how to set and achieve short and long term financial goals
- Know the difference between debit and credit cards
- Understand compounding interest
- Are provided for in your estate plan/will/insurance policies
- Revisit higher education savings plan, adjust if necessary

Concerns for aging parents/grandparents:

- Seek out fraud prevention materials from state, non-profit and industry resources
- Work in tandem with aging parents/grandparents to support their financial independence
- Make financial planning a family conversation
- Work with financial planning professionals to support aging parents/grandparents
- Regularly look for signs of financial mismanagement
- Understanding and avoiding probate

Becoming a Grandparent:

- Make financial planning a family conversation
- Remind adult children to create/alter estate plan/will/insurance policies
- Encourage adult children to create a new budget to include new pending family expenses
- Encourage adult children to discuss how to teach your child about financial responsibility at all ages
- Encourage adult children to create a parenting plan to insure family financial goals are met

Loss of Employment:

Take actions and seek out information and resources related to:

- Unemployment benefits
- Severance packages
- Additional insurance benefits
- Create new estate plan/will
- Create new budget to accommodate circumstances/funds
- Seek state, county, city resources related to job seeking

Loss of spouse:

Take action and seek out information, support and resources related to:

- Social Security benefits
- Insurance benefits
- Create a new estate plan/will
- Create new budget to accommodate circumstances/funds
- Grief counseling/Crisis management support to assist in readjusting to responsibilities

Threat of Bankruptcy/Bankruptcy:

Take action and research information pertaining to:

- Contacting the concerned financial institution and requesting assistance
- Research debt repayment plans
- Consult state, non-profit, and industry resources for assistance

Victim of a Financial Crime:

- Report financial crimes to the regulating authorities
- Discuss financial crime with family members
- Readjust budget, if necessary

10 Year Pre-Retirement:

- Meet with financial planner/investment professional to review all retirement plans and adjust risk level of investments
- Determine resources needed to meet retirement goals
- Adjust retirement savings/insurances/budget to meet savings goals
- Research senior fraud prevention and learn about how to protect retirement assets
- Update estate plan/will if needed
- Investigate future healthcare expenses beyond employer health care plan, save accordingly
- Learn how to navigate retirement through economic cycles

5 Year Pre-Retirement:

- Meet with financial planner/investment professional to review all retirement plans and modify risk level again
- Determine resources needed to meet retirement goals
- Adjust retirement savings/insurances/budget to meet savings goals
- Research senior fraud prevention and learn about how to protect retirement assets
- Update estate plan/will if needed
- Continue investing future healthcare expenses beyond employer health care plan
- Learn how to navigate retirement through economic cycles

Retirement:

- Insure health care
- Regularly seek out fraud prevention seminars and resources provided by state and federal organizations
- Live within the budget you've established for your retirement years
- Consult trusted family members, state regulators, non-profit resources, and trusted industry professionals prior to altering plans
- Learn how to navigate retirement through economic cycles

Be prepared to fine tune retirement spending plan based upon economic cycl

Attachment
Section 6

National Council on Economic Education
Survey of the States
Economic and Personal Finance Education
In Our Nation’s Schools in 2007
A Report Card

12 pages

SURVEY OF THE STATES

Economic and Personal Finance Education In Our Nation's Schools in 2007

A REPORT CARD

NCEE

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National Council on Economic Education

Survey of the States
Economics and Personal Finance Education in Our Nation's Schools in 2007
A Report Card

Summary of Findings

Progress continues to be made in the teaching of economics and personal finance in our nation's schools. However, much more work still needs to take place in terms of placing a greater emphasis on economics and personal finance in the K-12 curriculum; requiring separate, stand-alone courses in these subjects as part of high school graduation requirements; and testing student knowledge levels.

Economics, traditionally part of the core Social Studies curriculum, is now included, to at least some extent, in the educational standards of all states.

41 states (up from 38 in 2004 and 28 in 1998), now require these standards to be implemented.

17 states require students to take an Economics course as a high school graduation requirement (up from 14 in 2004 and 13 in 1998).

However, only 22 states require the testing of student knowledge in Economics, *three fewer* than in 2004.

Personal Finance, a newer subject in comparison with Economics, is now included, to at least some extent, in the educational standards of 40 states (up from 34 in 2004 and 21 in 1998).

28 states (up from 20 in 2004 and 14 in 1998), now require these standards to be implemented.

Still, however, only 7 states require students to take a Personal Finance course as a high school graduation requirement (up from 6 in 2004 and 1 in 1998), and only 9 states require the testing of student knowledge in Personal Finance (up from 8 states in 2004 and 1 in 1998).

Entrepreneurship, included for the first time in this Survey, is much less integrated into the curriculum in the states. Preliminary data show that just over a third of the states include the subject of Entrepreneurship in their K-12 educational standards, and only a handful require Entrepreneurship to be included *as a component* of a high school course (usually Economics), required for graduation.

National Council on Economic Education

2007 SURVEY OF THE STATES

Table I: Economics

Topics	1998 Survey Findings	2000 Survey Findings	2002 Survey Findings	2004 Survey Findings	2007 Survey Findings
Standards	More than 3 out of 4 states (76%) include economics in their standards (38 states.)	48 states plus the District of Columbia include economics in their standards.	48 states, plus the District of Columbia, include economics in their standards.	49 states, plus the District of Columbia, include economics in their standards	49 states, plus the District of Columbia, include economics in their standards
Standards required to be implemented	28 states (74% of those with standards) require implementation of economics standards.	36 states (75% of those with standards) require implementation of economics standards.	33 states (67% of those with standards) require implementation of economics standards.	38 states (78% of those with standards) require implementation of economics standards.	41 states (84% of those with standards) require implementation of economics standards.
Course(s) required to be offered	16 states (32%) require an economics course to be offered.	16 states (32%) require an economics course to be offered.	17 states (34%) require an economics course to be offered.	16 states (32%) require an economics course to be offered.	17 states (35%) require an economics course to be offered.
Course(s) with required enrollment	13 states (25%) require students to take an economics course.	13 states (25%) require students to take an economics course.	14 states (28%) require students to take an economics course.	14 states (28%) require students to take an economics course.	17 states (35%) require students to take an economics course.
Student testing required	25 states require testing of economics.	22 states require testing of economics, with 9 more states having tests planned within the next 4 years.	27 states require testing of economics, with 4 more states developing tests as of 12/31/02.	25 states require testing of economics.	22 states require testing of economics.

Economics

State	Type of Standards, Guidelines, Proficiencies	Standards Required to be Implemented	Course(s) Required to be Offered and Grade Level(s)	Course(s) in Which Enrollment is Required and Grade Level(s)	Required Student Testing
Alabama	Content Standards, K-12	Yes	Principles of Economics (HS)	Principles of Economics (HS)	No
Alaska	Content Standards, K-12	No	None	None	No
Arizona	Content Standards, K-12	Yes	None	None	No
Arkansas	Content Standards/Curriculum Frameworks, K-12	Yes	None	None	No
California	Content Standards, K-12	Yes	Economics (HS)	Economics (HS)	No
Colorado	Content Standards, K-12	Yes	None	None	No
Connecticut	Content Standards, K-12	No	None	None	Yes
Delaware	Content Standards, K-12	Yes	None	None	Yes
Florida	Content Standards (K-12) / Student Performance Standards, (HS)	Yes	Economics (HS)	Economics (HS)	Yes
Georgia	Georgia Performance Standards/Content Standards, K-12	Yes	Economics/Business /Free Enterprise (HS)	Economics/Business/Free Enterprise (HS)	Yes
Hawaii	Content Standards, K-12	Yes	None	None	No
Idaho	Content Standards, K-12	Yes	Economics (HS)	Economics (HS)	Yes
Illinois	Content Standards, K-12	Yes	None	None	No
Indiana	Content Standards / Proficiencies, K-12	Yes	Economics (HS)	Economics (HS)	No[1]
Iowa	None[1]	N/A	N/A	N/A	N/A

[1] The education program requirements in the Iowa Code require Social Studies to be taught in grades 1-12 and further identify Economics as one of the disciplines within Social Studies.

Economics

State	Type of Standards, Guidelines, Proficiencies	Standards Required to be Implemented	Course(s) Required to be Offered and Grade Level(s)	Course(s) in Which Enrollment is Required and Grade Level(s)	Required Student Testing
Kansas	Content Standards / Competencies / Guidelines, K-12	Yes	None	None	Yes
Kentucky	Content Standards/Core Content, K-12	Yes	None	None	Yes
Louisiana	Content Standards / Grade Level Expectations / Guidelines, K-12	Yes	Free Enterprise (HS)	Free Enterprise (HS)	Yes
Maine	Guidelines, K-12	Yes	None	None	No
Maryland	Content Standards, K-12	Yes	None[2]	None[2]	Yes
Massachusetts	Learning Standards, Skills and Concepts, K-12	No	None	None	Yes
Michigan	Content Standards/Benchmarks, K-12	Yes	Economics[3] (HS)	Economics[3] (HS)	Yes
Minnesota	Content Standards, K-12	Yes	None	None	No
Mississippi	Content Standards/Curriculum Frameworks, K-12	Yes	Economics[4] (HS)	Economics[4] (HS)	No
Missouri	Content Standards/Guidelines / Competencies, K-12	Yes	None	None	No
Montana	Content Standards, K-12	Yes	None	None	No
Nebraska	Voluntary Content Standards / Essential Learnings, K-12	Yes	None	None	No
Nevada	Content Standards, 3, 8, 12	Yes	None	None	No
New Hampshire	Framework, K-12	No	Economics (HS)	Economics (HS)	No

[2] Some local districts mandate (i.e. Economics & Public Issues required in Baltimore) but no mandate on a state-wide basis.
[3] Mandate effective Fall 2007, but already beginning to be implemented.
[4] Effective 2008, students entering high school will need to complete one semester in Economics in order to graduate, but schools already implementing requirement.

Economics

State	Type of Standards, Guidelines, Proficiencies	Standards Required to be Implemented	Course(s) Required to be Offered and Grade Level(s)	Course(s) in Which Enrollment is Required and Grade Level(s)	Required Student Testing
New Jersey	Content Standards, K-12	Yes	None	None	No
New Mexico	Content Standards, K-12	Yes	Economics (HS)	Economics (HS)	Yes
New York	Social Studies Learning Standards, Pre-K-12	Yes	Economics, the Enterprise System and Finance (HS)	Economics, the Enterprise System and Finance (HS)	Yes
North Carolina	Content Standards (HS) /Standard Course of Study, K-12	Yes	Civics and Economics (HS)	Civics and Economics (HS)	Yes
North Dakota	Content Standards, K-12	No	None	None	No
Ohio	Content Standards, K-12	No	None	None	Yes
Oklahoma	Content Standards, K-12	Yes	None	None	Yes
Oregon	Content Standards, K-12	Yes	None	None	Yes
Pennsylvania	Academic Standards/Content Standards, K-12	Yes	None	None	No
Rhode Island	None	N/A	N/A	N/A	N/A
South Carolina	Content Standards/Proficiencies/SS Academic Standards, K-12	Yes	Economics (HS)	Economics (HS)	Yes
South Dakota	Content Standards, K-12	Yes	Economics[5] (HS)	Economics (HS)	No[6]
Tennessee	Content Standards, K-12	Yes	Economics (HS)	Economics (HS)	Yes
Texas	Content Standards/Essential Knowledge & Skills, ~~(HS)~~	Yes	Economics (HS)	Economics (HS)	Yes
Utah	Content Standards/Core Curriculum Standards, HS	No	None	None	No

[5] Students can take a Personal Finance course to fulfill this requirement.
[6] Planned for 2008

Economics

State	Type of Standards, Guidelines, Proficiencies	Standards Required to be Implemented	Course(s) Required to be Offered and Grade Level(s)	Course(s) in Which Enrollment is Required and Grade Level(s)	Required Student Testing
Vermont	Content Standards, K-12	Yes	None	None	No
Virginia	Core Curriculum Standards (K-12) /Objectives (MS/HS)	Yes	None	None	Yes[7]
Washington	Content Standards, K-12	No	None	None	No[8]
West Virginia	Content Standards, K-12	Yes	None	None	Yes
Wisconsin	Content Standards, K-12	Yes	None	None	Yes
Wyoming	Content Standards (K-12) /Performance Standards Level Descriptors (4,8,11)	Yes	None	None	No
District of Columbia	Embedded in Content Standards, K-12	Yes	None	None	No
Summary	**49 States, plus DC have Economics "standards"**	**41 States, plus DC require implementation**	**17 States require a Economics course to be offered**	**17 States require a Economics course to be taken**	**23 States require testing**

[7] At the elementary and middle school level only.
[8] Testing planned in 2008 but will be embedded in SS testing and schools can decide which area to test.

National Council on Economic Education

2007 SURVEY OF THE STATES

Table II: Personal Finance

Topics	1998 Survey Findings	2000 Survey Findings	2002 Survey Findings	2004 Survey Findings	2007 Survey Findings
Standards	21 states (42%) include personal finance in their standards.	40 states (78%) were found to have personal finance standards or guidelines, many within economics standards.	31 states (62%) were found to have personal finance standards or guidelines, many within economics standards.	34 states (68%) were found to have personal finance standards or guidelines, many within economics standards	40 states (80%) were found to have personal finance standards or guidelines, many within economics standards
Standards required to be implemented	14 of the states with standards (67%) require them to be implemented.	16 of the states with standards (40%) require them to be implemented	17 of the states with standards (55%) require them to be implemented.	20 of the states with standards (59%)	28 of the states with standards (70%) require them to be implemented.
Course(s) required to be offered	Information not available	7 states require a course with personal finance content.	4 states require a course with personal finance content.	7 states require a course with personal finance content.	9 states require a course with personal finance content.
Course(s) with required enrollment	1 state requires students to take a personal finance course.	4 states require students to take a personal finance course.	4 states require students to take a personal finance course.	6 states require students to take a personal finance course.	7 states require students to take a personal finance course.
Student testing required	1 state tests personal finance knowledge.	6 states test personal finance knowledge, with tests pending in 1 other state.	8 states test personal finance knowledge, with tests pending in 2 other states.	8 states test personal finance knowledge.	9 states test personal finance knowledge.

Personal Finance

State	Type of Standards, Guidelines, Proficiencies	Standards Required to be Implemented	Course(s) Required to be Offered and Grade Level(s)	Course(s) in Which Enrollment is Required and Grade Level(s)	Required Student Testing
Alabama	Content Standards, MS/JHS/HS	No	None	None	No
Alaska	None	N/A	N/A	N/A	N/A
Arizona	Content Standards, K-12	Yes	None	None	No[1]
Arkansas	Guidelines, HS	No	None	None	No
California	None	N/A	N/A	N/A	N/A
Colorado	None	N/A	N/A	N/A	N/A
Connecticut	Content Standards , HS	No	None[2]	None	Yes
Delaware	Content Standards[3], MS/JHS/HS	Yes	None	None	No
Florida	Student Performance Standards, HS	No	None	None	No
Georgia	Content/Performance Standards, K-12	Yes	K-8: Part of SS strand; HS: Part of Economics strand	K-8: Part of SS strand; HS: Part of Economics strand	Yes
Hawaii	Content Standards, K-12	Yes	None	None	No
Idaho	Content Standards, K-12	Yes	Economics & Personal Finance (HS)	Economics & Personal Finance (HS)	Yes[4]
Illinois	Guidelines, HS	Yes	Consumer Education (HS)	Consumer Education(HS)	No
Indiana	Content Standards, K-12	Yes	None	None	No
Iowa	None[5]	N/A	N/A	N/A	N/A

[1] Testing planned in future
[2] 57% of high schools have a stand-alone course in personal finance; and more are proposing such a course.
[3] Incorporated into Family & Consumer Science curriculum standards
[4] As part of testing for economics
[5] Family and Consumer Science teachers have been integrating Personal Finance into curriculum.

Personal Finance

State	Type of Standards, Guidelines, Proficiencies	Standards Required to be Implemented	Course(s) Required to be Offered and Grade Level(s)	Course(s) in Which Enrollment is Required and Grade Level(s)	Required Student Testing
Kansas	Content Standards/Proficiencies, K-12	Yes	None	None	No[1]
Kentucky	Core Content/Content Standards, K-12	Yes	None	None	Yes
Louisiana	Content Standards[6], K-12	Yes	Free Enterprise	Free Enterprise	Yes
Maine	Content Standards, K-12	Yes	None	None	No
Maryland	None	N/A	N/A	None[7]	No
Massachusetts	Learning Standards, Skills & Concepts, K-12	No	None	None	Yes
Michigan	Content Standards, K-12	Yes	None	None	No
Minnesota	Content Standards, HS	Yes	None	None	No
Mississippi	Content Standards/Framework, HS	Yes	Personal Finance	None	No
Missouri	Content Standards / Competencies, HS	Yes	Personal Finance, HS[8]	Personal Finance, HS[9]	Yes
Montana	Content Standards, K-12	Yes	None	None	No
Nebraska	Essential Learnings/Content Standards[10], K-12	Yes	None[11]	None[12]	No

[6] Incorporated within the Social Studies standards
[7] Some local school systems are requiring Personal Finance course to graduate
[8] Or subject can be embedded credit in another course incl. economics, consumer resource management, math, ROTC
[9] Effective with Class of 2010 but many schools starting sooner.
[10] Incorporated within the Family and Consumer Science, Business and Social Studies curriculum.
[11] Schools wishing to receive Perkins Funding required to offer at least one semester Personal Finance course each year.
[12] Some local school districts have begun requiring students to take a Personal Finance course.

Personal Finance

State	Type of Standards, Guidelines, Proficiencies	Standards Required to be Implemented	Course(s) Required to be Offered and Grade Level(s)	Course(s) in Which Enrollment is Required and Grade Level(s)	Required Student Testing
Nevada	None	N/A	N/A	N/A	N/A
New Hampshire	Proficiencies/Framework Standards, MS/JHS/HS	No	None	None	No
New Jersey	Content Standards, K-12	Yes	None	None	No
New Mexico	None	N/A	Personal Finance[13]	None	No
New York	Standards, HS	No	None	None	No
North Carolina	Content Standards/Guidelines, HS	Yes	None[14]	None[14]	No[15]
North Dakota	None	N/A	N/A	N/A	N/A
Ohio	Content Standards, HS	Yes	None[16]	None[19]	No
Oklahoma	None[17]	N/A	N/A	N/A	N/A
Oregon	Content Standards, K-12	Yes	None	None	Yes
Pennsylvania	Content Standards[18], K-12	No[19]	None	None	No
Rhode Island	None	N/A	N/A	N/A	N/A
South Carolina	Content Standards[20] MS/JHS/HS	Yes	None	None[21]	No
South Dakota	Content Standards, K-12	Yes	Yes[22]	Yes	No
Tennessee	Content Standards, HS	No	None	None	No

[13] Personal Finance is a required elective
[14] A mandate was passed in 2005 requiring the teaching of personal financial literacy to all HS students. The Department of Public Instruction is working on implementing this.
[15] Benchmark testing is being done with Middle School students this year.
[16] Students entering high school after July 1, 2010 will be required to be given financial literacy instruction. Some districts are already addressing this on a voluntary basis.
[17] As of June 2nd Governor Henry signed into law a measure which will require public schools to provide financial literacy instruction to students in grades 7-12 which will go into effect with the 2008-09 school year; the instruction can be incorporated into an existing course or in a separate financial literacy course.
[18] Incorporated in Social Studies and Family, Consumer Science curriculum standards
[19] Dept of Banking has just introduced the Office of Financial Education but it will be some time before the office has an impact on educational community
[20] Incorporated within Family, Consumer Science curriculum standards
[21] Financial Literacy Act of 2005 requires personal finance to be taught at every grade level starting with Kindergarten through 12th grade.
[22] Graduating class of 2010 must take either Economics or Personal Finance course

Personal Finance

State	Type of Standards, Guidelines, Proficiencies	Standards Required to be Implemented	Course(s) Required to be Offered and Grade Level(s)	Course(s) in Which Enrollment is Required and Grade Level(s)	Required Student Testing
Texas	Areas of Instruction, HS	Yes	None	None	No
Utah	Content Standards, HS	Yes	General Financial Literacy (HS)	General Financial Literacy (HS)	No
Vermont	Content Standards, K-12	No	None	None	No
Virginia	Economic Education & Financial Literacy Objectives, MS/JHS/HS	Yes	None	None	Yes
Washington	Content Standards, HS	No	None	None	No
West Virginia	Content Standards, K-12	Yes	None	None	No
Wisconsin	Content Standards, K-12	No	None	None	No
Wyoming	Content Standards, HS	Yes	None	None	No
District of Columbia	None	N/A	N/A	N/A	N/A
	40 States have PF “standards”	**28 States require implementation of these standards**	**9 States require a PF course to be offered**	**7 States require a PF course to be taken**	**9 States require testing**

Attachment
Section 7

Schwab Teen Survey

6 pages

charles SCHWAB

Charles Schwab Teens & Money 2007 Survey Findings

Insights into Money Attitudes, Behaviors and Concerns of Teens

MONEY VALUES, BELIEFS AND EXPECTATIONS

- **The majority of American teens want to be financially independent**:
  - 93% agree it's important to know how to live within your means and to have good money habits to be successful in life.
  - 90% agree that "I like the feeling of earning and managing my own money."
  - 88% would like and expect (86%) their parents to stop supporting them before age 25.
  - 81% agree "It's important to me to have a lot of money in my life."
  - 76% define success as "to not have to rely on others for money."
  - 69% report that "the amount of money I can make will influence the career I choose."

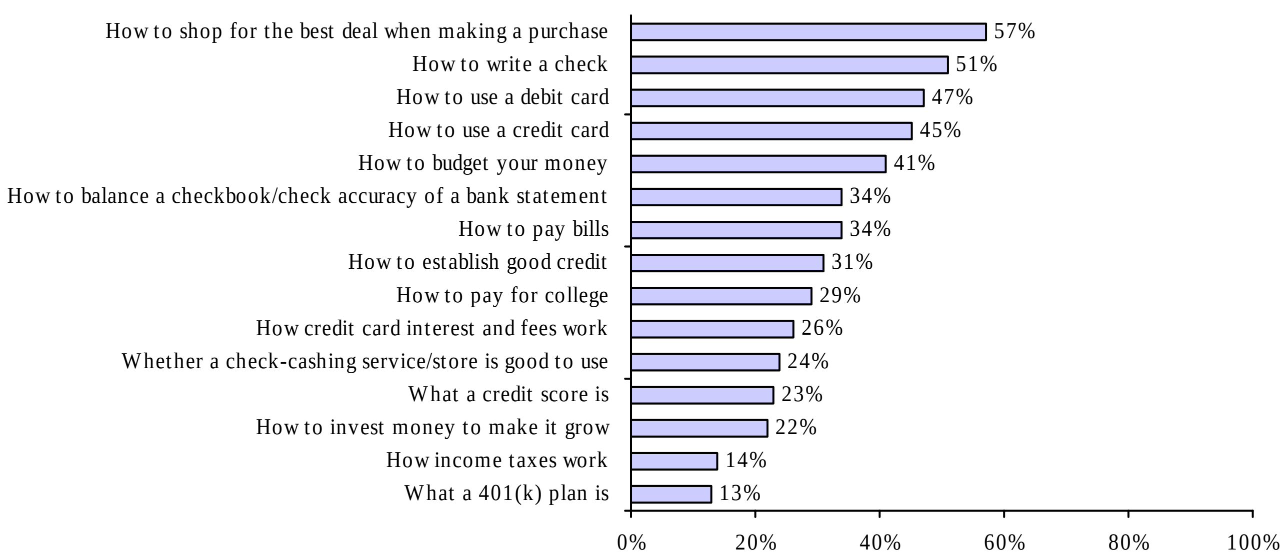
- **Teens are very confident about their financial future:**
  - 89% agree "I know I will succeed in life."
  - Nearly three quarters (73%) believe they'll be earning "plenty of money" when they're out on their own.
  - More than half (53%) believe that financially they will do better than their parents/guardians (down from 61% last year).
  - Based on the career that interests them most, teens believe they'll be earning an average annual salary of $145,500 (boys expect to be earning $173,000 vs. girls $114,200).

WHAT TEENS KNOW ABOUT MONEY

- **Most teens believe they are financially savvy:**
  - 63% of teens say they are knowledgeable about money management, including budgeting, saving and investing.
  - 62% percent believe they're prepared to deal with the adult financial world after high school.
  - Yet when probed about specific areas of knowledge, they reveal significant gaps. Self-reported knowledge in each area has decreased from 2006.

Teens' Financial Knowledge

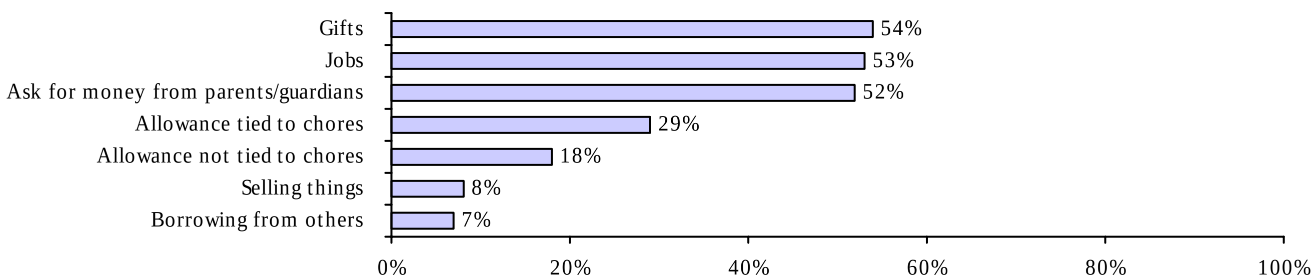
(Very/Somewhat Knowledgeable)



HOW TEENS GET MONEY

- The greatest single source of money for teens is gifts (54%, up from 47% in 2006).
- 53% report getting money from jobs (including odd jobs, babysitting, working in a store, lifeguarding, etc.).
- 52% say they simply "ask for money from my parents or guardians when I want or need something."
- Fewer than half (41%) get money from an allowance whether tied to chores or not, down from 51% in 2006.
- Only 37% of teens report they currently have a job or work occasionally (girls, 45% vs. boys, 29%). Interestingly, this mirrors Department of Labor statistics from 2005 that showed the lowest labor force participation rate on record for teens aged 16-19 at approximately 44%.

Sources of Money

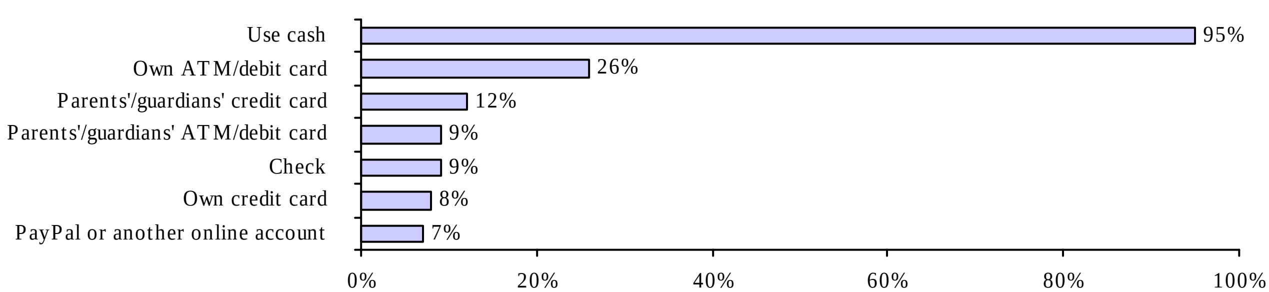


TEEN SPENDING

- **Teens are active consumers:**
  - Teens report spending an average of about $19 in a typical week.
  - Only seven percent of teens report not spending any money in a typical week.
  - Teens 16-18 spend significantly more money in a typical week than 13-15-year-olds ($26 vs. $13).

- **Teens are transacting online:**
  - Six in ten teens (59%) report that they buy things online. Teens 16-18 are significantly more likely than those 13-15 to buy things online (71% vs. 47%).
  - More than one in four (27%) report using PayPal or another account designed for online transactions.
  - Twenty-three percent report making bank transactions online. This practice is more common among teens 16-18 than those 13-15 (39% vs. eight percent).
  - Selling things online is less common, with only 16 percent of teens reporting this practice. Older teens are more likely than younger ones to report they have sold things online (20% vs. 12%).
  - Two-thirds (68%) of teens report that they are concerned about online identity theft and fraud.

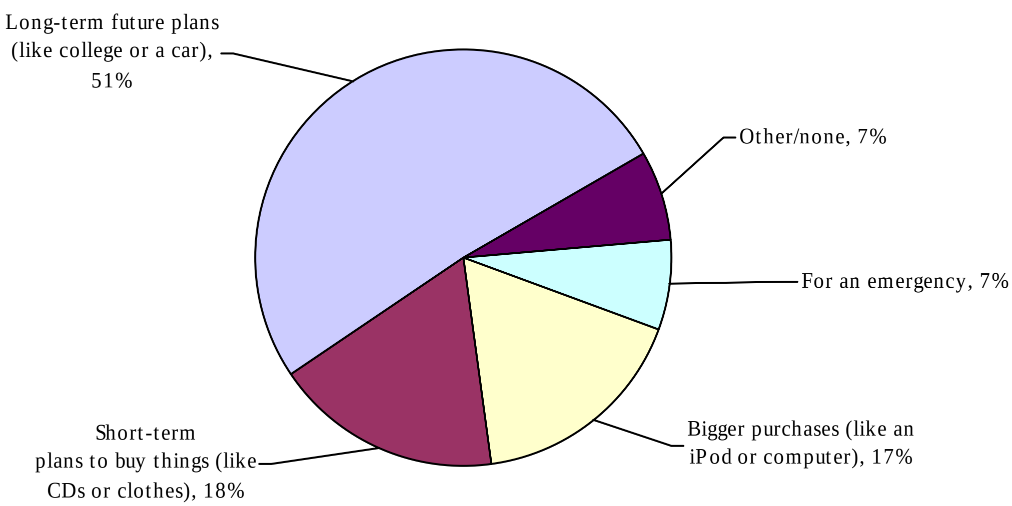
How Teens Spend Money



TEEN SAVING

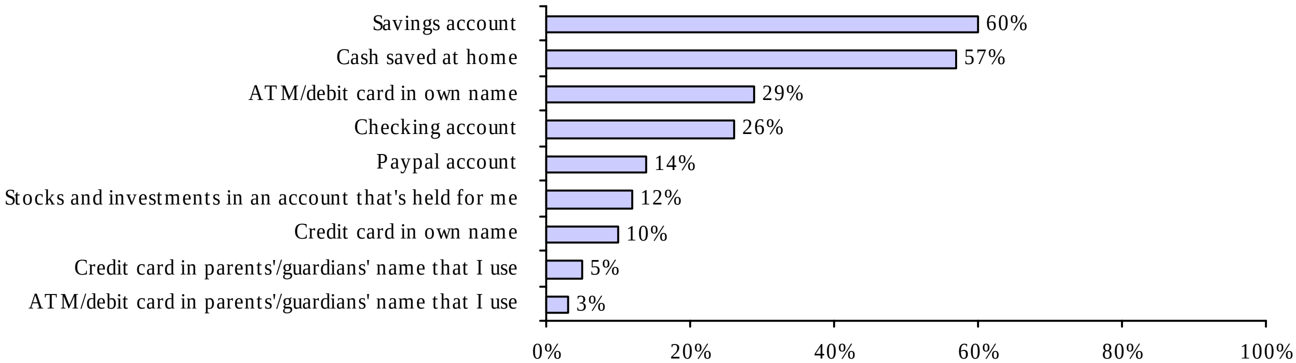
- **Most teens have some money saved and recognize the importance of saving:**
  - In addition to spending, teens are saving; 84% have some money saved.
  - Teens have an average of $1,044 saved, up from $822 in 2006.
  - The majority (58%) have more than $100 in savings, up from 52% in 2006.
  - On average, older teens have significantly more money saved than their younger counterparts (16-18, $1,285 vs. 13-15, $833).
  - One in four (24%) agree that "I am young, so saving money isn't that important." Younger teens are more likely than older teens to agree with this statement (31% vs. 16%).
  - Among those teens who have work experience, four in ten (44%) report that when they get paid, they are most likely to save some money and spend some.
  - One-third (32%) of working teens report that upon getting paid, they are most likely to deposit the money in a checking or savings account.
  - Half (51%) of teens report that their main reason for saving is to have enough money for long-term future plans, like college or a car.
  - Other reasons for saving include saving for the short term, for things like CDs and clothes (18%), saving for bigger purchases like an iPod or computer (17%), and saving for an emergency (seven percent).
  - Teens age 13-15 are more likely than those age 16-18 to report they are saving for the short term (24% vs. 11%); older teens are more likely to be saving for the long term (59% vs. 43%).

What Teens Are Saving For



- **What teens have:**
  - Three-quarters (74%) of all teens have a cell phone (vs. 64% who reported owning one last year).
  - 60% of teens have an iPod or mp3 player (up from 40% last year).
  - More than half (55%) own a video game console/system (down slightly from 59% in 2006).
  - About half (52%) have their own computer (up slightly from 49% in 2006).
  - Almost half (43%) of the 16-18-year-olds report having a car.

Financial Tools/Products Teens Have



TEENS IN DEBT

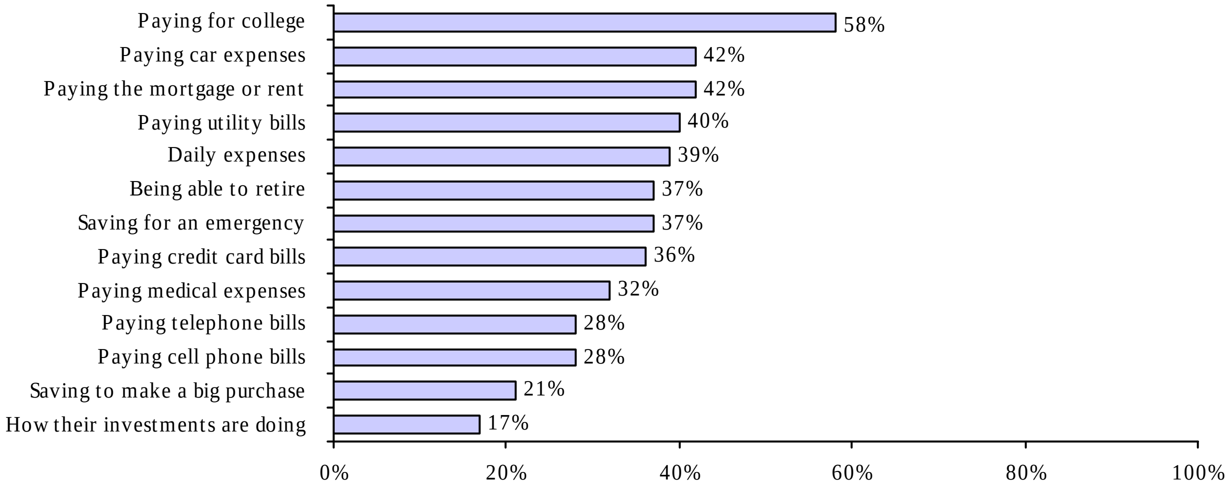
- **Teen adult financial behaviors include taking on debt:**
  - Teens assert they don't like the way it feels to owe someone money, with 88% agreeing with this statement.
  - However, almost three in ten (29%) are in debt.
  - Older teens (16-18) are more likely than younger ones (13-15) to owe anyone money (37% percent vs. 22%).
  - Among those who do owe money, the average amount owed is close to $300 ($293), up from $230 in 2006.
  - Almost half (41%) of those who owe money report that they are concerned about paying it back, down from 46% who expressed this concern in 2006.
  - Given the choice, almost one in three (29 percent) teens would prefer buying things with a credit card than cash. This represents a 61% increase over last year (18%).
  - Most teens (51%) agree that it is easier to buy things with a credit card than cash.
  - Teens are motivated by their parents' behavior, with one in four teens (25%) saying their parents/guardians are more likely to use a credit card than cash.

WHAT WORRIES TEENS

- **Immediate financial issues are of concern to teens:**
  - Despite their optimistic longer-term earnings expectations, 62% say they're concerned about being able to support themselves after high school.
  - 49% say they're concerned their parents/guardians will not be able to support them financially if they attend college.
  - One in four (25%) say they sometimes feel guilty for being a financial burden to their parents (among teens 16-18, 31% say this).

- **Teens worry about their parents'/guardians' financial health:**
  - More than half (56%) are concerned about their parents'/guardians' financial well-being.
  - 84% can name at least one financial issue they believe their parents or guardians are concerned about. (The top three are paying for college, 58%; paying mortgage or rent, 42%; and paying car expenses, 42%.)
  - More than a third (36%) believe that their parents/guardians are concerned about paying credit card bills.
  - Teens are less likely to think their parents/guardians are concerned with saving to make a big purchase (21%) or how their investments are doing (17%).

Teens' Perception of Parental Concerns

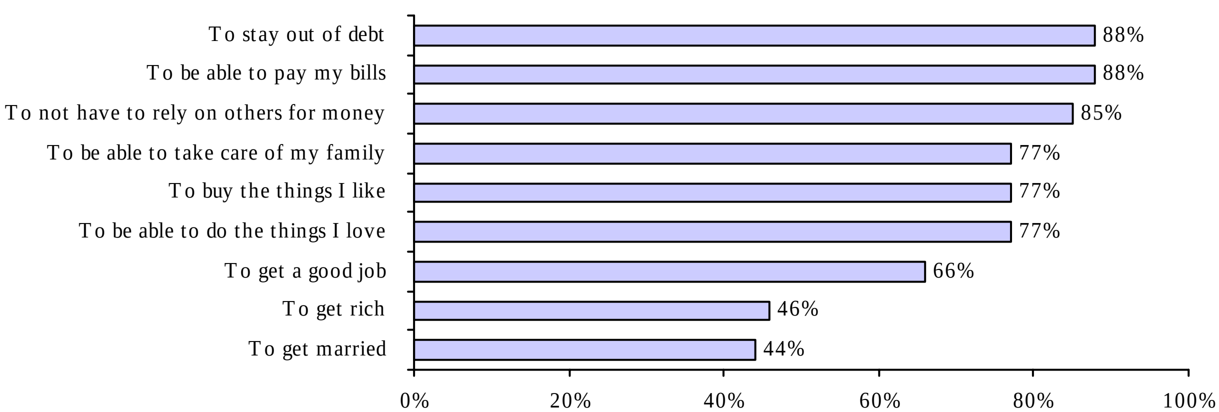


THE OPPORTUNITY FOR PARENTS

- **Teens sense the complexity of 21st century money management:**
  - 79% agree that money matters are different for them as a teen today compared to when their parents/guardians were teenagers.

- **Teens want to learn about money:**
  - 89% say they want to learn how to make their money grow.
  - Two-thirds (65%) believe learning about money is "interesting."
  - 60% say that learning about money management is one of their top priorities.
  - Teens say they are motivated to learn about money matters such as budgeting, saving and investing "to pay their bills" (88%); "to stay out of debt" (88%); and "to not have to rely on others for money (85%)."

Why Teens Want to Learn About Money Matters



- **Teens want more money coaching from their parents:**
  - Two-thirds (64%) of teens report that they would rather learn the basics of money management through experience instead of in a classroom.
  - Only one in three teens (30%) believe that their parents/guardians are concerned with making sure they are learning the basics of smart money management.

- Only 14% of teens report that they are involved in the process of paying household bills or helping to manage the household finances.
- While nine in ten teens (87%) report that their parents/guardians talk to them about money; almost a quarter of teens (22%) believe it is disrespectful for *them* to ask their parents or guardians about their finances.
- Few teens have learned how to use a credit card responsibly (24%) or the importance of participating in a 401(k) plan (11%) from their parents.
- Only a third of teens (34%) understand why their parents/guardians make the financial decisions they do.
- Despite overwhelming interest (89%) in learning how to make their money grow, only one in five (20%) report that "my parents/guardians have taught me how to invest money wisely to make it grow."
- Last year almost half (46%) of teens reported that their parents or guardians talked to them about money weekly or more. That's down 18% this year to 39%.

GIRLS VS. BOYS

- **How teens get money varies by gender:**
  - Girls are much more likely than boys to report getting money from a job (60% vs. 46%), whereas boys are almost twice as apt to get money from an allowance not tied to chores as are girls (23% percent vs. 13%).
  - Girls also are more likely than boys to report that they currently have a job (45% vs. 29%).
  - Boys are significantly more likely than girls to report they have sold things online (20% vs. 11%).

- **Spending, saving and borrowing varies by gender:**
  - Teen girls spend more money in a typical week than boys (about $21 vs. $18, respectively).
  - Girls are more likely to owe money than boys (32% vs. 27%, respectively).
  - Boys are more likely than girls to report saving their money for bigger purchases (22% vs. 12%).

- **Self-reported knowledge varies by gender:**
  - More teen girls (57%) than teen boys (44%) report they are knowledgeable about how to write a check.
  - More teen boys (26%) than teen girls (19%) report they are knowledgeable about how to invest money to make it grow.

- **Teens expect that boys will have greater earning potential:**
  - Boys are significantly more likely than girls to believe they'll be earning plenty of money when they're out on their own (boys 81% vs. girls 65%).
  - The average salary boys expect to earn is significantly higher than what is expected by girls ($173,000 vs. $114,200).
  - Two-thirds (66%) of teens agree that men/boys tend to earn more money than women/girls. However, only about one-third (32%) of teens agree that men/boys tend to have an easier time learning about money management than women/girls.

- **Gender differences extend to teens' parents:**
  - More teens (42%) named their mothers as the most financially responsible person in their family, followed at a distance by fathers (31%).

About the *Teens & Money* Survey
The Teens & Money survey was conducted by StrategyOne, an applied research consulting firm, on behalf of Schwab and Boys & Girls Clubs of America. The nationally-representative online survey polled 1,000 American teens between the ages of 13-18 to better understand their views, behavior and knowledge of spending, saving, borrowing, and earning money. The survey, which has a margin of error of plus or minus 3.1 at the 95 percent confidence level, was conducted using the field services of Harris Interactive.

Media Contacts: sarah.bulgatz@schwab.com or mwalsh@crt-tanaka.com (0307-5638)

Attachment
Section 8

Jump$tart Standards

47 pages

Jump$tart Coalition for Personal Financial Literacy

3rd Edition, 2007

National Standards in K–12 Personal Finance Education

With Benchmarks, Knowledge Statements, and Glossary

Jump$tart Coalition for Personal Financial Literacy
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Contents

Introduction

The National Standards in K–12 Personal Finance Education, created and maintained by the Jump$tart Coalition® for Personal Financial Literacy, delineate the personal finance knowledge and skills that K–12 students should possess.

The Jump$tart Coalition asserts that all young people graduating from our nation's high schools should be able to take individual responsibility for their personal economic well-being. Broadly speaking, a financially literate high school graduate should know how to:

- Find, evaluate, and apply financial information
- Set financial goals and plan to achieve them
- Develop income-earning potential and the ability to save
- Use financial services effectively
- Meet financial obligations
- Build and protect wealth

Many organizations have defined "personal finance" and "financial literacy." The following, a distillation of the views of several sources, are the definitions underlying the National Standards.

Personal finance describes the principles and methods that individuals use to acquire and manage income and assets.

Financial literacy is the ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security.

Financial literacy is not an absolute state; it is a continuum of abilities that is subject to variables such as age, family, culture, and residence. Financial literacy refers to an evolving state of competency that enables each individual to respond effectively to ever-changing personal and economic circumstances.

Because of limited experience and responsibility, a typical recent high school graduate will not exhibit the same degree of knowledge of personal finance as a financially literate older adult. Financially literate high school graduates, however, should have a general understanding of all key aspects of personal finance. These graduates will be confident in their ability to find and use the information required to meet specific personal finance challenges as they arise. To this end, the National Standards in K–12 Personal Finance Education indicate the skills students must have to increase their personal finance knowledge continually as their responsibilities and opportunities change.

The Jump$tart Coalition intends the National Standards in K–12 Personal Finance Education to serve as a model. As such, the National Standards represent the framework of an ideal personal finance curriculum, portions of which might not be appropriate for individual instructors and students. The Coalition leaves it up to various stakeholders to decide how to address the topics in the National Standards.

Uses for the National Standards

The revised and updated National Standards in K–12 Personal Finance Education provide a program design and evaluation framework for school administrators, teachers, curriculum specialists, instructional materials developers, and educational policymakers. At each of the three benchmark grades—4th, 8th, and 12th—the expectations describe skills and knowledge each student should exhibit, not what should be taught in that grade. Individual students might have missed or not remember previous lessons. In those cases, teachers can refer to earlier expectations to identify areas of instruction on which to concentrate.

Among the practical uses for the personal finance standards and expectations are to:

- Suggest a range of content that students should know and be able to act on
- Provide guidelines for evaluating published educational materials
- Help to shape lesson plans, unit and course outlines, learning activities, textbooks, and other instructional materials
- Increase awareness of the need for personal finance in the nation's schools

After reviewing the 29 personal finance standards, educators may select topics that are appropriate to the needs of diverse learners in specific settings. Educators can use the standards and expectations to design new personal finance units or courses, or to integrate concepts into existing courses. To help accomplish this, the Jump$tart Coalition provides the following additional resources:

Personal Finance Clearinghouse
The searchable, online Jump$tart Clearinghouse (www.jumpstartclearinghouse.org) can help educators identify appropriate educational materials by several factors, including grade level, format, and content category.

National Best Practices Guidelines
The Jump$tart Best Practices Guidelines (www.jumpstart.org/bp.cfm) can help educators evaluate and select existing instructional materials, help organizations improve programs that they already provide, and assist designers in creating effective new personal finance curricula.

The National Standards in K–12 Personal Finance Education complement state and local educational goals and standards. In states where personal finance is not yet part of the state's K–12 educational objectives, the National Standards in K–12 Personal Finance Education can help convince policymakers to include personal finance in future state standards and student achievement tests and guide their creation.

Organization of the Standards

The National Standards in K–12 Personal Finance Education describe the minimum requirements for functional financial literacy. They are organized as follows:

Standards

The K–12 standards trace a path to a minimal level of competency upon completion of high school. They describe what personal finance instruction should enable students to know and do. The standards fall into six major categories of personal finance—Financial Responsibility and Decision Making; Income and Careers; Planning and Money Management; Credit and Debt; Risk Management and Insurance; and Saving and Investing. Each category focuses on an overall competency derived from the Jump$tart Coalition's definition of financial literacy.

Expectations

The statements of expectation describe how students can apply knowledge to everyday financial decisions and actions at three points in their consumer development—at grades 4, 8, and 12. The expectations reflect a progression of student learning in which increasing complexity builds on earlier knowledge. Educators will take into account that students learn at different rates because of a variety of learning styles, interests, and experiences outside the classroom.

Knowledge Statements

These statements show relationships among the key concepts underlying the standards and expectations. They provide further guidance for publishers as they develop and revise curricula and for educators as they select classroom materials and plan lessons. Like the Glossary, the Knowledge Statements are not meant to be exhaustive.

Glossary

The list of definitions is meant as an aid to understanding the Standards, Expectations, and Knowledge Statements. It includes only a sampling of key terms.

The Standards

Financial Responsibility and Decision Making

Overall Competency

Apply reliable information and systematic decision making to personal financial decisions.

Standard 1: Take responsibility for personal financial decisions.

Standard 2: Find and evaluate financial information from a variety of sources.

Standard 3: Summarize major consumer protection laws.

Standard 4: Make financial decisions by systematically considering alternatives and consequences.

Standard 5: Develop communication strategies for discussing financial issues.

Standard 6: Control personal information.

Income and Careers

Overall Competency

Use a career plan to develop personal income potential.

Standard 1: Explore career options.

Standard 2: Identify sources of personal income.

Standard 3: Describe factors affecting take-home pay.

Planning and Money Management

Overall Competency

Organize personal finances and use a budget to manage cash flow.

Standard 1: Develop a plan for spending and saving.

Standard 2: Develop a system for keeping and using financial records.

Standard 3: Describe how to use different payment methods.

Standard 4: Apply consumer skills to purchase decisions.

Standard 5: Consider charitable giving.

Standard 6: Develop a personal financial plan.

Standard 7: Examine the purpose and importance of a will.

Credit and Debt

Overall Competency

Maintain creditworthiness, borrow at favorable terms, and manage debt.

Standard 1: Identify the costs and benefits of various types of credit.

Standard 2: Explain the purpose of a credit record and identify borrowers' credit report rights.

Standard 3: Describe ways to avoid or correct debt problems.

Standard 4: Summarize major consumer credit laws.

Risk Management and Insurance

Overall Competency

Use appropriate and cost-effective risk management strategies.

Standard 1: Identify common types of risks and basic risk management methods.

Standard 2: Explain the purpose and importance of property and liability insurance protection.

Standard 3: Explain the purpose and importance of health, disability, and life insurance protection.

Saving and Investing

Overall Competency

Implement a diversified investment strategy that is compatible with personal goals.

Standard 1: Discuss how saving contributes to financial well-being.

Standard 2: Explain how investing builds wealth and helps meet financial goals.

Standard 3: Evaluate investment alternatives.

Standard 4: Describe how to buy and sell investments.

Standard 5: Explain how taxes affect the rate of return on investments.

Standard 6: Investigate how agencies that regulate financial markets protect investors.

How the National Standards Evolved

In 1998, the Jump$tart Coalition for Personal Financial Literacy issued its first Personal Finance Guidelines and Benchmarks. A group of 20 professionals representing a broad range of education, government, and financial service organizations developed these original guidelines.

In 2001, and again in 2006, the Jump$tart Coalition board authorized the formation of a task force to revise and update the National Standards in K–12 Personal Finance Education. Members of the 2006 standards revision task force included:

- Rosella Bannister, Jump$tart Personal Finance Clearinghouse, Ann Arbor, Michigan
- Les Dlabay, Lake Forest College, Lake Forest, Illinois
- Vickie Hampton, Texas Tech University, Lubbock, Texas
- Philip Heckman, Credit Union National Association, Madison, Wisconsin (Committee Chair)
- Claudia Kerbel, University of Rhode Island, Kingston, Rhode Island
- Nancy Lang, Northern Kentucky University, Highland Heights, Kentucky
- Jacqueline Ward, Wisconsin Women's Business Initiative Corporation, Milwaukee, Wisconsin

Before and after the 2006 task force completed major revisions, a select group (identified on page 44) of business and finance industry professionals and educators—which included classroom teachers representing business education, family and consumer science, and economics in the social studies—reviewed the standards for academic integrity, as well as practical applications. Reviewers' suggestions led to substantial improvements.

Identifying standards and expectations is not an easy task, nor is it ever completely finished. The Jump$tart Coalition for Personal Financial Literacy considers this to be a living document, one that it will continue to modify and expand to meet the changing needs of personal finance teachers and students.

The Jump$tart Coalition and Its Mission

Jump$tart Coalition for Personal Financial Literacy consists of 180 organizations and 47 affiliated state coalitions dedicated to improving the financial literacy of youth from kindergarten through college age by providing advocacy, research, standards, and educational resources. Jump$tart strives to prepare youth for lifelong successful financial decision making.

Financial Responsibility and Decision Making

Overall Competency

Apply reliable information and systematic decision making to personal financial decisions.

	4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations
Standard 1 Take responsibility for personal financial decisions.	4th grade student can: List examples of financial decisions and their possible consequences. Identify ways to be a financially responsible youth.	8th grade student can: Identify ways to be a financially responsible young adult. Give examples of the benefits of financial responsibility and the costs of financial irresponsibility.	High school graduate can: Explain how individuals demonstrate responsibility for financial well-being over a lifetime. Analyze how financial responsibility is different for individuals with and without dependents. Given a scenario, discuss ethical considerations of various personal finance decisions.
Standard 2 Find and evaluate financial information from a variety of sources.	4th grade student can: Give examples of situations in which financial information would lead to better decisions. Identify sources of financial information.	8th grade student can: Analyze and evaluate advertising claims. Identify online and printed sources of product information and list the strengths and weaknesses of each.	High school graduate can: Determine whether financial information is objective, accurate, and current. Investigate current types of consumer fraud, including online scams. Given a scenario, identify relevant financial information needed to make a decision. List factors to consider when selecting a financial planning/counseling professional and legal/tax adviser.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations	Financial Responsibility and Decision Making
4th grade student can: Compare product return policies at local retail stores.	8th grade student can: Research the primary consumer protection agency in the state of residence. Give examples of unfair or deceptive business practices that consumer protection laws forbid. Given a scenario, explain steps in resolving a consumer complaint.	High school graduate can: Match consumer protection laws to descriptions of the issues that they address and the safeguards that they provide. Research online and printed sources of up-to-date information about consumer rights. Given a scenario, write a complaint letter that states the problem, asks for specific action, includes copies of related documents, and provides contact information.	**Standard 3** Summarize major consumer protection laws.
4th grade student can: Explain how limited personal financial resources affect the choices people make. Rank personal wants/needs in order of importance. Set measurable short-term financial goals. Outline the steps in systematically evaluating alternatives and making a decision. Apply systematic decision making to a short-term goal.	8th grade student can: Set measurable short- and medium-term financial goals. Prioritize personal financial goals. Evaluate the results of a financial decision. Use a financial or online calculator to determine the cost of achieving a medium-term goal. Apply systematic decision making to a medium-term goal.	High school graduate can: Set measurable short-, medium-, and long-term financial goals. Use a financial or online calculator to determine the cost of achieving a long-term goal. Apply systematic decision making to a long-term goal. Analyze how inflation affects financial decisions. Analyze how taxes affect financial decisions. Give examples of how decisions made today can affect future opportunities.	**Standard 4** Make financial decisions by systematically considering alternatives and consequences.

Financial Responsibility and Decision Making	**4th Grade** Expectations	**8th Grade** Additional Expectations	**12th Grade** Additional Expectations
Standard 5 Develop communication strategies for discussing financial issues.	4th grade student can: Give examples of how members of previous generations spent money as children. Analyze the values and attitudes of members of previous generations from their personal stories about money.	8th grade student can: Explain how discussing important financial matters with household members can help reduce conflict. Identify differences among peers' values and attitudes about money.	High school graduate can: Explain the value of discussing individual and shared financial responsibilities with a roommate before moving in. Discuss the pros and cons of sharing financial goals and personal finance information with a partner before combining households. Give examples of contracts between individuals and between individuals and businesses, and identify each party's basic responsibilities.
Standard 6 Control personal information.	4th grade student can: List types of personal information that should not be disclosed to others and the possible consequences of doing so.	8th grade student can: List actions an individual can take to protect personal identity. Describe problems that occur when one is the victim of identity theft. Identify ways that thieves can fraudulently obtain personal information.	High school graduate can: List entities that have a right to obtain individual Social Security numbers. Recommend actions a victim of identity theft should take to restore personal security.

Income and Careers

Overall Competency

Use a career plan to develop personal income potential.

Standard 1

Explore career options.

4th Grade Expectations	**8th Grade** Additional Expectations	**12th Grade** Additional Expectations
4th grade student can:	8th grade student can:	High school graduate can:
Explain the difference between a career and a job and identify various jobs in the community.	Give an example of how education and/or training can affect lifetime income.	Describe the risks, costs, and rewards of starting a business.
Give an example of how an individual's interests, knowledge, and abilities can affect career and job choice.	Identify online and printed sources of information about jobs, careers, and entrepreneurship.	Outline the main components of a business plan.
Identify a topic of personal interest and research a career related to that topic of interest.	Compare personal skills and interests to various career options.	Analyze how economic, social-cultural, and political conditions can affect income and career potential.
Examine a job related to a career of interest.	Describe the educational/training requirements, income potential, and primary duties of at least two jobs of interest.	Identify a career goal and develop a plan and timetable for achieving it, including educational/training requirements, costs, and possible debt.
Give examples of entrepreneurs in the community.	Identify individuals who could provide a positive job reference.	
	Complete an age-appropriate, part-time job application, including references.	

Income and Careers	**4th Grade** Expectations	**8th Grade** Additional Expectations	**12th Grade** Additional Expectations
Standard 2 Identify sources of personal income.	4th grade student can: Explain the difference between a wage and a salary. Identify jobs children can do to earn money. Give examples of sources of income other than a wage or salary.	8th grade student can: Define gift, rent, interest, dividend, capital gain, tip, commission, and business profit income. Explain the difference between earned and unearned income and give an example of each. Give an example of a government transfer payment. Describe how a local government assistance program can benefit people in the community.	High school graduate can: Explain the effect of inflation on income. Use a financial or online calculator to determine the future income needed to maintain a current standard of living.
Standard 3 Describe factors affecting take-home pay.	4th grade student can: Define tax and explain the difference between sales and income taxes. Give an example of how government uses tax revenues.	8th grade student can: Explain all items commonly withheld from gross pay. Give examples of employee benefits and explain why they are forms of compensation. Explain the difference between Social Security and Medicare programs.	High school graduate can: Explain the effect on take-home pay of changing the allowances claimed on an "Employee's Withholding Allowance Certificate" (IRS form W-4). Transfer information on "Wage and Tax Statement" (IRS form W-2) and "Interest Income" (IRS form 1099-INT) to "U.S. Individual Income Tax Return" (IRS form 1040) and comparable state income tax form. Complete "Income Tax Return for Single and Joint Filers with No Dependents" (IRS form 1040EZ) and comparable state income tax form. Examine the benefits of employer-sponsored savings plans and other options for shifting current income to the future.

Planning and Money Management

Overall Competency

Organize and plan personal finances and use a budget to manage cash flow.

4th Grade Expectations	**8th Grade** Additional Expectations	**12th Grade** Additional Expectations	
4th grade student can: Give examples of household expense categories and sources of income. Describe how to allocate a weekly allowance among the financial goals of spending, saving, and sharing.	8th grade student can: Prepare a personal spending diary. Calculate the sales tax for a given purchase. Discuss the components of a personal budget, including income, planned saving, taxes, and fixed and variable expenses. Given a household case study, calculate percentages for major expense categories.	High school graduate can: Explain how to use a budget to manage spending and achieve financial goals. Identify changes in personal spending behavior that contribute to wealth-building. Given a scenario, design a personal budget for a young person living alone. Analyze how changes in circumstances can affect a personal budget.	**Standard 1** Develop a plan for spending and saving.
4th grade student can: Prepare a personal property inventory, including locations and estimates of value.	8th grade student can: Set up a file system for household product information and warranties and financial documents such as receipts and account statements.	High school graduate can: Develop a filing system for keeping financial records, both paper and electronic. Describe recordkeeping features that financial institutions provide for online account management.	**Standard 2** Develop a system for keeping and using financial records.

Planning and Money Management	**4th Grade** Expectations	**8th Grade** Additional Expectations	**12th Grade** Additional Expectations
Standard 3 Describe how to use different payment methods.	4th grade student can: Describe different types of local financial institutions and explain the differences between them. Explain how checks and debit and credit cards work as payment methods.	8th grade student can: Discuss the advantages and disadvantages of different payment methods, such as stored-value cards, debit cards, and online payment systems. Compare the features and costs of a checking account and a debit card offered by different local financial institutions. Compare the costs of cashing a third-party check at various local financial institutions, including a check-cashing service.	High school graduate can: Demonstrate skill in basic financial tasks, including scheduling bill payments, writing a check, reconciling a checking/debit account statement, and monitoring printed and/or online account statements for accuracy.
Standard 4 Apply consumer skills to purchase decisions.	4th grade student can: Compare prices for the same item at two different stores. Apply systematic decision making to a personal age-appropriate purchase. Explain how peer pressure can affect spending decisions.	8th grade student can: Explain the relationship between spending practices and achieving financial goals. Give examples of how external factors, such as marketing and advertising techniques, might influence spending decisions for different individuals. Given an age-appropriate scenario, describe how to use systematic decision making to choose among courses of action that include a range of spending and non-spending alternatives.	High school graduate can: Apply comparison shopping skills to purchasing decisions. Given a personal finance scenario for a family of four, describe how to apply systematic decision making to choose among alternative consumer actions. Compare the benefits and costs of owning a house versus renting housing. Explain the elements of a standard apartment lease agreement. Describe the effect of inflation on buying power.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations	Planning and Money Management
4th grade student can: Identify a private charitable organization and the people it serves.	8th grade student can: Determine whether charitable giving fits one's budget and, if so, how much is appropriate.	High school graduate can: Use online charity-rating organizations to compare information about specific charities, such as the percentage of money spent on programs versus salaries and fundraising.	**Standard 5** Consider charitable giving.
4th grade student can: Give examples of household assets.	8th grade student can: Explain the difference, with examples, between assets and liabilities. Given a simplified case study, construct a net worth statement.	High school graduate can: Discuss the factors that affect net worth. Explain the difference, with examples, between cash inflows (including income) and cash outflows (including expense). Explain the difference between a cash flow statement and a budget. Given a simplified case study, construct a cash flow statement. Develop, monitor, and modify a personal financial plan, including goals, net worth statement, cash flow statement, insurance plan, investing plan, and a budget.	**Standard 6** Develop a personal financial plan.

Planning and Money Management

	4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations
Standard 7 Examine the purpose and importance of a will.	4th grade student can: Identify an item that a household member has inherited.	8th grade student can: Research the age at which an individual can write a valid will in the state of residence. Describe the main components of a simple will and research the typical cost of having one drafted.	High school graduate can: Identify the individuals and/or charitable organizations that are potential beneficiaries of personal property. Explain how the law in the state of residence specifies the disposition of an estate when there is no valid will. Explain the purpose and importance of a "living will" (durable power of attorney for health care).

Credit and Debt

Overall Competency

Maintain creditworthiness, borrow at favorable terms, and manage debt.

Standard 1

Identify the costs and benefits of various types of credit.

4th Grade Expectations	**8th Grade** Additional Expectations	**12th Grade** Additional Expectations
4th grade student can:	8th grade student can:	High school graduate can:
Explain the difference between buying with cash and buying with credit.	Explain how debit cards differ from credit cards.	Compare the cost of borrowing $1,000 by means of different consumer credit options.
Describe the advantages and disadvantages of using credit.	Explain how interest rate and loan length affect the cost of credit.	Define all required credit card disclosure terms and complete a typical credit card application.
Explain why financial institutions lend money.	Using a financial or online calculator, determine the total cost of repaying a loan under various rates of interest and over different periods.	Explain how credit card grace periods, methods of interest calculation, and fees affect borrowing costs.
Identify credit purchases that adults commonly make.	Give examples of "easy access" credit.	Using a financial or online calculator, compare the total cost of reducing a $1,000 credit card balance to zero with minimum payments versus above-minimum payments.
Explain why using a credit card is a form of borrowing.	Given an "easy access" loan amount and a two-week borrowing fee, calculate the interest rate for the loan period and its annual equivalent.	Given a scenario, apply systematic decision making to identify the most cost-effective option for purchasing a car.
	Discuss potential consequences of using "easy access" credit.	Identify various types of student loans and alternatives to loans as a means of paying for post-secondary education.
	Explain how students, homeowners, and business owners use debt as an "investment."	Identify various types of mortgage loans and mortgage lenders.
	Explain the potential consequences of deferred payment of student loans.	

Credit and Debt

	4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations
Standard 2 Explain the purpose of a credit record and identify borrowers' credit report rights.	4th grade student can: Describe the qualities that would be desirable in a person who borrows a favorite personal possession. Give examples of reasonable conditions to set for the use of borrowed personal property. Given a scenario, describe steps that a person could take to regain a lender's trust after losing or damaging borrowed personal property.	8th grade student can: Explain why it is important to establish a positive credit history. Explain the value of credit reports to borrowers and to lenders. Describe the information in a credit report and how long it is retained. Give examples of permissible uses of a credit report other than granting credit.	High school graduate can: Describe the elements of a credit score. Explain how a credit score affects creditworthiness and the cost of credit. Explain the factors that improve a credit score. Identify organizations that maintain consumer credit records. Explain the rights that people have to examine their credit reports. Analyze the information contained in a credit report, indicate the time that certain negative data can be retained, and describe how to dispute inaccurate entries. Discuss ways that a negative credit report can affect a consumer's financial future.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations	Credit and Debt
4th grade student can: List ways to avoid credit problems, including not overspending.	8th grade student can: Give examples of legal and illegal debt collection practices. Identify possible indicators of excessive debt.	High school graduate can: Describe possible consequences of excessive debt. List actions that a consumer could take to reduce or better manage excessive debt. Evaluate various credit counseling services. Describe the purpose of bankruptcy and its possible effects on assets, employability, and credit cost and availability. Given a scenario, write a billing dispute letter that states the problem, asks for specific action, includes references to copies of related documents, and provides contact information. Describe debtors' and creditors' rights related to wage garnishment and repossession when an overdue debt is not paid.	**Standard 3** Describe ways to avoid or correct credit problems.
	8th grade student can: Give examples of protections derived from consumer credit laws.	High school graduate can: Summarize consumer credit laws and the protections that they provide. Research online and printed sources of up-to-date information about consumer credit rights.	**Standard 4** Summarize major consumer credit laws.

Risk Management and Insurance

Overall Competency

Use appropriate and cost-effective risk management strategies.

	4th Grade Expectations	**8th Grade** Additional Expectations	**12th Grade** Additional Expectations
Standard 1 Identify common types of risks and basic risk management methods.	4th grade student can: Give examples of risks that individuals and households face. Given an age-appropriate activity such as riding a bicycle, analyze how to reduce and avoid different kinds of risk.	8th grade student can: Discuss the relationship between risk and insurance. Explain how insurance deductibles work. Determine how to evaluate an extended warranty.	High school graduate can: Give examples of how people manage risk through avoidance, reduction, retention, and transfer. Explain how to self-insure and give examples of circumstances in which self-insurance is appropriate. Recommend insurance for the types of risks that young adults might face.

Risk Managment and Insurance

Standard 2

Explain the purpose and importance of property and liability insurance protection.

4th Grade Expectations	**8th Grade** Additional Expectations	**12th Grade** Additional Expectations
4th grade student can: List valuable items that households commonly own. Describe how valuable items might be damaged or lost and ways to protect them.	8th grade student can: Identify the types of insurance that might cover accidental damage to another person's property. Give examples of the kinds of expenses that a typical auto insurance policy covers. Give examples of the kinds of expenses that a typical renter's policy and a typical homeowner's policy cover. Identify the factors that influence the cost of insurance for vehicles and housing.	High school graduate can: Differentiate among the main types of auto insurance coverage. List factors that can increase or reduce auto insurance premiums. Determine the legal minimum amounts of auto insurance coverage required in one's state of residence and recommend optimal amounts. Given a scenario, calculate the amount paid on an insurance claim after applying exclusions and deductibles. Compare the costs of auto insurance for the same vehicle, given two different deductibles and two different liability coverage limits. Explain the benefits of renter's insurance and compare policies from different companies.

Risk Management and Insurance

Standard 3
Explain the purpose and importance of health, disability, and life insurance protection.

4th Grade Expectations	**8th Grade** Additional Expectations	**12th Grade** Additional Expectations
4th grade student can: Explain why people need health insurance.	8th grade student can: List the main threats to household income and assets. Give examples of the kinds of expenses that health insurance can cover. Describe the purpose of disability insurance. Explain the primary purpose of life insurance and the characteristics of people who need it most.	High school graduate can: Analyze the conditions under which young adults need life, health, and disability insurance. Identify government programs that provide financial assistance for income loss due to illness, disability, or premature death. Compare sources of health and disability insurance coverage, including employee benefit plans. Explain the purpose of long-term care insurance.

Saving and Investing

Overall Competency

Implement a diversified investment strategy that is compatible with personal goals.

4th Grade Expectations	**8th Grade** Additional Expectations	**12th Grade** Additional Expectations	
4th grade student can:	8th grade student can:	High school graduate can:	**Standard 1** Discuss how saving contributes to financial well-being.
Describe the advantages and disadvantages of saving for a short-term goal. Describe ways that people can cut expenses to save more of their incomes.	Give examples of how saving money can improve financial well-being. Describe the advantages and disadvantages of saving for short- and medium-term goals. Explain the value of an emergency fund. Explain why saving is a prerequisite to investing.	Describe the advantages and disadvantages of saving for short-, medium-, and long-term goals. Identify and compare saving strategies, including "paying yourself first," using payroll deduction, and comparison shopping to spend less. Develop a definition of wealth based on personal values, priorities, and goals.	

Saving and Investing

	4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations
Standard 2 Explain how investing builds wealth and helps meet financial goals.	4th grade student can: Give an example of an investment and explain how it can grow in value.	8th grade student can: Apply systematic decision making to determine when to invest cash not needed for short-term spending or emergencies. Define the time value of money and explain how small amounts of money invested regularly over time grow exponentially. Use the Rule of 72 to estimate the time or interest rate needed to double an amount of money. Calculate and compare simple interest and compound interest earnings and explain the benefits of a compound rate of return. Determine the average, median, or estimated costs of a four-year college education, a wedding, a new business start-up, and the down payments on a new car and a house. Devise a periodic investment plan for accumulating the money for a four-year college education, a wedding, a new business startup, and the down payments on a new car and a house.	High school graduate can: Identify and compare strategies for investing, including participating in a company retirement plan. Describe the effect of inflation on investment growth. Given rate of return, and years, use a financial or online calculator to figure (a) the end value of an invested lump sum and (b) the lump sum needed to reach a specific investment goal. Given rate of return, years, and frequency, use a financial or online calculator to figure (a) the end value of an invested periodic amount and (b) the periodic amount needed to reach a specific investment goal. Explain the relative importance of the following sources of income in retirement: Social Security, employer retirement plans, and personal investments. Explain why games of chance are not good investments for building wealth.

Standard 3
Evaluate investment alternatives.

4th Grade Expectations	8th Grade Additional Expectations	12th Grade Additional Expectations
4th grade student can:	8th grade student can:	High school graduate can:
List the advantages of investing money with a financial institution.	Explain how stocks and bonds differ as investments.	Discuss common types of investment risk.
Give an example of an investment that allows relatively quick and easy access to funds.	Compare investing in individual stocks and bonds with investing in stock or bond mutual funds.	Compare the risks and returns of various investments.
Compare the main features of interest-earning accounts at local financial institutions.	Compare the investment potential of stocks, bonds, and real estate to collectibles and precious metals.	Calculate investment growth given different amounts, times, rates of return, and frequency of compounding.
	Explain how inflation affects investment returns.	Describe the benefits of a diversified investment portfolio.
	Explain how to match investments to financial goals.	Identify the appropriate types of investments to achieve the objectives of liquidity, income, and growth.
		Identify the appropriate types of investments for accumulating the money for a four-year college education, a wedding, a new business startup, the down payments on a new car and a house, and retirement.
		Use systematic decision making to select an investment.

Saving and Investing	**4th Grade** Expectations	**8th Grade** Additional Expectations	**12th Grade** Additional Expectations
Standard 4 Describe how to buy and sell investments.	4th grade student can: Compare the rates of return on basic savings accounts at different financial institutions.	8th grade student can: Identify and describe various sources of investment information, including prospectuses, online resources, and financial publications. Interpret the financial market quotations of a stock and a mutual fund. Research and track a publicly traded stock and record daily market values between two specified dates.	High school graduate can: Analyze how economic and business factors affect the market value of a stock. Compare the investment objectives and historical rates of returns in two mutual fund prospectuses. Compare the advantages and disadvantages of buying and selling investments through various channels, including financial advisors, investment clubs, and online brokers. Describe the benefits of dollar-cost averaging and calculate the average cost per share of investments using this strategy.
Standard 5 Explain how taxes affect the rate of return on investments.		8th grade student can: Identify the income tax–free earnings limit for an investor under the age of 18. Identify the tax rate for dividends.	High school graduate can: Compare the returns of taxable investments with those that are tax-exempt or tax-deferred. Contrast the benefits of a traditional IRA versus a Roth IRA. Describe the advantages provided by employer-sponsored retirement savings plans, including 401(k) and related plans.
Standard 6 Investigate how agencies that regulate financial markets protect investors.		8th grade student can: Explain how deposit insurance protects investors.	High school graduate can: Explain how federal and state regulators protect investors.

Knowledge Statements

These statements show relationships among the key concepts underlying the standards and expectations. They provide further guidance for publishers as they develop and revise curricula and for educators as they select classroom materials and plan lessons.

The statements are by no means an exhaustive outline of personal finance instruction. They merely suggest the scope of, and relationships among, the topics that the standards cover.

Financial Responsibility and Decision Making

Overall Competency

Apply reliable information and systematic decision making to personal financial decisions.

4th Grade Students will know that:	**8th Grade** Students will exhibit grade 4 knowledge, plus:	**12th Grade** Students will exhibit grades 4 and 8 knowledge, plus:
1. People make choices because they have limited financial resources and cannot have everything they want. 2. A first step toward reaching financial goals is to identify wants/needs and rank them in order of importance. 3. Systematic decision making can help people make money choices. 4. To make a decision, careful consumers compare the benefits and costs of spending alternatives. 5. Information about goods and services comes from many sources. 6. Every spending decision has an opportunity cost.	1. Financial choices that people make have benefits, costs, and future consequences. 2. A key to financial well-being is to spend less than you earn. 3. A consumer should not rely on advertising claims as the sole source of information about goods and services. 4. Comparison shopping helps consumers get the best value for their money.	1. Financially responsible individuals accept the fact that they are accountable for their financial futures. 2. Attitudes and values affect financial decisions. 3. Financial advice is available from a variety of sources, such as professional financial advisors, books, and the Internet. 4. Many factors, such as role models and peer pressure, affect spending patterns.

Income and Careers

Overall Competency

Use a career plan to develop personal income potential.

4th Grade Students will know that:	**8th Grade** Students will exhibit grade 4 knowledge, plus:	**12th Grade** Students will exhibit grades 4 and 8 knowledge, plus:
1. People can acquire income in several ways, including wages, salaries, and money gifts. 2. Income can be earned or unearned. 3. Workers can improve their ability to earn income by gaining new knowledge, skills, and experiences. 4. Many workers receive employee benefits in addition to their pay. 5. Entrepreneurs, who work for themselves by starting new businesses, hope to earn a profit, but accept the risk of a loss.	1. People can earn income from rent and interest. 2. Wages/salaries minus payroll deductions equal take-home pay. 3. Inflation reduces the purchasing power of income. 4. Government transfer payments provide unearned income to some households. 5. Generally, people earn higher incomes with higher levels of education.	1. People's income reflects choices they have made about jobs and careers, education, and skill development. 2. The wages/salaries paid for a given job depend on a worker's skills and education, plus the importance of the work to society and the supply of and demand for qualified workers. 3. Social Security and Medicare are government programs that provide insurance against some loss of income and benefits to eligible recipients. 4. Social Security and Medicare are funded by a compulsory payroll tax. 5. People pay taxes on many types of income, such as wages or salaries, interest, dividends, capital gains, tips, commissions, and profit from a self-owned business. 6. Deductions, exemptions, and credits reduce taxable income.

Planning and Money Management

Overall Competency

Organize personal finances and use a budget to manage cash flow.

4th Grade Students will know that:	**8th Grade** Students will exhibit grade 4 knowledge, plus:	**12th Grade** Students will exhibit grades 4 and 8 knowledge, plus:
1. A budget is a plan for using income productively, including spending, sharing, and setting money aside for future expenses. 2. People pay for goods and services in different ways. 3. People are required to pay taxes, for which they receive government services.	1. People perform basic financial tasks to manage money. 2. A budget identifies expected income and expenses, including saving, and serves as a guide to help people live within their income. 3. Some payment methods are more expensive than others.	1. Formal complaints and government/community agencies can help consumers resolve problems with goods and services. 2. A personal financial plan should include the following components: financial goals, a net worth statement, an income and expense record, an insurance plan, a saving and investing plan, and a budget. 3. Legal documents, such as wills, are an important part of financial planning.

Credit and Debt

Overall Competency

Maintain creditworthiness, borrow at favorable terms, and manage debt.

4th Grade Students will know that:	**8th Grade** Students will exhibit grade 4 knowledge, plus:	**12th Grade** Students will exhibit grades 4 and 8 knowledge, plus:
1. Credit is a basic financial tool. 2. Borrowing money to buy something usually costs more than paying cash because there is a fee for credit (interest). 3. Responsible borrowers repay as promised, showing that they are worthy of getting credit in the future.	1. Comparing the costs and benefits of buying on credit is key to making a good purchase decision. 2. For any given loan amount and interest rate, the longer the loan period, the smaller the monthly payment and the larger the total cost of credit. 3. Consumers can choose from a variety of credit sources. 4. Credit bureaus maintain credit reports, which record borrowers' histories of repaying loans. 5. Sometimes people borrow more money than they can repay, which can have consequences such as the repossession and garnishment.	1. Leasing, borrowing to buy, and rent-to-own options have different contract terms and costs. 2. Making minimum payments on credit card balances increases the total cost and repayment time. 3. Understanding credit card disclosure information is key to controlling borrowing costs. 4. Consumers with excessive debt have a number of options, including loan consolidation and renegotiation of repayment schedules. 5. Bankruptcy provides debt relief, but has serious negative consequences. 6. Negative information in credit reports can affect your financial future. 7. Laws and regulations offer specific protections for borrowers.

Risk Management and Insurance

Overall Competency

Use appropriate and cost-effective risk management strategies.

4th Grade Students will know that:	**8th Grade** Students will exhibit grade 4 knowledge, plus:	**12th Grade** Students will exhibit grades 4 and 8 knowledge, plus:
1. Risk is a part of daily life. 2. People have choices for dealing with risk.	1. Risk management strategies include risk avoidance, risk control, and risk transfer through insurance. 2. Laws and regulations exist to protect consumers from a variety of seller and lender abuses.	1. People purchase insurance to transfer the risk of financial loss. 2. Online transactions can make consumers vulnerable to privacy infringement and identity theft.

Saving and Investing

Overall Competency

Implement a diversified investment strategy that is compatible with personal goals.

4th Grade Students will know that:	**8th Grade** Students will exhibit grade 4 knowledge, plus:	**12th Grade** Students will exhibit grades 4 and 8 knowledge, plus:
1. People save for future financial goals. 2. Every saving decision has an opportunity cost. 3. Banks, savings and loan associations, and credit unions are places people can invest money and earn interest. 4. Piggy banks are places to hold savings. Savings accounts and savings bonds are ways to earn money from income not spent.	1. Saving means setting income aside for emergencies and immediate needs. Investing means putting money to work earning more money for the future. Funds for investing often come from current income not spent. 2. Investments differ in their potential rate of return, liquidity, and level of risk. 3. There is usually a positive relationship between the average annual return on an investment and its risk. 4. Compound interest is money earned on both principal and previously earned interest. 5. Inflation reduces the return on an investment. 6. The Rule of 72 is a tool for estimating the time or rate of return required to double a sum of money. 7. Investors can get information from many sources. 8. People can buy and sell investments in different ways.	1. Employer-sponsored savings plans enable workers to shift some current income to the future, often with tax advantages. 2. Generally, the more uncertain the future value of an asset, the greater the return. 3. Tax-exempt and tax-deferred investments significantly increase an investor's total return over time. 4. Wealth increases with regular investment, time, and frequent compounding. 5. Diversification reduces risk by spreading assets among several types of investments and industry sectors. 6. Dollar-cost averaging lowers investment costs over time and promotes regular investing. 7. Mutual funds pool investors' deposits to purchase securities. 8. Government agencies, such as the U.S. Securities and Exchange Commission, Federal Deposit Insurance Corporation, and state regulators, oversee the securities and banking industries and combat fraud.

Glossary

Advertising
An announcement—usually paid—of a product's or service's benefits that is intended to encourage its purchase.

Asset
An item with economic value that an individual or organization owns, such as stocks, real estate, personal property, and business equipment.

Annual Percentage Rate (APR)
The percentage cost of credit on an annual basis, which must be disclosed by law. Example 1: A $100 loan repaid in its entirety after one year with a $10 finance charge ($9 interest plus a $1 service fee) has an APR of 10%. Example 2: A $100 one-year loan with a $10 finance charge repaid in twelve equal installments (meaning the borrower has the use of less and less of the loan principal each month) has an APR of 18%.

Annual Percentage Yield (APY)
The annual rate of return on an investment, which must be disclosed by law and which varies by the frequency of compounding. Example 1: A $1,000 investment that earns 6% *per year* pays $60 at year-end and has an APY of 6%. Example 2: A $1,000 investment that earns 0.5% *per month* (6%/12) pays $61.68 in one year and has an APY of 6.17%. Example 3: A $1,000 investment that earns 0.0164% *per day* (6%/365) pays $61.83 in one year and has an APY of 6.18%.

Automated Teller Machine (ATM)
A computer terminal used to conduct business with a financial institution or purchase items such as postage stamps or transportation tickets; also known as a cash machine.

Bankruptcy
A state of being legally released from the obligation to repay some or all debt in exchange for the forced loss of certain assets. A court's determination of personal bankruptcy remains in a consumer's credit record for 10 years.

Bankruptcy Abuse Prevention and Consumer Protection Act
A revision of bankruptcy law intended to make the system fairer for creditors and debtors and make affordable credit available to more people.

Bank
A state or federally chartered for-profit financial institution that offers commercial and consumer loans and other financial services.

Beneficiary
A person or organization named to receive assets after an individual's death.

Bond
A certificate representing the purchaser's agreement to lend a business or government money on the promise that the debt will be paid — with interest — at a specific time.

Budget
1. A spending plan. 2. A record of projected and actual income and expenses over a period.

Business plan
A description of a company's organizational structure, staff, activities, and marketing and financial plans, including expected sources of income and expenses.

Capital gain
Income that results when the selling price of an asset is greater than the original purchase price.

Capital loss
Monetary loss that occurs when the selling price of an asset is less than the original amount invested.

Career
A profession or field of employment for which one studies or trains, such as financial services or medicine. (See **Job**.)

Cash flow statement
A summary of receipts and payments for a given period, helpful when preparing a budget; also known as an income and expense statement.

Charitable gift
Aid to those in need.

Closed-end credit
A specific-purpose loan requiring repayment with interest and any other finance charges by a specific date. Examples include most mortgages or auto loans.

Collateral
Property that a borrower promises to give up to a lender in case of default.

Collectibles
Physical objects—such as fine art, stamps, and antiques—that an investor buys in the hope that they will grow in value.

Collection agency
A business that specializes in obtaining payments from debtors who have defaulted on their loans.

Comparison shopping
The process of seeking information about products and services to find the best quality or utility at the best price.

Compensation
Payment and benefits for work performed; also payment to injured or unemployed workers or their dependents.

Complaint
An expression of dissatisfaction with a product or service, often in the form of a letter to the seller or manufacturer documenting the problem and stating the desired solution.

Compounding
Calculating interest on both principal and previously earned interest.

Contract
A legally binding agreement between two or more parties.

Credit
An agreement to provide goods, services, or money in exchange for future payments with interest by a specific date or according to a specific schedule. The use of someone else's money for a fee. (See **Open-end credit**, **Closed-end credit**, and **Easy-access credit**.)

Credit card
A plastic card that authorizes the delivery of goods and services in exchange for future payment with interest, according to a specific schedule.

Credit counseling service
An organization that provides debt and money management advice and assistance to people with debt problems.

Credit report
An official record of a borrower's credit history, including such information as the amount and type of credit used, outstanding balances, and any delinquencies, bankruptcies, or tax liens.

Credit score
A statistical measure of a loan applicant's creditworthiness, which is the likelihood of repayment.

Credit union
A state or federally chartered not-for-profit financial cooperative that provides financial services to its member-owners, who have met specific employment, residence, or other eligibility requirements.

Creditworthy
The presumption that a specific borrower has sufficient assets, income, and/or inclination to repay a loan.

Decision making, systematic
A method of selecting a course of action after gathering and evaluating information and considering the costs and benefits of various alternatives and consequences.

Debit card
A plastic card that provides access to electronic funds transfer (EFT) from an automated teller machine (ATM) or a point-of-sale (POS) terminal.

Debt
Something owed, usually measured in dollars.

Deductible
The dollar amount or percentage of a loss that is not insured, as specified in an insurance policy.

Default
The failure to meet a financial obligation or agreement.

Dependent
A person who relies on another individual for support.

Disposable income
Gross pay minus deductions for taxes.

Diversification
A strategy for reducing some types of risk by selecting a wide variety of investments.

Dividends
Earnings from corporate stock or credit union share accounts.

Dollar-cost averaging
A method of investing a fixed amount in the same type of investment at regular intervals, regardless of price.

Earned income
Earnings from employment, including commissions and tips.

Easy-access credit
Short-term loans granted regardless of credit history, often for very short periods and at high interest rates. (See **Pawnshops**, **Payday loans**, **Rent-to-own**, and **Title loans**.)

Electronic Funds Transfer (EFT)
The shifting of money from one financial institution account to another without the physical movement of cash.

Emergency fund
Money set aside for unexpected expenses or for living costs in case of job loss.

Employee benefit
Compensation that an employee receives in addition to a wage or salary. Examples include health insurance, life insurance, childcare, and subsidized meals.

Employer-sponsored retirement savings plan
Tax-deferred investment programs, such as 401(k) plans for corporate employees and Section 457 plans for state and local government employees, which provide, in some cases, employer matching funds.

Entrepreneur
An individual who conceives of, establishes, operates, and assumes the risks of a business.

Equal Credit Opportunity Act
A federal law that forbids lenders from discriminating against loan applicants on the basis of gender, race, marital status, religion, national origin, age, or receipt of public assistance.

Equity
Stock ownership in a corporation.

Estate
The assets and debts that a person leaves at death.

Ethics
A set of moral principles or beliefs that govern an individual's actions.

Expense
The cost of goods and services, including those that are fixed (such as rent and auto loan payments) and those that are variable (such as food, clothing, and entertainment).

Fair and Accurate Credit Transactions Act (FACT Act)
A federal law that gives consumers more ways to recover their credit reputations after they have been victims of identity theft, and allows consumers to request one free copy of their credit reports from the major credit reporting agencies each year.

Fair Credit and Charge Card Disclosure Act
A part of the Truth in Lending Act that mandates a description of key features and costs—such as APR, grace period, balance calculation, annual fees, and penalty fees—on credit card applications.

Fair Credit Billing Act
A federal law that addresses billing problems with open-end credit accounts by requiring, for example, that consumers send a written error notice within 60 days of receiving the first bill containing the error, and preventing creditors from damaging a consumer's credit rating during a pending dispute.

Fair Credit Reporting Act
A federal law that covers the reporting of debt repayment information, requiring, for example, the removal of certain information after seven or ten years, and giving consumers the right to know what is in their credit reports, to dispute inaccurate information, and to add a brief statement explaining accurate negative information.

Fair Debt Collection Practices Act
A federal law that prohibits debt collectors from engaging in unfair, deceptive, or abusive practices, such as calling consumers at work after being told not to.

FICA
Federal Insurance Contributions Act. (See **Social Security**.)

Finance charge
The total dollar amount paid for credit. Example: A $100 loan repaid with $9 interest plus a $1 service fee has a finance charge of $10.

Financial adviser
A person who provides financial information and advice. Examples include employee benefits staff, bank and credit union employees, credit counselors, brokers, financial planners, accountants, insurance agents, and attorneys.

Financial goals
Desired results from one's efforts to achieve personal economic satisfaction.

Financial literacy
The ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security.

Financial plan
A report that identifies a person's financial goals, needs, and expected future earning, saving, investing, insurance, and debt management activities; it typically includes a statement of net worth.

Fraud
Intentional and illegal deception, misrepresentation, or concealment of information for monetary gain.

Garnishment
A court-sanctioned procedure that sets aside a portion of an employee's wages to pay a financial obligation.

Grace period
A time during which a borrower can pay the full balance of credit due and not incur finance charges or pay an insurance premium without penalty.

Gross pay
Wages or salary before deductions for taxes and other purposes.

Identity theft
The crime of using another person's name, credit or debit card number, Social Security number, or another piece of personal information to commit fraud.

Impulse buying
Purchasing goods or services without considering needs, goals, or consequences.

Income
Money earned from investments and employment.

Individual Retirement Account (IRA)
An investment with specific tax advantages. A traditional IRA defers taxes on earnings until withdrawal and, under certain circumstances, allows the deduction of some contributions from current taxable income. A Roth IRA requires after-tax contributions only, but allows tax-free withdrawals under certain rules.

Inflation
An overall rise in the price of goods and services; the opposite of the less common deflation.

IRA
(See **Individual Retirement Account**.)

Insurance
A risk management tool that protects an individual from specific financial losses under specific terms and premium payments, as described in a written policy document. Major types include:

> **Auto** – Provides liability and property damage coverage under specific circumstances.
>
> **Disability** – Replaces a portion of income lost when a person cannot work because of illness or injury.
>
> **Health** – Covers specific medical costs associated with illness, injury, and disability.
>
> **Homeowners** – Provides property damage and liability coverage under specific circumstances.
>
> **Liability** – Protects the insured party from others' claims of loss due to the insured's alleged or actual negligence or improper actions.
>
> **Life** – Protects dependents from loss of income, debt-repayment, and other expenses after the death of the insured party.
>
> **Long-term care** – Covers specific costs of custodial care in a nursing facility or at home.
>
> **Renters** – Protects from losses due to damage to the contents of a dwelling rather than the dwelling itself.

Interest
1. Cost of borrowing money. 2. Earnings from lending money.

Interest income
Money that financial institutions, governments, or corporations pay for the use of investors' money.

Investing
Purchasing securities such as stocks, bonds, and mutual funds with the goal of increasing wealth over time, but with the risk of loss.

Job
A position of employment with specific duties and compensation. (See **Career**.)

Lease
A written contract specifying the terms for the use of an asset and the legal responsibilities of both parties to the agreement, such as a landlord and tenant.

Liability
An actual or potential financial obligation.

Liquidity
The quality of an asset that permits it to be converted quickly into cash without loss of value. For example, a mutual fund is more liquid than real estate.

Living will
A document that contains the signer's desires for specific medical treatment in case the person is unable to make medical decisions; also known as a health care directive.

Loan shark
A person who lends money at an exorbitant rate of interest.

Medicaid
A program, financed by state and federal government tax revenues, to pay specified health care costs care for those who cannot afford them.

Medicare
A federal government program, financed by deductions from wages, that pays for certain health care expenses for older citizens. The Social Security Administration manages the program.

Mortgage
A long-term loan to buy real estate, that is, land and the structures on it.

Mutual fund
An investment tool that pools the money of many shareholders and invests it in a diversified portfolio of securities, such as stocks, bonds, and money market assets.

Net worth
A measure of a person's financial condition at a given time, equal to what that person owns (assets) minus what that person owes (liabilities).

Open-end credit
An agreement with a financial institution that gives a borrower the use of money up to a specified limit for an indefinite time as long as repayment of the outstanding balance and finance charge proceeds on schedule; also known as revolving credit or a revolving line of credit. A credit card is an example.

Opportunity cost
The value of possible alternatives that a person gives up when making one choice instead of another; also known as a trade-off.

Pawnshop
An easy-access credit business that makes

high-interest loans secured by personal property collateral, such as jewelry.

Payday loan
An easy-access credit business that makes high-interest loans for the period of the borrower's pay cycle. This practice is illegal in some states.

Payment method
The means of settling a financial obligation, such as by cash, check, credit card, debit card, smart card, or stored value card.

Payroll deduction
An amount an employer withholds from a paycheck. Mandatory deductions include various taxes. Voluntary deductions include loan payments, charitable contributions, and direct deposits into financial institution accounts.

Peer pressure
The influence that a social group has on an individual, based on the individual's desire for the group's approval.

Pension Protection Act
A federal law that attempts to strengthen employees' retirement security by, among other things, allowing employers to automatically enroll employees in retirement savings plans.

Personal finance
The principles and methods that individuals use to acquire and manage income and assets.

Philanthropy
The act of voluntarily contributing to others' welfare.

Point of sale (POS)
The location where a transaction occurs. POS software can track sales, inventory, and customer information.

Portfolio
A collection of securities—such as stocks, bonds, mutual funds, and real estate—that an individual investor owns.

Principal
1. An amount of money originally invested, excluding any interest or dividends. 2. An amount borrowed, or an outstanding loan balance.

Privacy
Freedom from unauthorized release of personal information.

Probate court
The government institution with jurisdiction over a deceased person's will and estate.

Profit
The positive difference between total revenue and total expenses of a business or investment.

Prospectus
A legal document that provides detailed information about mutual funds, stocks, bonds, and other investments offered for sale, as required by the Securities and Exchange Commission.

Rate of return
Annual earnings on an investment expressed as a percentage of the amount invested; also known as yield. Example: A $3 annual dividend divided by $34 share cost = 0.088, an 8.8% rate of return.

Recordkeeping
The process of keeping an orderly account of a person's financial affairs, including income earned, taxes paid, household expenditures, loans, insurance policies, and legal documents.

Rent
A periodic fee for the use of property.

Rent-to-own
A plan to buy a product with little or no down payment by renting it until the final payment is made, at which point the total paid far exceeds the product's purchase price.

Repossession
Confiscation of collateral, often without notice, if a borrower defaults on a loan.

Risk
A measure of the likelihood of loss or the uncertainty of an investment's rate of return.

Risk management
The process of calculating risk and devising methods to minimize or manage loss, for example, by buying insurance or diversifying investments.

Rule of 72
A rough calculation of the time or interest rate needed to double the value of an investment. Example: To figure how many years it will take to double a lump sum invested at an annual rate of 8%, divide 72 by 8, for a result of 9 years.)

Scam
A fraudulent or deceptive act.

Salary
Compensation for work, expressed as an annual sum and paid in prorated portions regularly— usually weekly, bi-weekly, or monthly. (See **Wage**.)

Saving
The process of setting income aside for future spending. Saving provides ready cash for emergencies and short-term goals, and funds for investing.

Savings account
A financial institution deposit account that pays interest and allows withdrawals.

Savings bond
A document representing a loan of more than one year to the U.S. government, to be repaid, with interest on a specified date.

Savings and loan association (S&L)
A state or federally chartered for-profit financial institution that pays dividends on deposits and makes mortgage loans.

Security
1. A legal agreement that records a debt or equity obligation from a corporation, government, or other organization. Examples include stocks and bonds. 2. Collateral for a loan.

Simple interest
Interest calculated periodically on loan principal or investment principal only, not on previously earned interest.

Social Security
A federal government program that provides retirement, survivor's, and disability benefits, funded by a tax on income, which appears on workers' pay stubs as a deduction labeled FICA (for Federal Insurance Contributions Act, the enabling legislation).

Spending plan
Another name for budget.

Standard of living
The overall degree of comfort of an individual, household, or population, as measured by the amount of goods and services its members consume.

Stock
An investment that represents shares of ownership of the assets and earnings of a corporation.

Stored-value card
Prepaid plastic card that allows purchases up to a set limit, at which point the card is discarded or, if "rechargeable," replenished from an account.

Take-home pay
Gross wage or salary, plus bonuses, minus deductions such as for taxes, health care premiums, and retirement savings.

Tax
A government fee on business and individual income, activities, or products.

Tax credit
An amount that a taxpayer who meets certain criteria can subtract from tax owed. Examples include a credit for earned income below a certain limit and for qualified post-secondary school expenses. (See **Tax deduction** and **Tax exemption**.)

Tax deduction
An expense that a taxpayer can subtract from taxable income. Examples include deductions for home mortgage interest and for charitable gifts. (See **Tax credit** and **Tax exemption**.)

Tax deferral
The feature of an investment in which taxes due on principal and/or earnings are postponed until funds are withdrawn, often at retirement.

Tax exemption
Earnings, such as interest from municipal bonds, that are free of certain taxes. (See **Tax credit** and **Tax deduction**.)

Time value of money
The potential of an investment to increase in value through periodically compounded earnings.

Tip
An amount paid for a service beyond what's required, usually to express satisfaction; also known as a gratuity.

Title loan
A high-cost, short-term loan that uses the borrower's automobile as collateral.

Transfer payment
Money that a government provides to citizens for reasons other than current employment or the delivery of goods or services in exchange. Examples include Social Security, veteran's benefits, and welfare.

Trust
A legal arrangement through which a trustor manages a trustee's assets for the good of one or more beneficiaries.

Truth in Lending Act
A federal law that requires financial institutions to disclose specific information about the terms and cost of credit, including the finance charge and the annual percentage rate (APR).

Truth in Savings Act
A federal law that requires financial institutions to disclose specific information about the terms and costs of interest-earning accounts—such as annual percentage yield (APY)—and certain other financial services.

Unearned income
Earnings from sources other than employment, including investment returns and royalties.

Values
An individual's beliefs about what is important, desirable, and worthwhile, which often influence decisions.

Wage
Compensation for work, usually calculated on an hourly, daily, or piecework basis and paid on schedule—usually weekly, biweekly, or monthly. (See **Salary**.)

Warranty
A written guarantee from the manufacturer or distributor that specifies the conditions under which the product can be returned, replaced, or repaired.

Wealth
Accumulated assets; positive net worth.

Welfare
Aid in the form of money or necessities for those in need; often from a government program.

Will
A legal declaration of a person's wishes for the disposition of his or her estate after death.

Independent Reviewers

Janice Arsenault	Winnacunnet High School, Hampton NH
Anne Bannister	Personal Finance Education Services, Inc.
Ted Beck	National Endowment for Financial Education
Phyllis Bernstein	Phyllis Bernstein Consulting, Inc.
Judy Branch	University of Vermont Extension
Stanley H. Breitbard	PricewaterhouseCoopers (Retired)
Amy Broekhuizen	East Kentwood High School, Kentwood, MI
Sharon Burns	Association for Financial Counseling and Planning Education
Nancy Butler	Meadows Elementary School, Valencia, CA
William P. Cheeks	Jump$tart Coalition for Personal Financial Literacy
John E. Clow	State University of New York at Oneonta
Kathy Crim	Texas Dow Employees Credit Union
Sue Duncan	ICI Education Foundation
Pamela Erwin	Wells Fargo Foundation CA, Wells Fargo Bank
Gladys Everts	Wachovia
Beth Gladden	Florida Department of Education, Office of Work Force
Sue B. Helmreich	Ohio Credit Union League
Chisato Kanagi	Peachland Elementary School, Newhall, CA
Claudia M. Kerbel	University of Rhode Island Extension
Anthony D. Knox	Coronado High School, Henderson, NV
April Lewis-Parks	Consolidated Credit Counseling Services, Inc.
Leslie E. Linfield	Institute for Financial Literacy, Inc.
Darrell A. Luzzo	Junior Achievement
Lewis Mandell	State University of New York at Buffalo
Wayne Marks	Foundation for Investor Education
Glen Matthews	New Century Charter School, Hutchinson, MN
Robert Mitchell	Maine Council for Economic Education
John Morton	Arizona Council on Economic Education
Barbara O'Neill	Cooperative Extension, Rutgers University
John Parfrey	National Endowment for Financial Education
Helene Raynaud	National Foundation for Credit Counseling
Victor Salama	National Foundation for Teaching Entrepreneurship
Judith Sams	Virginia Department of Education
Robert Sansome	KidsWealth USA, Inc.
Mike Schenk	CUNA Inc.
Leslie Stein	Mortgage Bankers Association
Stephanie Stilson	Junior Achievement
Mary Suiter	Federal Reserve Bank of St. Louis
Michael Sullivan	Take Charge America
Maxine Sweet	Experian
Jason Terrell	Insurance Education Institute
Susan Tiffany	CUNA Inc.
Erica Tobe	Michigan State University Extension
Shawna Traver	Crest View Elementary
William E. Wilcox	CBM Credit Education Foundation

Attachment
Section 9

Jump$tart
State Requirements
Map

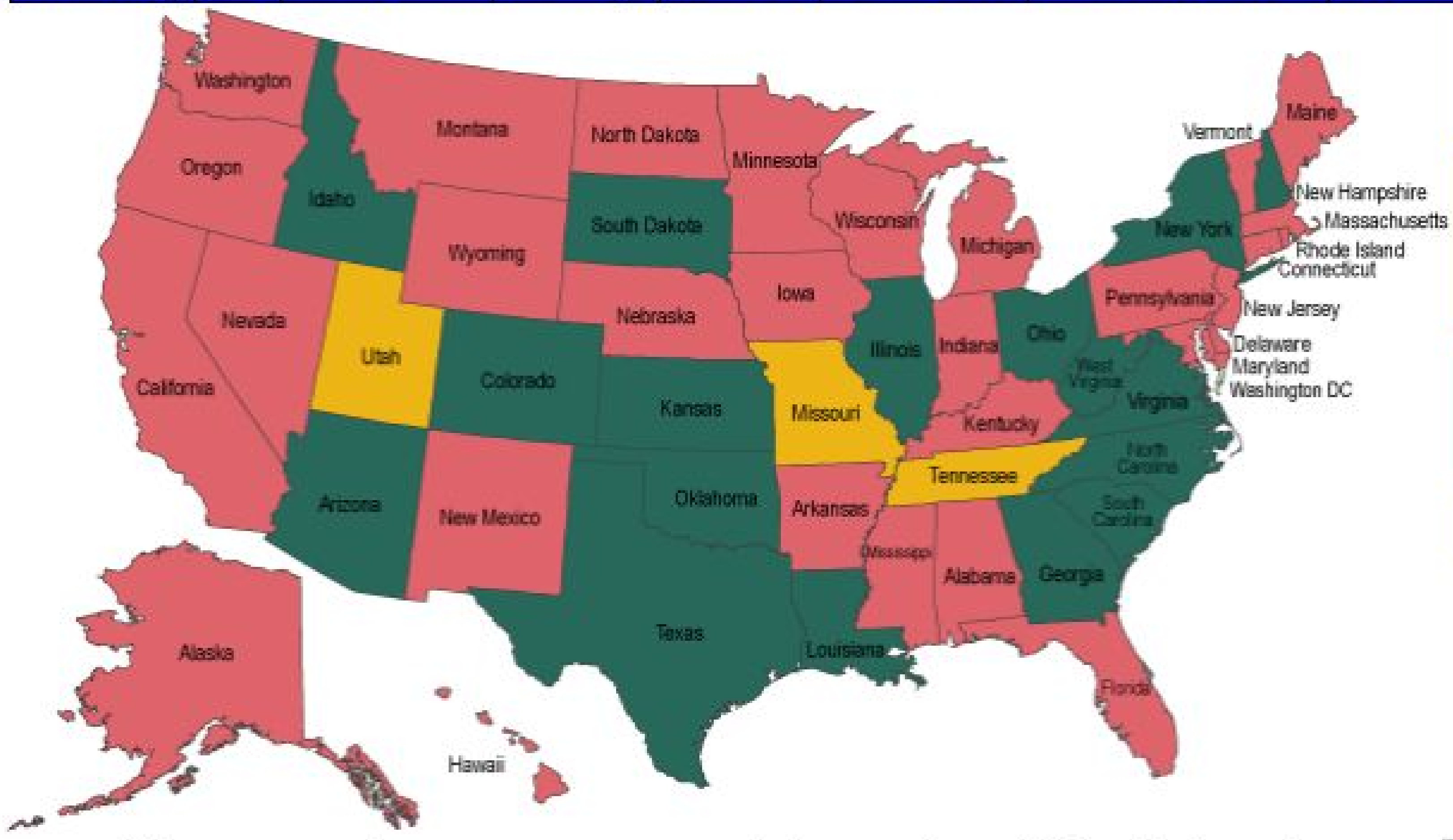
1 page

JUMP$TART! FINANCIAL SMARTS FOR STUDENTS

Jump$tart Coalition for Personal Financial Literacy

State Financial Education Requirements

FINANCIAL SMARTS FOR STUDENTS



Requires at least a one-semester course devoted to personal finance. 3 States

Requires personal finance instruction incorporated into other subject matter. 17 States

No requirement (although personal finance may be taught electively).

Instructions

Roll your cursor over a state to view current financial education requirements for that state. Click on the state name for additional information about the requirement.

Click a State on the Map or a State Name below to view additional information.

State	Year	Authorization
Alabama		
Alaska		
Arizona	2007	Arizona Board of Education Rule Change R7-2-302.01
Arkansas		
California		
Colorado	2008	HOUSE BILL 08-1168
Connecticut		
Delaware		
Florida		
Georgia	2004	GA State Board of Education
Hawaii		
Idaho	2007	ID State Board of Education
Illinois	2006	IL SB 2191 / Public Act 094-0929
Indiana		
Iowa		
Kansas	2003	KS SB 74
Kentucky		
Louisiana	2003	SB 38 / ACT 296
Maine		
Maryland		
Massachusetts		
Michigan		
Minnesota		
Mississippi		
Missouri	2006	MO Department of Education Rule Chapter 5c50-345
Montana		
Nebraska		
Nevada		
New Hampshire	2008	Ed 306.27(m)
New Jersey		
New Mexico		
New York	2007	NY State Regulation 100.5
North Carolina	2005	HB 16 / SB 912
North Dakota		
Ohio	2007	OH SB 311
Oklahoma	2007	OK HB 1476
Oregon		
Pennsylvania		
Puerto Rico		
Rhode Island		
South Carolina	2005	SC HB 3020
South Dakota	2005	SD Board of Education Rule 24:43:11:02
Tennessee	2006	TN SB 3741 / TN HB 3753
Texas	2005	TX HB 492
Utah	2003	UT SB 154
Vermont		
Virginia	2005	VA SB 950
Washington		
Washington D.C.		
West Virginia	2006	WV HB 2837
Wisconsin		
Wyoming		

Report Changes To Your State's Requirements

The Jump$tart Coalition for Personal Financial Literacy
919 18th Street, N.W. Suite 300 Washington, DC 20006
Phone: (888) 45-EDUCATE
Fax: (202) 223-0321
Email: info@jumpstartcoalition.org

Attachment
Section 10

Financial Literacy
Public Private Partnership
2006 Report

12 pages

SUPERINTENDENT OF PUBLIC INSTRUCTION

DR. TERRY BERGESON OLD CAPITOL BUILDING • PO BOX 47200 • OLYMPIA WA 98504-7200 • http://www.k12.wa.us

Date: June 29, 2006

To: The Honorable Christine Gregoire, Governor
The Honorable Members of the House Financial Institutions and Insurance Committee
The Honorable Members of the Senate Financial Institutions, Housing, and Consumer Protection Committee
The Honorable Members of the House Education Committee
The Honorable Members of the Senate Education Committee

From: The Financial Literacy Public Private Partnership Committee

Re: Interim report on the progress of the financial literacy public private partnership committee

The Financial Literacy Public Private Partnership committee is pleased to provide the attached interim report on the substantial progress toward improving the amount and quality of financial literacy education in the Washington state's K-12 system. This report complies with the requirements of RCW 28A.300.450, et. seq. to provide an interim report on the activities of the legislatively created financial literacy public private partnership committee. The final report of the committee will be delivered June 30, 2007.

Enclosure

cc: Financial Literacy Public Private Partnership Committee Members
Terry Bergeson, State Superintendent of Public Instruction
Bob Butts, Interim Executive Director, State Board of Education

Interim Report of the Financial Literacy Public Private Partnership

Executive Summary

The 2004 legislature enacted SHB 2455, which became RCW 28A.300.450, et. seq., with the intent that the created Financial Literacy Public Private Partnership (FLPPP) committee would institute actions to increase and improve the financial literacy curriculum in Washington state's K-12 system. Pursuant to the legislative directives, the committee was appointed, formed, and began working in a true public-private partnership with active and enthusiastic contributions from all of the designated parties.

In the two years since enactment, the members of the committee have been able to expand both the quantity and quality of financial literacy materials presented to students. Equally impressive are the processes arising out of this effort that will provide long term increases in the quality of the materials and the cost/effectiveness of the classroom experience.

On the public side of the partnership, the Department of Financial Institutions (DFI) has an on-going effort to provide materials for elementary school students as well as community colleges, and consumers of financial services in the state. DFI has also collected and collated a number of materials used in other states for classroom teacher materials.

The Office of the Superintendent of Public Instruction (OSPI) supports the FLPPP committee and its work with the state K-12 classroom teachers. This includes a Financial Literacy Coordinator position, administrative support for the funds and the committee administration. The coordinator's work plan, detailed in the report, includes training classroom teachers at summer institutes, providing lists of appropriate financial literacy materials aligned for grade level and Essential Academic Learning Requirements (EALR), and coordinating in-service training throughout the school year. Other major coordination efforts include working with financial institutions, financial literacy curriculum material providers, interested legislative committees, and staff.

On the private side of the partnership, numerous programs have been introduced and expanded since 2004. Following are several of the more comprehensive curriculum programs reaching the widest audiences in Washington: Washington Junior Achievement, the Washington Jump$tart program, the Washington Council for Economic Education, the Washington state Certified Public Accountants (CPA) association, the Consumer University, and various in-classroom presentations from a large number of credit unions, banks, and other financial service organizations.

Beginning April 2006, the program has moved into high gear with the 2006 session legislative funding of $50,000 and private funding at an equal level. Prior to funds being available, efforts were necessarily limited to individual agency and enterprise programs. With the recent legislative funding, fiscal year 2007 will see a major increase in the amount of educationally aligned materials being used by classroom teachers. The FLPPP committee has also planned to provide a formal outside evaluation of the process of delivering financial literacy curriculum to the classroom teachers and to identify indicators of the pre- and post-levels of financial literacy around sample classroom presentations.

The Washington state effort is integrated with national efforts. Most of the providers of curriculum are part of national organizations with committees reviewing and aligning materials for the K-12 classrooms with Grade Level Expectations (GLE) and EALRs or their equivalents.

The scope of the legislation covers the K-12 system, encouraging but not mandating improvements in financial literacy. The legislation outlines need for a set of criteria to determine satisfactory financial literacy in graduates, and requires a process for moving quality educational material into the classrooms with training provided for interested teachers. The legislation also assumes that there will be systematic assessment to determine whether the education is effective.

By the end of the 2006-07 school year FLPPP has planned a formal assessment of the process to date with recommendations based on feedback from the participating classroom teachers. The FLPPP effort is new. The processes are being developed and refined to best fit the needs of the students and classroom teachers. A formal assessment process is being developed to ensure that results sought by the legislation and concerned communities are being realized and that efforts invested are aligned with necessary outcomes.

Interim Report on Financial Literacy Public Private Partnership

Section I: Background to the Legislation

Need for Legislation

This legislation is the result of a growing concern by citizens and industry leaders that graduates of the public school system have insufficient personal finance and basic economics understanding to be useful workers, citizens, and to protect their own economic interests.

Recent studies illustrate that many Americans do not have the knowledge or skills to make sound financial decisions:

- The average American is only able to answer 45% of personal finance questions correctly.
- Forty percent of Americans interviewed admit that they are living beyond their means primarily because of their misuse and misunderstanding of credit.

Financial Literacy is crucial. Without it, a consumer can not make wise decisions about:

- Buying a car;
- Shopping for a good rate on a mortgage;
- Saving for retirement;
- Buying cost-effective insurance;
- Understanding how to compare credit card rates; and
- Creating a budget.

Financial literacy is a basic survival skill in today's financially complex world. If you provide tools to students, you're equipping them to make good financial choices—choices that have an enormous effect on the quality of their lives.

Financial literacy training also supports the goals of Washington's Basic Education Act [28A.150.210] which states that "The goal of the Basic Education Act for the schools of the state of Washington set forth in this chapter shall be to provide students with the opportunity to become responsible citizens, *to contribute to their own economic well-being and to that of their families and communities*, and to enjoy productive and satisfying lives…" [emphasis added].

And, from a former student; "financial literacy training doesn't have to be provided as a separate class—it can be a way of teaching concepts and principles students already need to learn. You can give some students a formula, and they understand it. Other students are going to respond better to concrete examples of how to use the formula—how to buy their first car, how to shop for rates on a credit card. That's definitely the type of training that appealed to me when I was in school."

There are three major reasons schools should address this issue:

1. Financial literacy training supports the goals of Washington's Basic Education Act by giving students tools they need to become responsible citizens, contribute to their own economic well-being, and live satisfying lives.

2. Financial literacy training is a practical means of teaching students things they already need to learn. Teaching a student how compound interest works isn't nearly as interesting as teaching them how quickly they can afford their dream car!

3. Good financial skills aren't usually taught at home. Teaching financial literacy in schools equips students to survive in an increasingly complex financial world. Without basic survival skills—whether they're taught at home or in school—students are unprepared and unarmed.

The Importance of Financial Literacy to Parents

- Ninety-eight percent of parents feel that financial literacy is very relevant in their child's future. (Department of Financial Institutions)
- Fifty-six percent of parents believe high school graduates are totally unprepared to manage their personal finances responsibly. (Visa USA)
- According to a 2003 back to school survey conducted by Capitol One, an overwhelming majority of high school (90%) and college (87%) students rely on their parents for financial guidance, however, parents often don't feel prepared to offer good guidance. A September 2003 FleetBoston survey found that:
    a. Only 27% of respondents feel very well informed about managing household finances.
    b. Among parents with children five or older, only 26% feel well prepared to teach their kids about basic personal finances.
    c. Fewer than half of respondents feel they are a good role model for their children regarding saving and spending.
- Almost half of all parents say they don't set a good example when it comes to handling their own money and are not capable of properly teaching their children. (Northwestern Mutual, Fall, 2003)

The Importance of Financial Literacy to the Economy

- The United States has the lowest national savings rate in the industrialized world. Americans' annual personal savings rate currently stands at 0%. It was 10.8% in 1984. (U.S. Department of Commerce)
- Forty-three percent of U.S. families spend more than they earn. (Federal Reserve)
- The average American is only able to answer 45% of personal finance questions correctly. (Jump$tart)
- Personal savings as a percentage of personal income decreased from 7.5% in the early 1980s to 2.3% in the first three quarters of 2003. (Senator Akaka, Financial Literacy Month Resolution, March 9, 2004)

- Between 25,000,000 and 56,000,000 adults are unbanked, i.e., not using any mainstream, insured financial institution. (Senator Akaka, Oversight Hearing on Financial Education and Literacy)

The Importance of Financial Literacy to the Workforce/Employers

- Workplace studies have shown that employees who are given financial literacy education save more, are healthier (take fewer days off work) and more productive (as measured by performance ratings).
- In a 2003 survey, the median reported value of all household retirement savings was only $40,000, and 25% of those surveyed had no retirement account at all. Only 47% of Americans are either somewhat or very confident that they will have saved enough for retirement. (Merrill Lynch, Retirement Preparedness Survey, August 2003)

The Importance of Financial Literacy to Students

- High school seniors were only able to answer about 50% of questions in the Jump$tart Coalition's personal financial literacy survey correctly.
- Seventy percent of college students surveyed say their parents have not given them tips or advice about spending wisely while shopping for school supplies. (Capitol One, Fall, 2003)
- Fifty-five percent of college students acquire their first credit card during their first year in college. (Senator Akaka, Credit Card Minimum Payment Warning Act, May 21, 2004)
- College students carry an average of three credit cards, with a total balance of $2,748. (National Center for Education Statistics)
- Ninety-five percent of college students have credit cards and 40% hold credit balances.
- In 2004, Teens are projected to spend $169 billion, averaging $91 per week. (Teenage Research Unlimited (TRU), December 1, 2004)

The Importance of Financial Literacy to Legislators

- Thirty-one states have standards for high school economic education that requires implementation. Washington State does not. Thirty-one states have standards for high school personal finance. Washington State does not. States that implement state standards for personal finance have a higher savings rate than those that haven't.
- Seven states—up from four in 2004—had made personal finance a requirement for high school graduation in 2004. Nine states currently require testing in personal finance. (National Council on Economic Education)
- The Washington State Department of Financial Institutions has found that a lack of understanding of concepts such as how interest rates work is a key factor in a person's susceptibility to being a victim of a financial scam.

History of Financial Literacy Legislation in Washington

2003

During the 2003 legislative session, legislation (SB 5456 & HB 2009) was introduced that would have required the teaching of financial literacy in schools. The bills would have required the state to create a model curriculum teaching financial literacy, and encourage schools to adopt the model curriculum. The bills authorized the use of federal funds to support development of the curriculum, and required schools to teach financial literacy. The legislation did not require a separate class devoted to financial literacy, and did not require the teaching of financial literacy at any particular grade level; nor did it require schools to use the model curriculum developed by the state. Finally, the bill created a pilot program for the teaching of personal finance. It was definitely an aggressive step. Although the bill received a hearing, it didn't get out of committee.

2004

During the 2004 legislative session, the Washington State legislature passed HB 2455, which created the Financial Literacy Public Private Partnership (the FLPPP). The FLPPP was created as an ad hoc committee on financial literacy made up of legislators, representatives from the board of education, the Office of the Superintendent of Public Instruction, the Department of Financial Institutions, financial institution industries, school directors, school principals and administrators, educators and representatives from higher education. The committee was charged with:

- Completing a survey of school districts to determine if financial literacy training was already being offered;
- Assembling and analyzing statistics on whether financial literacy information was actually making a difference to employers in Washington. (e.g., Is it reducing bankruptcies or financial issues among corporate employers?);
- Developing recommended learning guidelines that could be voluntarily adopted by schools;
- Recommending the structure and operating principles for a public/private partnership that would help local schools judge which financial literacy programs are best for their own schools;
- Selecting voluntary pilot program schools;
- Reporting back to the governor, the legislature, state board of education, and the Office of the Superintendent of Public Instruction on the results of the pilot program.

As introduced, the bill appropriated $50,000 for the project, with the understanding that many of the private interests at the table would probably also contribute to the project. Unfortunately, 2004 was an extremely tight budget year, and the $50,000 appropriation was cut out of the budget during final budget negotiations.

2005

During this session, HB 2152 was introduced to re-appropriate the missing $50,000 appropriation originally slated for last year, and clarify some of the responsibilities for the FLPPP. The FLPPP has met since the creation of the committee, however, it was very difficult to achieve the objectives of the bill without the involvement of at least one part-time, temporary employee who could help organize the group, manage the survey process, and analyze existing financial literacy curriculum resources for use in Washington schools.

As originally written, the 2005 bill would have:

- Extended the deadline for making a report identifying strategies to increase the financial literacy of public school students in our state from June 2005 to June 2007.
- Added the development of Essential Academic Learning Requirements (EALRs) to the list of Financial Literacy Public Private Partnership (FLPPP) strategies for improving financial literacy.
- Added recommendations on whether financial literacy should be included in the WASL to the list of FLPPP strategies for improving financial literacy.
- Required OSPI to make available lists of identified financial literacy skills, instructional materials, assessments, and other relevant information on financial literacy to school districts.
- Encouraged school districts to provide financial literacy training.
- Appropriated $50,000 in matching funds over a two-year period to help fund the project.

House Bill 2152 passed the House Education Committee on March 1, however it failed to make it through the House Appropriations Committee in time, and died in committee. A number of parties (including the Washington Society of CPAs, Washington Mutual, Bank of America, the Washington Bankers Association, and the Washington Credit Union League) tried very hard to get the provisions of the bill inserted into other legislation and the overall budget. In the end, with the help of key legislators, one of the provisions of the original bill was added to HB 1347. The appropriation was added to the House version of the budget, but in the last two days of budget negotiations before adjournment, the matching funds appropriation was either cut out of the budget, or accidentally left out of the budget. This left the FLPPP in the same difficult position it's been in for the past year—with big and important goals to achieve, but no state resources allocated to achieve them.

2006

During 2006:

- HB 2152 was reintroduced but failed to pass.
- HB 2394, which defined financial literacy activities as “work activities” for the purposes of the WorkFirst program and eligible for up to ten credits under the program, passed.
- HB 3156, which empowers the Department of Community, Trade, and Economic Development (CTED) to offer consulting services to community action agencies who are interested in developing pilot programs to assist low-income families accumulate assets, passed.

- HB 3157, which required the state to provide information to Temporary Assistance for Needy Families (TANF) recipients about asset building and required the WorkFirst program to provide information on financial literacy programs, did not pass.
- SB 6219, which encouraged school boards of directors to integrate financial literacy training within existing curricula, did not pass.
- SB 6386, which represents the state's operating budget, included $50,000 in appropriated funds to fund the FLPPP.

Section II: The legislation

The 2004 legislature enacted SHB 2455, directing a number of tasks to be performed under the direction of the created Financial Literacy Public Private Partnership committee. This interim report contains the list of tasks required to be completed and the results.

(1) *By September 30, 2004 the FLPPP shall adopt a definition of financial literacy to be used in educational efforts.*

(2) *By June 30, 2006, the FLPPP shall identify strategies to increase the financial literacy of public school students in our state.*

a. *Identifying and making available to school districts:*
    i. *Important financial literacy skills and knowledge;*
    ii. *Ways in which teachers and different grade levels may integrate financial literacy in mathematics, social studies, and other course content areas;*
    iii. *Instructional material and programs, including school wide programs, that include the important financial literacy skills and knowledge;*
    iv. *Assessments and other outcomes measures that schools and communities may use to determine whether students are financially literate; and*
    v. *Other strategies for expanding and increasing the quality of financial literacy instruction in public schools, including professional development for teachers;*

b. *Developing a structure and set of operating principles for the FLPPP to assist interested school districts in improving the financial literacy of their students by providing such things as financial literacy instructional materials and professional development; and*

c. *Providing a report to the governor, the house and senate financial institutions and education committees of the legislature, the Office of the Superintendent of Public Instruction, the State Board of Education, and education stakeholder groups, on the results of work of the FLPPP. A final report to be provided by June 30, 2007*

Section III: Complying with the legislation

To date, the FLPPP committee and its supporters have diligently worked on specific tasks set out in legislation, limited by funding constraints

- The committee adopted the following definition of financial literacy:
  "Financial literacy is defined as the achievement of skills and knowledge necessary to make informed judgments and effective decisions regarding earning, spending and the management of money and credit."

- The FLPPP developed a working list of important financial literacy skills and knowledge
    - Understanding credit, importance of saving,
    - Knowledge of the financial institutions and ability to compare service offerings
    - Knowledge of financial impact of parenting, marriage, divorce,
    - Ability to determine the cost vs. benefit of purchases and investments
    - Ability to compute interest and earnings on borrowings and savings
    - Ability to evaluate consumer marketing materials
    - Knowledge of the impact of bankruptcy and its causes
    - Ability to calculate the cost of loans, and loan-like borrowing,

- OSPI's Financial Literacy Coordinator, with qualified classroom teachers, are scheduled to make presentations at each OSPI Summer Institute, distributing tested financial literacy materials, and soliciting comments on successful uses of various products.

- The OSPI FLC is working with providers of curriculum to ensure that the materials have been properly aligned with OSPI grade level expectations (GLEs) and Essential Academic Learning Requirements (EALRs).

- The FLPPP is working with OSPI to integrate as much as possible financial literacy materials into the current curriculum in lieu of creating parallel or stand-alone material sets.

- The FLPPP is working with curriculum providers to ensure a viable set of curriculum materials that have vertical integration from K through 12 in concepts, terminology, etc.

- OSPI will contract with a qualified program evaluator to do a formative evaluation of FLPPP activities and to identify outcome measures that schools and communities may use to determine whether students are financially literate.

- The OSPI FLC will generate and make available financial literacy instructional materials, information, and professional development opportunities.

Section IV: Plan for the future

FY 2007 will be the year of creating the mechanisms for the distribution of financial literacy materials into the school system. Beginning with the creation of the position of Financial Literacy Coordinator in April 2006, the process is moving along three separate but coordinated lines.

1. **Improvement in materials**: providers of financial literacy materials are being encouraged to provide materials that are aligned by GLE and EALRs to make the selection process easier for classroom teachers.
2. **Increased training for classroom teachers**: providing training via summer institutes, in-service training, and vendor provided training.
3. **Skills assessment process**: The assessment process will be working with the community, financial institutions, classroom teachers, and materials providers to ensure materials provided are most appropriate in reaching the financial literacy goals of the legislation.

Project evaluation, first phase (July 2006-June 2007)

Context: Leaders of the K-12 Financial Literacy Project want a formative evaluation of the FLPPP K-12 effort based on direct feedback from a representative sample of FLPPP stakeholders and a review of project source documents. The goal of the evaluation is to identify the accomplishments the FLPPP K-12 project has achieved for Phase I of the project, to identify challenges, and to suggest recommendations for improvement.

Formative Evaluation Methods: The evaluation will emphasize accomplishments of the first phase of the FLPPP, which include the formation of FLPPP stakeholders, partnership development and communications, creation of the project work plan and process used to complete Phase I products, including the list of available financial literacy education tools and project communications plan.

Formative evaluation components are best measured using qualitative research methods. Telephone interviews of a sample of key stakeholders using a structured protocol comprising both specific and open-ended questions are recommended. This method is generally more cost-effective than in-person interviews or site visits, and it affords some distinct advantages over mailed or electronic survey questionnaires, including:

- Better response rates
- Enhanced understanding of responses to specific and open-ended questions
- Ability to explore new topics initiated by respondents that are relevant to the project evaluation

Section V: Findings and Recommendations

Based on input from educators serving on the FLPPP, the partnership has determined that it doesn't need to "re-create the wheel" and generate its own financial literacy materials that can be incorporated into curricula of Washington schools. Great resources are already out there—the committee needs to figure out where the current offerings fit into Washington's graduation and learning requirements.

The FLPPP committee is pleased that several interested private groups have made contributions and commitments to the venture, including the Washington Credit Union League, BECU, MoneyTree, and the Washington Society of CPAs. Other interests serving on the FLPPP, such as Washington Mutual, Bank of America, and Frank Russell Company have also indicated a willingness to contribute. These contributions and commitments match the legislative funding, making a true public private partnership.

It is the recommendation of the Financial Literacy Public Private Partnership committee that this valuable work should continue and be supported by both the public sector and private interests. Increased financial literacy is in the benefit of all segments of the state.
End:

Attachment
Section 11

Financial Literacy
Public Private Partnership
2007 Report

8 pages

OSPI Office of Superintendent of Public Instruction

Date: June 29, 2007

To: The Honorable Christine Gregoire, Governor
The Honorable Members of the House Financial Institutions and Insurance Committee
The Honorable Members of the Senate Financial Institutions, Housing, and Consumer Protection Committee
The Honorable Members of the House Education Committee
The Honorable Members of the Senate Education Committee

From: The Financial Literacy Public Private Partnership Committee

cc: Financial Literacy Public Private Partnership Committee Members
Terry Bergeson, State Superintendent of Public Instruction
Edie Harding, Executive Director, State Board of Education

Re: 2006–2007 Interim Report on the Progress of the Financial Literacy Public Private Partnership Committee

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The Financial Literacy Public Private Partnership Committee is pleased to provide the attached interim report on the substantial progress during the 2006–2007 fiscal year toward improving the amount and quality of financial literacy education in Washington state's K–12 system. This report complies with the requirements of RCW 28A.300.450, et. seq. as amended by the 2007 Legislature's SHB 1980, to provide an interim report on the activities of the legislatively created financial literacy public private partnership committee (FLPPP). The final report of the committee will be delivered June 30, 2009.

Enclosure

2006-2007 Interim Report of the Financial Literacy Public Private Partnership

Executive Summary

The 2004 legislature enacted SHB 2455, which became RCW 28A.300.450, et. seq., with the intent that the created Financial Literacy Public Private Partnership (FLPPP) Committee would institute actions to increase and improve the financial literacy curriculum in Washington state's K-12 system. Pursuant to the legislative directives, the Committee was appointed, formed, and began working in a true public-private partnership with active and enthusiastic contributions from all of the designated parties.

In the three years since enactment, the members of the Committee have been able to expand both the quantity and quality of financial literacy materials presented to students. Equally impressive are the processes arising out of this effort that will provide long term increases in the quality of the materials and the cost/effectiveness of the classroom experience.

On the public side of the partnership, the Office of the Superintendent of Public Instruction (OSPI) and the Department of Financial Institutions (DFI) have been the most active. The DFI has a substantial on-going effort to provide materials for school students as well as community colleges, and consumers of financial services in the state.

The Office of the Superintendent of Public Instruction (OSPI) supports the FLPPP Committee and its work with the state K-12 classroom teachers. This support includes a Financial Literacy Coordinator (FLC) position, administrative support for the funds and the Committee administration. The coordinator's work plan includes training classroom teachers at summer institutes, providing lists of appropriate financial literacy materials aligned for grade level and Essential Academic Learning Requirements (EALR), and coordinating in-service training throughout the school year. Other major coordination efforts include working with financial institutions, financial literacy curriculum material providers, interested legislative committees, and staff.

Of the partnership, the major contributions are from the financial services providers. On the private side of the partnership, numerous programs have been introduced and expanded since 2004. Following are several of the more comprehensive curriculum programs reaching the widest audiences in Washington: Washington Junior Achievement, the Washington Jump$tart program, the Washington Council for Economic Education, the Washington state Certified Public Accountants (CPA) Association, the Consumer University, and various in-classroom presentations from a large number of credit unions, banks, and other financial service organizations. The newest major program is one to introduce a national financial literacy series on the Public Broadcasting System. The program is credit union funded and sponsed by Junior

Achievement. This series will parallel the famous “Bill Nye the Science Guy” programs that made science interesting to a whole generation of Americans.

Beginning April 2006, the FLPPP program has moved into high gear with the 2006 session legislative funding of $50,000 and private funding at an equal level. The 2007 Legislature continued funding at the same level for FY 2008 and FY 2009. Prior to funds being available, efforts were necessarily limited to individual agency and enterprise programs. With the 2006 legislative funding, there has been a major increase in the amount of educationally aligned materials being used by classroom teachers.

The Washington state effort is integrated with national efforts. Most of the providers of curriculum are part of national organizations. Several of these national organizations have committees reviewing and aligning materials for the K-12 classrooms with Grade Level Expectations (GLE) and EALRs or their equivalents. Aligned materials are valuable to classroom teachers to ensure compliance with curriculum requirements.

The scope of the legislation covers the K-12 system, encouraging, but not mandating, improvements in financial literacy. The legislation outlines the need for a set of criteria to determine satisfactory financial literacy in graduates, and requires a process for moving quality educational material into the classrooms with training provided for interested teachers. The FLPPP effort is still new: Processes are being developed and refined to best fit the needs of the students and classroom teachers.

2nd Interim Report on Financial Literacy Public Private Partnership

Section I: Background to the legislation

The June 2006 interim report covered in detail the need for this legislation and the recent history of financial literacy legislation in Washington up to June 30, 2006. Due to the support of the 2007 Legislature and the financial services industry, the role of the Financial Literacy Public Private Partnership (FLPPP) Committee andpublic funding, the sunset of this Committee has been extended two years to June 30, 2009.

Section II: The FLPPP legislation

The 2004 Legislature enacted SHB 2455, directing a number of tasks to be performed under the direction of the created Financial Literacy Public Private Partnership Committee. The 2007 Legislature extended the sunset and funding of the Committee. This interim report contains the list of tasks required to be completed and the results.

(1) *By September 30, 2004 the FLPPP shall adopt a definition of financial literacy to be used in educational efforts.*

(2) *By June 30, 2006, the FLPPP shall identify strategies to increase the financial literacy of public school students in our state.*

a. *Identifying and making available to school districts:*
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    iii. *Instructional material and programs, including school wide programs, that include the important financial literacy skills and knowledge;*
    iv. *Assessments and other outcomes measures that schools and communities may use to determine whether students are financially literate; and*
    v. *Other strategies for expanding and increasing the quality of financial literacy instruction in public schools, including professional development for teachers;*
b. *Developing a structure and set of operating principles for the FLPPP to assist interested school districts in improving the financial literacy of their students by providing such things as financial literacy instructional materials and professional development; and*
c. *Providing a report to the governor, the House and Senate financial institutions and education Committees of the legislature, the Office of the Superintendent of Public Instruction, the State Board of Education, and education stakeholder groups, on the results of work of the FLPPP. A final report to be provided by June 30, 2009*

Section III: Complying with the legislation

To date, the FLPPP Committee and its supporters have diligently worked on specific tasks set out in legislation, limited by funding constraints. The FLPPP Committee is primarily a catalyst that promotes and coordinates financial literacy support among the numerous financial-services industry members, the providers of financial literacy materials, and the classrooms and other delivery methods. The following efforts to date are examples of the various aspects of this large group of financial literacy active supporters.

FLPPP Committee and staff:

- The Committee adopted the following definition of financial literacy:
  "Financial literacy is defined as the achievement of skills and knowledge necessary to make informed judgments and effective decisions regarding earning, spending and the management of money and credit."

- The Committee developed a working list of important financial literacy skills and knowledge
    - Understanding credit, importance of saving,
    - Knowledge of the financial institutions and ability to compare service offerings
    - Knowledge of financial impact of parenting, marriage, divorce,
    - Ability to determine the cost vs. benefit of purchases and investments
    - Ability to compute interest and earnings on borrowings and savings
    - Ability to evaluate consumer marketing materials
    - Knowledge of the impact of bankruptcy and its causes
    - Ability to calculate the cost of loans, and loan-like borrowing,

- The Committee is working with OSPI to integrate financial literacy materials into the current curriculum in lieu of creating parallel or stand-alone material sets.

- The Committee is working with curriculum providers to ensure a viable set of curriculum materials that have vertical integration from K through 12 in concepts, terminology, etc.

- The Committee sponsored three day-long workshops for middle- and high-school teachers on financial literacy, enrolling more than 130 teachers. This program contains feedback mechanisms that will allow the FLPPP Committee to recommend improved approaches to material development and delivery.

- The Financial Literacy Coordinator (FLC), with assistance of qualified classroom teachers, made presentations at each OSPI Summer Institute, distributing tested financial literacy materials, and soliciting comments on successful uses of various products.

- The FLC, working with math curriculum experts, evaluated the national JumpStart financial literacy Standards and Guidelines for alignment with OSPI grade level expectations (GLEs) and Essential Academic Learning Requirements (EALRs).

- The FLC is making available financial literacy instructional materials, information and professional development opportunities to the state's classroom teachers as requests are made.

Financial Literacy Action Programs by Industry

The real work of the Committee is to encourage the community to extend itself in developing and delivering financial literacy materials to students and adults of the state. Here are some examples of this enthusiasm at work that have been reported to the FLPPP Committee this past year.

- The state's credit unions, in conjunction with Washington Junior Achievement, promoted and underwrote a national television series called "BizKids" that parallels the nationally recognized "Bill Nye the Science Guy," which originated here in Washington state, for creating excitement among students for science. This is a multi-million dollar commitment that will have longterm longterm impact on both students and adults as the program is delivered through PBS initially and then through commercial stations.

- A number of credit unions and other financial services providers have developed and are offering training programs in financial literacy to educators as well as their members and customers.

- Washington Junior Achievement has provided classroom and Enterprise Village training to more than 100,000 students in Western Washington each year.

- Last year, the **Moonja**r project reached more than 1,800 students in six school districts around Yakima County. Half of the cost of the Moonjar boxes was funded by corporate sponsors while the other half was funded by school districts. Moonjar is designed to build dreams by teaching 3rd grade students how to save, share and spend. The workshop utilizes a modified piggy bank that has three compartments to teach these basic financial management concepts. Some of the participants are randomly picked as a follow up to the workshop and they are tracked on a monthly basis to monitor their success.

- Hundreds of Washington middle school students learned about managing money through a project sponsored by the Washington State Department of Financial Institutions (DFI). The National Theatre for Children (NTC), based in Minneapolis, toured 12 Washington schools with a production entitled “Mad About Money.” The programs will be offered in both Spanish and English.

“Mad About Money” is a live theatrical event focusing on the concepts of saving, budgeting, credit, and investing. Two professional actors from NTC create scenarios that appeal and speak to students. The actors play a wide variety of colorful characters in four different sketches designed to teach:

- How to prioritize your needs and wants
- The difference between cash and credit
- All about investing
- The importance of forming a savings habit

The program visited schools in the Spokane, Yakima, and Seattle areas. Each school receives activity workbooks and teacher guides created by Lightbulb Press to reinforce the message in the classroom. This is the program’s first tour in Washington state. “Mad About Money” has been presented to more than 40,000 students across the country.

- The state Department of Financial Institutions has continued its program of providing financial literacy to student and adult populations across the state. The DFI elementary-level program provided 79 classrooms and 2043 students with materials during this school year.

- Financial Education at BCC [Bellevue Community College?]had its kickoff on January 19, 2007 with a commendation from Gov. Christine Gregoire on BCC's achievement and partnerships with the Washington State Department of Financial Institutions and the Washington Financial Literacy Public-Private Partnership to create a model for community colleges across the nation. It is funded by a $150,000 Investor Protection Trust (which links it to prominent national organizations) to bring investor education across the state, and a contract with DFI to develop open access curriculum in money management, credit, savings, investments, taxes, risk management, real estate, and employee benefits.

- The Seattle Times, The Seattle P-I, and The Tacoma News Tribune all have active Newspapers In Education (NIE) programs that have financial literacy facets. Financial literacy material providers are obtaining substantial leverage by working with the NIE programs to have materials included in newspapers at the same time classrooms are discussing these topics.

Section IV: Plan for the future

With the most recent legislative funding and sunset extension, Fiscal Years 2007-2008 and 2008-2009 will focus on mechanisms for the distribution of financial literacy materials into the school system. Beginning with the creation of the position of Financial Literacy Coordinator in April 2006, the process is moving along three separate but coordinated lines.

1. **Improvement in materials**: providers of financial literacy materials are being encouraged to provide materials that are aligned by GLE and EALRs to make the selection process easier for classroom teachers.
2. **Increased training for classroom teachers**: providing training via summer institutes, in-service training, and vendor provided training.
3. **Increasing the outreach to all developers and deliverers of financial literacy materials**: encouraging more reporting of current and planned programs. Since there is no requirement for reporting of financial literacy delivery, the information received by the FLPPP Committee is limited to what is contributed by its members and by responses to surveys. It is evident that there are a large number of significant financial literacy programs going on within the state that are not currently coordinated.

Section V: Interim Findings and Recommendations

Based on input from educators serving on the FLPPP, the partnership has determined that it doesn't need to "re-create the wheel" by generating its own financial literacy materials that can be incorporated into curricula of Washington schools. Great resources are already out there—the Committee and the community need to determine where the current financial literacy offerings fit among the other curriculum requirements of the K-12 system.

The FLPPP Committee is pleased that a number of interested private groups and organizations have made contributions and commitments to supporting the FLPPP Committee operations, including the Washington Credit Union League, BECU, MoneyTree, the Washington Society of CPAs, Washington Mutual, and Bank of America. These contributions and commitments match the legislative funding, making a true public-private partnership.

It is the recommendation of the Financial Literacy Public Private Partnership Committee that this valuable work should continue and be supported by both the public sector and private interests. Increased financial literacy is in the benefit of all segments of the state.

####

Attachment
Section 12

The Wisconsin Model
Expanding Opportunities Through Financial Education
Governor's Task Force On Financial Education
Final Report, August 2002

56 pages

THE WISCONSIN MODEL

EXPANDING OPPORTUNITIES
THROUGH
FINANCIAL EDUCATION

GOVERNOR'S TASK FORCE ON FINANCIAL EDUCATION

FINAL REPORT, AUGUST 2002

"Improving basic financial education at the elementary and secondary school level is essential. . . . Building bridges between community organizations, our educational institutions, and private business will be an essential aspect of our efforts."

—Alan Greenspan, Chairman
Federal Reserve Board

State of Wisconsin

Department of Financial Institutions

Scott McCallum, **Governor** John F. Kundert, **Secretary**

Dear Governor McCallum:

An irrefutable need exists for improved financial education for Wisconsin. We believe the enclosed recommendations offer a blueprint to help elevate our youth to become financially skilled and knowledgeable citizens who can ultimately make our state stronger.

We began more than six months ago to confront a well-defined problem that takes a grim toll. The problem is this. Today, a significant lack of financial literacy exists among Wisconsin youth. A 2002 national survey of financial know-how conducted by the National Jump$tart Coalition for Personal Financial Literacy resulted in Wisconsin 12th graders achieving an average score of 58.8 %. That grade represents a failing score on any grading scale and several other studies support that finding. Clearly financial and economic education must become a core component of the K-12 curriculum if we expect our youth to function successfully in our fast-paced, evolving financial system.

Financial illiteracy has a pervasive social and economic impact.

- Money and financial problems in Wisconsin are: the number one cause of divorce, a leading cause of suicides, a main reason for a 105% increase in personal bankruptcies since 1990.
- An increasingly complex array of financial services requires that Wisconsin youth to be financially astute in order to choose the products, services, and terms that are most optimal to them and their future families.
- Wisconsin's economic future hinges on its businesses' and citizens' ability to understand fundamental financial tools and to stay abreast of, if not be leaders in, the adoption of innovative, new financial methods and products for they are the lifeline of the most competitive businesses.

The realization of these recommendations will require leadership, political will, and collaborative action. We have confidence that Wisconsin can implement this vision.

Thank you for the opportunity to focus on financial education. We commend you for perceiving the link between Wisconsin's financial proficiency, its financial competitiveness, and its quality of life. Therefore, we enthusiastically urge that these recommendations be adopted.

Sincerely,

Your Money Matters
DFI Financial Education

Office of Financial Education

Mail: PO Box 7846 Madison, WI 53707-7846 Courier: 345 W. Washington Ave. 3rd Floor, Madison, WI 53703

Voice: (608) 261-9540 Fax: (608) 264-7873 TTY: (608) 266-8818 Internet: www.wdfi.org

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(See attached letter, page 13)

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THE NEW TEACHING CHALLENGE . . .

Business

Wisconsin students struggle with financial facts 3D

www.jsonline.com/bym

MONDAY, APRIL 29, 2002 D MILWAUKEE JOURNAL SENTINEL

State students struggle with financial facts

By PAUL GORES
of the Journal Sentinel staff

Wisconsin high school seniors are smarter about financial matters than their peers nationwide, but they still don't get a passing grade, a new survey has found.

A national survey by the Jump$tart Coalition for Personal Financial Literacy revealed that, on average, 12th-grade students could correctly answer only 50.2% of questions regarding credit cards, retirement funds, taxes and other basic personal finance subjects.

Wisconsin students who took the 31-question, 45-minute exam were able, on average, to answer 58.8% of the questions accurately, according to the state Department of Financial Institutions.

State Sen. Ted Kanavas (R-Brookfield), a member of a state task force on improving financial education for young people, said the survey results are no surprise.

"I think it points directly to what we've been arguing, which is that financial education has got to be a part of the overall education process for our students in Wisconsin," Kanavas said.

The survey, conducted by Lewis Mandell, a finance professor at the University of Buffalo and former dean of Marquette University's business school, focused on facts that the Jump$tart Coalition thinks students should know by the time they graduate from high school.

The question on which Wisconsin students and national participants fared the worst concerned how much a credit card holder would be responsible for paying if a thief stole the card and ran up $1,000 in charges. Only 4.2% in Wisconsin knew $50 was the correct answer, with the other choices being $0, $500 and $1,000. Nationally, 7.7% knew the right answer. Most picked $0.

The Jump$tart survey was conducted in December, January and February.

Gov. Scott McCallum's Task Force on Financial Literacy has been meeting in Madison to find ways to make sure state schools teach the basics of personal finance. Kanavas said he believes it can be done without lawmakers mandating that it be part of the public school curriculum.

Kanavas, a former member of the Elmbrook School Board, said the state should be working with business leaders and local school boards to sell them on the idea of integrating personal finance lessons into other school subjects.

"What I've learned, having served on a school board, is that this type of curriculum is best presented when it's integrated into other classes — whether it's math, social studies, history, economics," Kanavas said. "You can literally teach these core concepts in a variety of classes without having to mandate a tremendous amount of content."

TABLE OF CONTENTS

EXECUTIVE SUMMARY

In response to recent surveys which have shown that our nation's youth lack the necessary financial literacy they need to be responsible citizens, Governor Scott McCallum directed formation of the Task Force on Financial Education to deal with the problem. This final report offers both a vision for the future and a working blueprint for financial education in Wisconsin. Its ultimate goal is the improvement of the financial literacy of Wisconsin youth.

The recommendations call for changes in standards in schools and indicate where to integrate financial education in the K-12 curriculum. Another key recommendation involves formation of a public/private consortium that would promote and assist in the implementation of financial education in Wisconsin through a variety of methods. It would deal with such issues as coordination between key state agencies such as the Wisconsin Department of Financial Institutions and the Wisconsin Department of Public Instruction, creation of key public/private partnerships, accountability, funding, and incentives. It would act to amplify successful programs.

The report recommends ways to provide increased flexibility to Wisconsin teachers to better allow them to become involved in teaching financial education and it also spells out a role for communities and families. Members of the Task Force saw samples of successful community-based financial education programs and these valuable hands-on learning opportunities became the basis for a recommendation. Another key recommendation deals with public relations to promote financial education and to measure progress. The following nine recommendations provide details of the views of the Governor's Task Force on Financial Education.

Governor's Task Force on Financial Education Recommendations

The Governor's Task Force on Financial Education began meeting over six months ago to address the well-defined problem of financial illiteracy in Wisconsin. A 2002 survey conducted by the National Jump$tart Coalition for Personal Financial Literacy documented the problem when it reported that Wisconsin 12th graders achieved an average score of just 58.8% on a test of their financial know how. Many other studies show similar results. Governor McCallum charged the Task Force with determining how to better prepare Wisconsin youth for successful entry into and participation in our evolving financial system. The Task Force on June 20, 2002, approved the following recommendations as the best approach to improving financial literacy among Wisconsin youth.

Recommendations Approved by Task Force
June 20, 2002

Standards and Assessments

Standards: The Task Force recommends that financial literacy education standards be created based upon those developed by the Task Force's Financial Skills Work Group [listed separately]. These new standards should all be incorporated into the Wisconsin economics model academic standard and also incorporated into other academic standards as appropriate in the next DPI review cycle, 2004 (see Appendix J on page 43).

AND

Assessment: The Task Force recommends that a significant assessment of student financial literacy be conducted by school districts to enable Wisconsin to assess the level of improvement in student financial literacy.

This can be done either through:

a. A new stand-alone statewide standardized test in personal finance and economics that would be created and administered in grades 8 and 10 at least once every two years to measure the impact of the new financial education standards on students. The assessment should be integrated into the Wis. Student Assessment System. Testing should begin in 3-4 years to allow school districts and DPI/DFI time to prepare; or

b. Conducting a meaningful assessment of student financial literacy as part of the Wis. Student Assessment System–including more questions on economics and personal finance.

K-12 Courses

While personal finance and economics should be included at several places in the K-12 curriculum, the Task Force recommends that each school district in Wisconsin must offer at least one required course (during grades 9-12) in personal finance for high school graduation. The required course should be based upon the Task Force's recommended financial education standards and grounded in DPI's newly developed model economic standards (see the *Standards* recommendation on page 10). This graduation requirement would apply to students graduating in 2008.

The newly created public/private entity recommended by the Task Force (see *Partnership & Funding* recommendation below) would, as part of its responsibility, take the lead in developing model curricula to assist school districts in developing coursework to include experience-based opportunities in personal finance and economics.

Partnership & Funding

The Task Force recommends that the Governor create a public/private consortium charged with promoting and implementing financial education in Wisconsin. Activities of this consortium might include:

a) Coordinate financial education among state agencies. The Task Force recommends that the Governor assign DFI and DPI to work together in a leadership role in order to facilitate this collaboration
b) Develop model curricula to guide the development of financial and economic education in Wisconsin schools, communities, and businesses
c) Encourage development of business/education/community partnerships to support financial literacy
d) Identify existing financial education collaborations
e) Provide accountability, set a goal for a degree of improvement expected, measure success and progress, and prepare an annual report
f) Develop experience-based financial education opportunities with community organizations
g) Access and advocate for the necessary funds in support of financial education in Wisconsin
h) Develop incentives to promote the learning/experiencing of financial education
i) Other activities that the consortium determines necessary to fulfill its charge

Teacher Preparations

The Task Force recommends that teacher certification rules should be made flexible enough to allow for the certification of teachers (such as social studies, business, family and consumer education, and others) who have demonstrated or can demonstrate an ability to teach financial and economic education.

Community-Based Financial Education

The Task Force recommends that communities be encouraged to provide financial education programs and develop age-appropriate, experience-based learning programs for teaching of financial literacy (see *Clearinghouse* recommendation below).

The Task Force recommends that the public/private consortium identify and adapt curriculum for grass-roots and workforce educators to promote financial skills (see *Partnership & Funding* recommendation previous page).

Clearinghouse

The Task Force recommends that the public/private consortium (see *Partnership & Funding* recommendation previous page) maintain a Wisconsin clearinghouse of effective models for financial education and programs that successfully address standards for financial education.

Incentives

The Task Force recommends the development of a variety of incentives to encourage financial education and financial responsibility.

Public Relations

The Task Force recommends that the Department of Financial Institutions develop a public relations strategy on the importance of financial education/skills in a variety of venues (e.g., state fairs, newsletters, workshops, public and cable television, "fests," life passage points).

Accountability

The Task Force recommends that the public/private consortium annually establish a goal for the degree of improvement (in behavioral, knowledge, and economic outcomes) along with clearly defined measures of success and progress. This goal and measures should be included in the consortium's annual report to the Governor.

State of Wisconsin
Department of Public Instruction

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Elizabeth Burmaster
State Superintendent

June 28, 2002

Mr. William E. Wilcox, Co-Chair
Governor's Task Force on Financial Education
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2509 S. Stoughton Rd., Ste 300
Madison, WI 53716

Mr. Patrick Vandenberg, Co-Chair
Consumer Credit Counseling Service
2422 N. Mayfair Rd., Ste 300
Milwaukee, WI 53226

Dear Mr. Wilcox and Mr. Vandenberg:

Thank you for the opportunity to serve on the Financial Education Task Force. It is an extremely informative and worthwhile initiative. As the Social Studies Consultant for the department, I was impressed by the many available resources for teaching financial education and by the many agencies and people in our state that are promoting financial education.

The Wisconsin Department of Public Instruction strongly supports the recommendation that financial literacy standards be added to the Wisconsin Model Academic Standards, and our state superintendent, Elizabeth Burmaster, will instruct the standards' review committees to examine standards in 2003 with that purpose in mind. The department is also very interested in supporting a partnership with other agencies to promote the study of personal finance.

There are several important reasons for not signing the cover letter that will go with the final recommendations. The recommendation that a stand-alone standardized test be given every two years in grades 8 and 10 is not practical at this time. Our assessment system is presently undertaking a major expansion as a result of the federal "Leave No Child Behind" legislation, and there is tremendous pressure on school districts to perform well on the new assessments. Because the Wisconsin Model Academic Standards are the basis for the WSAS, the first step would be the inclusion of personal finance standards and then for those standards to be reflected in the WSAS. Another reason is that an additional high school course requirement, such as the proposed personal finance course, would be unlikely to meet with acceptance because our school districts are experiencing major budget cuts affecting staff and curriculum.

The Department of Public Instruction will help to promote personal finance education to all schools and agencies that involve teachers and students. We will also inform teachers of the excellent resources presented to the task force. On behalf of the department, I welcome opportunities to participate in the subsequent activities of the task force.

Sincerely,

Karen R. Prickette

Karen R. Prickette
Superintendent's Designee

cc: John F. Kundert, Secretary, Wisconsin Department of Financial Institutions (WDFI)
David D. Mancl, Director, Office of Financial Education, WDFI

The State of Wisconsin

EXECUTIVE DEPARTMENT

EXECUTIVE ORDER No. 33

Relating to the Creation of the
Governor's Task Force on Financial Education

WHEREAS, numerous state and national authorities on the issue of financial education have documented a need for increased financial education in Wisconsin and nationally; and

WHEREAS, the Wisconsin Legislature, through 2001 Senate Joint Resolution 31 urged schools to improve the personal money management skills of high school students; and

WHEREAS, the Wisconsin Department of Financial Institutions' ("DFI") Task Force on Financial Competitiveness 2005 - representing Wisconsin's financial industry and consumers - ranked financial illiteracy as a top obstacle to financial competitiveness;

NOW, THEREFORE, I, SCOTT MCCALLUM, Governor of the State of Wisconsin, by the authority vested in me under Section 14.019(1), Wis. Statutes., do hereby:

1. Create the Governor's Task Force on Financial Education (hereinafter "Task Force"); and

2. Provide that the mission of the Task Force shall be to advise the Governor on how public and private organizations can prepare Wisconsin youth for successful entry into and participation in our evolving financial system and to produce a report which will:

    a. identify the basic financial knowledge and skills which are appropriate and necessary for the successful entry into the financial marketplace by Wisconsin's youth;
    b. catalog existing successful efforts of financial education by state agencies and private/non-agency organizations;
    c. assess the adequacy, nature and extent of financial and economic education in Wisconsin and determine whether and where gaps exist in the educational infrastructure;
    d. foster communication and cooperation between existing entities and programs in financial education;
    e. identify topics and audiences which could be better served by financial education efforts in Wisconsin; and
    f. suggest ways to meet the needs identified by the task force.

3. Provide that DFI will be responsible for guidance and administrative support to the Task Force; and

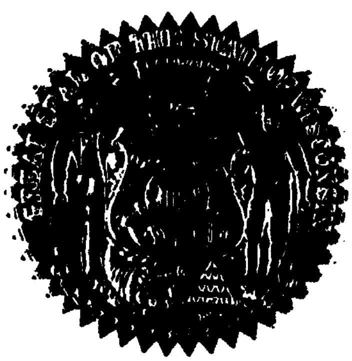
4. Provide that two Co-Chairs of the Task Force shall be appointed by the Governor to serve at the pleasure of the Governor; and

5. Provide that the other members of the Task Force shall be appointed by the Governor to serve at his pleasure and shall consist of:

   a. the Secretary of the Department of Financial Institutions or his/her designee;
   b. the State Superintendent of Public Instruction or his/her designee;
   c. the Executive Secretary of the Higher Educational Aids Board or his/her designee;
   d. three Wisconsin State Senators;
   e. three Wisconsin State Representatives;
   f. a University of Wisconsin Professor;
   g. a representative of the Wisconsin Technical College System;
   h. a representative of the University of Wisconsin Extension;
   i. a representative of "Economics Wisconsin;"
   j. two school administrators;
   k. an educator;
   l. a student;
   m. two representatives of private foundations;
   n. two representatives of banks;
   o. a representative of credit unions;
   p. a member of the securities industry;
   q. a representative of Americans for Consumer Education and Competition (ACEC);
   r. a representative of the Wisconsin Jump Start Coalition;
   s. an entrepreneur;
   t. a representative of a Center for Economic Education; and
   u. five at-large members; and

6. Provide that the Task Force submit a final report to the Governor no later than July 2002; and

7. Provide that the Task Force dissolve when its final report is received by the Governor.



IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Great Seal of the State of Wisconsin to be affixed. Done at the Capitol in the City of Madison this fifteen day of November in the year two thousand- one.

Scott McCallum
Governor

By the Governor:

Douglas La Follette
Secretary of State

APPENDIX

A Vision for Financial Education in Wisconsin

Our vision for financial education in Wisconsin is to . . .

Prepare youth (K-16) to enter into and successfully participate in the evolving financial system as an informed and responsible contributor to Wisconsin's economy. This, in turn, helps improve quality of life.

The statewide public/private partnership of Wisconsin educational, financial, community, and governmental institutions will work towards achieving this vision through:

- Public and private institutions, parents and non-traditional families, all communicating, collaborating, and coordinating their efforts to provide financial educational services and programs for Wisconsin youth
- Clearly defined financial education standards of what young people need to know/do (e.g., Jump$tart standards, emotional competencies, attitudes, economic basics)
- Public and private institutions and organizations recognizing the value of a financially literate population
- Wisconsin educational institutions taking the lead role in promoting financial literacy
- DFI, working in partnership with leaders at the state and local level, helping create an environment that supports financial literacy in schools, in families, and in businesses
- Wisconsin policy makers embracing innovative State financial education policies and practices–and implementing these policies and practices to support statewide efforts for financial education
- Innovative practices and programs that help achieve financial literacy for Wisconsin's culturally and ethnically diverse population
- Encouraging financial institutions to form partnerships with the educational institutions

Principles to Guide the Task Force in Achieving the Financial Education Vision

The Governor's Task Force on Financial Education will use the following principles (not listed in any order of importance) to help shape its recommendations.

Our financial education efforts should . . .

1. Reflect, honor, and serve Wisconsin's rich cultural and ethnic diversity
2. Have accountability at key points such as measurable outcomes
3. Reflect a developmental system that begins with basic life skills and fundamentals, advances up to applications, and includes positive motivations
4. Promote financial independence, interdependence, and responsibility, connecting consequences to behaviors
5. Be integrated across the K-16 levels and diffused into many disciplines and programs
6. Include business ethics, values, financially responsible behavior, retirement planning, entrepreneurship, wealth creation, and emotional skills (e.g., how to teach frugality, delayed gratification, saving for a rainy day, etc.)
7. Recognize the influence of parents and community
8. Acknowledge that financial literacy is an essential life skill for everyone
9. Reflect mainstream financial skills, concepts and principles
10. Give people equal access to financial education information, knowledge, and resources
11. Be grounded in practical everyday life skills and applications
12. Be sustainable over time
13. Recognize that financial education needs to be taught to our youth because it is essential to a balanced life
14. Allow for and accept different levels of success and not make a value distinction between those who have a lot and those who have little
15. Carefully consider the complicated curriculum that schools must already teach, consider the cost of implementing new ideas, and look for investment resources (human) and funding mechanisms to defray these costs
16. Recognize that effective learning requires hands-on practice to develop appropriate dispositions and habits regarding financial literacy.

Wisconsin 12th graders in a 2002 national survey achieved an average score of only 58.8 percent on a test of their financial know how–a dismal fact. At the same time, access to financial products and services is greater than ever before.

– National Jump$tart Coalition for Personal Financial Literacy Survey

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NATIONAL PROBLEM . . .

The Washington Times

FRIDAY, MARCH 16, 2001

High school seniors fail personal finance test

By Julie Hyman
THE WASHINGTON TIMES

Group urges law to fund curricula

High school seniors flunk personal finance 101, a group that promotes financial literacy reported yesterday.

Many students answering an 801-person telephone survey sponsored by the Americans for Consumer Education and Competition answered incorrectly on questions about saving, investing and taxes. The group is pushing a House bill that would give primary and secondary schools more funding to develop and implement financial education curricula.

The students' average score on a 13-question quiz was under 40 percent, said Dave Sackett, whose Republican polling firm, the Tarrance Group, conducted the survey with the Democratic research firm Lake, Snell and Perry.

One-third of the students surveyed had a savings account. But 38 percent thought savings accounts were a better way to earn interest than money market accounts or certificates of deposit.

Susan Molinari, a former member of Congress and Americans for Consumer Education and Competition's chairman, said the results show a clear need for better personal finance education, both at home and in schools.

"The results suggest that there is a significant deficiency," she said.

"Personal finance lessons are best learned when both parents and educators make them a priority."

Mrs. Molinari spoke at Woodrow Wilson High School in Northwest, one of the few schools in the District to have a formal financial education curriculum.

The school has an Academy of Finance, and students who complete financial course work have a special ceremony upon graduation.

"I like money, and I wanted to learn more about how to manage my money," said Brandon Crowder, a Wilson senior. He added the course taught him to be cautious about getting a credit card when he goes to college next year.

Tiffany Starks, another college-bound senior, said the course will

see TEENS, page B11

TEENS

From page B10

"help plan for my future." Each student is required to develop a financial plan through death, including estate planning, said academy director Jeff Schultz.

Mrs. Molinari said such curricula can be offered as separate courses or incorporated into existing classes such as math.

The House bill would grant at least $500,000 to states that submit education plans to Congress, subject to its approval. The measure also would provide a clearinghouse of courses and instructional materials for schools to use.

The bill was introduced in January by Reps. David Dreier, California Republican, and Earl Pomeroy, North Dakota Democrat. They sponsored a version of the measure last year, but the bill to which it was attached was killed.

Mr. Dreier said he is confident of its chances this year.

"My hope is that we'll have this attached to an education bill," he said. As chairman of the Rules Committee, he should be able to do just that, he added.

"Tax cuts and other issues are going to be of paramount importance, but that doesn't diminish that we need to get this through," Mr. Dreier said.

He also said the bill was another way to attack the problem of rampant bankruptcy, which is being addressed in a separate measure in Congress.

"The key to reforming bankruptcy is to provide ways to avoid it," he said.

MADISON CAPITAL TIMES – JUNE 7, 2002

Schools send kids into financial lion's den

Ray Unger
CONFESSIONS OF A MONEY MANAGER

One of the risks of writing a newspaper column is that you'll offend someone. But with so many high school and college graduations taking place around the state, however, someone needs to sound an alarm about the financial dangers facing these new graduates.

Especially since their respective schools failed so miserably at preparing them for these inevitable life experiences. As a practitioner in the field of investments, I'm obviously interested in knowing how our young people are being prepared to address financial issues.

Soon these same youth will hold leadership positions in government, business and social institutions that make up our society. They're the ones that will also invest, start new businesses and, in essence, create the economic environment that will either raise or lower our living standards.

In the past month, I found out that most of these graduates don't even know how to balance a checkbook. That's frightening.

Earlier this year I was invited to participate in the Governor's Task Force on Financial Education. During the task force sessions, we've heard testimony from the Federal Reserve, Wisconsin Department of Financial Institutions, Wisconsin Department of Public Instruction, The Jump$tart Coalition for Personal Financial Literacy, and many others.

Basically, they all say the same thing. That in today's economy, young people are confronted with more financial options and opportunities than ever before, but that they're less equipped to understand much less make sound financial decisions that will affect them for the rest of their lives.

Here's just a sample of what we learned. First, that many financial institutions are ready, willing and able to extend credit to young people. According to Patrick Vandenberg, director of Consumer Credit Counseling Services of Milwaukee, two-thirds of college students now have credit cards and 13 percent have four or more cards. Many of those students have credit limits of up to $5,000.

According to Vandenberg, 7 percent of people filing bankruptcy are between 18-24 years of age, and that while this figure is small, it's up 51 percent in just eight years. And here's some news for parents. Credit card issuers often look to the parents should these young cardholders suffer a setback.

When I went to high school in the 1960s, a course in economics was required. It covered such mundane things as home mortgages, income taxes and the cost of credit. We learned, *for example*, about the time value of money and how interest expenses could double or even triple the cost of an item if paid for over a long period of time.

However, I wasn't able to get a credit card until I graduated from college and had a job. So the tutoring I received in high school would not come into play for years.

Today, high school graduates and college students are inundated with credit card invitations, yet only 13 states require any course in economics — Wisconsin dropped the requirement years ago. Strange that educators in the 1960s thought such courses were necessary when kids couldn't get credit, but think it unnecessary today when credit access is so widespread.

The real irony is that material to teach our young people about finance and economics is available. And the quality and creativity of this material is truly exceptional. The Jump$tart Coalition — comprised of over one hundred nonprofit organizations, government agencies and corporations — has identified what kindergarten through 12th grade students should know and be able to do in personal finance.

And the state Department of Public Instruction has internally developed quality curriculum to meet most of these standards. Unfortunately, only 7 percent of Wisconsin's public schools offer courses that utilize these financial and economic curricula.

Last February, I received a letter from Elizabeth Burmaster, state superintendent of public instruction, congratulating me on being appointed to the governor's task force. She wasn't able to attend any of the sessions, but a number her high-ranking representatives have.

I only hope they impress upon her the need for requiring financial education in our K-12 school system. The absence of such education is tantamount to sending our youth into the financial lion's den.

Ray Unger is president of Unger Capital Management in Madison. He can be reached at 833-9400, or e-mail at rayu@ungercap.com.

Ninety-five percent of all college students and thirty-two percent of high schoolers had credit cards in 2000.

–Data, USA Education Inc.
Experian Information Solutions, Inc.,
Business Week/May 21, 2001

Task Force Issues & Workgroups

The Task Force Steering Committee has identified five key areas for the Task Force to explore in conducting its research and in developing and offering its recommendations:

- Financial Skills & Knowledge
- Status of Financial Literacy
- Best Practices & Funding Sources–Wisconsin & Elsewhere
- Role & Needs of Educators
- Family Financial Literacy

Clarifying, Updating, & Defining the Task Force Issues

At its January 14, 2002 meeting, the Task Force on Financial Education reviewed and discussed the initial workgroup charges developed by the Steering Committee.

Task Force members offered suggested additions to the issues and questions that each workgroup should address. The suggested additions are included in this document. The Steering Committee reviewed this document at its meeting on February 7, 2002 and made additional changes that have also been incorporated into this document.

The first task of each workgroup will be to review their *charge* and finalize their scope, membership, and issues to explore.

APPENDIX

Issue: Financial Literacy

Description

This issue explores the adequacy, nature and extent of financial and economic education in Wisconsin to determine whether and where gaps exist in the education infrastructure.

Graduating seniors are in financial danger today because they lack financial literacy. A 1999 study showed that on average students could answer correctly just half of financial questions–a drop from a study done just three years prior. Yet students today have access to a veritable explosion of financial venues–credit cards, Internet shopping and other financial tools–that were not available just a few years ago.

Additional Issues/Points Made at January Task Force Meeting

- Consider issue of financial risk, strain.
- Are there groups that are more disadvantaged, more at risk?
- Do groups have different skills, abilities?

Questions

1. Is Wisconsin doing enough?
2. How does Wisconsin educate its youth on core financial education competencies? Where and how do Wisconsin youth receive financial literacy instruction? What documentation supports successes and gaps in effectively instructing youth on these issues?
3. Research links higher rates of personal bankruptcy in those states that do not require financial education. How can collaborative initiatives benefit Wisconsin's youth to prevent such hardships as bankruptcies? How can the public and private educational infrastructure enhance financial literacy? How can private industry enhance financial literacy?
4. What is the cost of financial illiteracy to Wisconsin?
5. Is there anyone else who is a stakeholder who should have a voice in our discussion?

Issue: Financial Skills & Knowledge

Description

- WHAT financial skills should be taught/learned?
- WHERE should they be learned? (School? [What class(es)?] Home? Other?)
- WHEN should they be taught? (At what point in the education cycle)
- HOW to measure students' knowledge of financial literacy skills?

Additional Issues/Points Made at January Task Force Meeting

- Basic money management
- At what age do we test to see what age appropriate skills they have?
- Focus on the basics
- Economic knowledge
- Bridge the gap - class, world
- Incorporating positive financial skills into all academic disciplines (math, science, history, economics, social studies, family & consumer education, etc.)

Questions

1. What financial literacy skills should the student have mastered at various points in the educational cycle (bench marks)? [i.e. completion of elementary school, middle school, high school]
2. How best to measure students' financial literacy knowledge?
3. Maintaining students' interest–how can financial literacy subjects be made interesting for students? Carrots to offer? (i.e. lower auto insurance rates for completion of driver's education course)
4. Funding issues? Public/Private partnerships?
5. Educator training?
6. Is 12th grade too late to complete financial literacy skills? Should target completion be 10th or 11th grade?
7. Is there anyone else who is a stakeholder who should have a voice in our discussion?

Issue: Best Practices & Funding Sources–Wisconsin & Elsewhere

Description

- Identify organizations or institutions with current programs or activities along with their funding sources.
- Evaluate the success or outcomes of each to determine their effectiveness and financial viability and sustainability.
- Analyze and/or develop strategies for effective collaboration and coordination of financial education efforts.
- Identify models of delivery of financial education that are working.

Additional Issues/Points Made at January Task Force Meeting

- Identify human resources.

Questions

1. What organizations/institutions have developed programs or curriculums that are age specific? Look both within Wisconsin and outside of our state. Public & Private.
2. What are outcomes or success measures which validate the effectiveness of the programs?
3. How are programs funded? Is there an optimum funding model or strategy that makes programs sustainable in communities?
4. Are there effective collaborations and what are the characteristics that make up effective collaboration and coordination of efforts in financial education? Program level? Community Level? State Level? Other States?
5. What research do we need to effectively address this topic?
6. Are there resources that we need to draw upon in the development of our recommendations?
7. Is there anyone else who is a stakeholder who should have a voice in our discussion?

Issue: Role & Needs of Educators

Description

This issue focuses on the role of educators in promoting and teaching financial literacy in public and private educational institutions, communities and other venues and what the needs of these educators are.

Additional Issues/Points Made at January Task Force Meeting

- Incentives for use.
- Creating positive programs that excite and energize teachers, parents and students, and schools.

Questions

1. What kinds of materials, curriculum and resources need to be provided for educators?
2. How can Wisconsin raise the level of educators' knowledge and confidence in teaching financial education subjects to students in public and private education institutions and community classes?
3. How can Wisconsin prepare educators to enhance the self-sufficiency and financial literacy of the thousands of students they teach?
4. What do educators need to be successful in the area of financial education?
5. What is the current practice regarding financial education of teachers in Wisconsin?
6. What models and best practices already exist for teacher education?
7. Is there anyone else who is a stakeholder who should have a voice in our discussion?

Issue: Family Financial Literacy

Description

This issue explores the role of parents and families in teaching financial education to youth and possible strategies for increased parental involvement.

Schools alone cannot provide every aspect of a child's educational development. The daily modeling of parents, family members, and peers have a profound effect on an individual's financial habits.

At home, discussing financial matters is often uncomfortable and avoided.

Additional Issues/Points Made at January Task Force Meeting

- Extra-curricular programs for students and parents.

Questions

1. What resources and organizations exist to help parents/guardians teach financial education?
2. What methods can be employed to help families become more involved in financial literacy?
3. How can Wisconsin work collaboratively with parents/guardians to promote financial literacy at home?
4. Is there anyone else who is a stakeholder who should have a voice in our discussion?

APPENDIX

WORKGROUP FINDINGS

EACH WORKGROUP PRESENTED ITS TOP FINDINGS

➢ **Status of Financial Literacy Workgroup**

1. The teaching of personal finance occurs in multiple curriculums and to varying levels of depth.
   - Approximately 11 percent of 9-12 students are enrolled in economics, 5 percent in consumer economics, 5 percent in business organizations and management, 5 percent in adult living life management, 3 percent in introduction to marketing, 2.5 percent in American enterprise during the 2001 school year.
   - Some percent of local school districts require financial education of .5-1 percent credit. Courses are taught by certified personnel under a variety of course titles using various formats
   - Of schools in one sample less than 50 percent have a personal finance requirement.
   - Wisconsin has approved standards in social studies, business, and family and consumer education that address aspects of financial and economic education.
2. Several indirect measures (credit card debt, increasing state bankruptcy rates, low net worth in Wisconsin's largest cities, college student debt) suggest that many young people in Wisconsin are making poor financial decisions.
   - From 1990-2001 bankruptcy filings in Wisconsin experienced 105 percent total growth (24 percent growth from 2000-2001). On a national level from 1991-1999 there was 51 percent growth in bankruptcy filing by those under age 25.
   - Percentage of student loans is higher than 10 years ago as is the level of debt, coupled with increased credit card use points to higher levels of total debt for college students than for previous years at UW-Madison.
   - Overall student loan default rates have decreased at UW-Madison.
   - Forty percent of college student nationally use credit cards, e.g. carry high levels of debt.
3. Wisconsin conducts no approved testing in the areas of financial and economic education.
4. Wisconsin teacher certification rules create barriers between social studies, business and family and consumer education teachers to teach financial and economic education.
5. There has been increased marketing of financial products to younger people.
6. In terms of financial understanding, Wisconsin students scored 58.8% according an April 2002 National Jump$tart Coalition study conducted by Dr. Lewis Mandell.

APPENDIX

- **Skills & Knowledge Workgroup**

1. There is a lack of financial commitment of the legislature and lack of support and cooperation by existing governmental agencies to promote, include, and implement a statewide K-12 financial literacy curriculum.
2. Existing economic standards in Wisconsin do not cover personal financial literacy.
3. Because financial literacy is not currently measured in Wisconsin, there is no guarantee that high school students have gained adequate knowledge.
4. There exists an abundance of outstanding curricula available through private and governmental organizations.
5. Many attitudes and understandings about money are developed at a very early age.

- **Best Practices and Funding Sources Workgroup**

1. Wisconsin does not require financial education to be taught statewide in K-16. Some school districts do require certain financial education courses to be taken as a high school graduation requirement. Currently the Department of Public Instruction financial education standards are taught through elective courses only (business, marketing, social studies, family and consumer education). A student may graduate from high school in the State of Wisconsin without learning any basic financial education.
2. There are many existing programs/curricula that address personal financial education but no collaborative effort. There is no standard approach to teaching personal finance in Wisconsin school.
3. Because the current level of personal finance knowledge among students is low, bankruptcy remains at a high level and costs each consumer over $500 each year. There is a correlation between states that do not require financial education and high bankruptcy in that state. Forty-four million Americans do not understand basic financial concepts. Fifty-three percent of individuals live paycheck to paycheck.
4. The private sector is investing considerable resources (time, talent, treasures) in teaching personal finance skills. Successful programs involve local collaborations between schools and the community. There are partnerships and organizations that are currently addressing funding and financial education in schools.
5. There is little or no accountability in teaching financial education. The Wisconsin high school graduation test does not do an adequate job of assessing financial education among students.

   Many teachers/parents are not equipped to use or provide basic finance related concepts. There are few teachers that have a degree in financial education/economics.

APPENDIX

APPENDIX

➢ Role & Needs of Educators Workgroup

1. There is a lack of comprehensive financial knowledge.
   - Adults and students lack skill and knowledge in basic financial matters
   - People lack investment knowledge
   - People lack fiscal and financial responsibility
   - People do not understand the importance of good credit
2. No local requirements for financial education standards.
   - No consistency of what is and what should be taught
   - Disagreement between Economics and financial education
   - No local requirement for implementing financial education standards
   - Lack of school and student interests
3. Limited teacher training and current staff knowledge.
   - Contract limitations pose constraints for alignment of staff development with school needs
4. Strong public support for financial education in schools.
   - Parent interest
   - Employers/businesses/banks are already involved
5. Stand alone financial education courses are not recognized and may be discounted for college admissions.

➢ Family Financial Literacy Workgroup

1. Statistics suggest children who learn financial basics from family have better savings habits as adults.
2. Statistics suggest most adults gather financial knowledge from friends and co-workers, rather than seeking abundantly-available outside resources.
3. There is a *disconnect* between the definition of basic financial education and the teaching of macro economics (our perception that what is being taught is sufficient).
4. Parents/guardians and children do not perceive financial literacy as important until it's too late.
5. Exposure to financial literacy is, in most cases, only offered as an elective course, if at all.
6. Children/minors/students have difficulty in having the ability to develop sound personal financial habits without family involvement.

"To improve your personal financial situation
you must accumulate appreciable assets
—and the first step to asset accumulation
and therefore wealth building
is understanding your personal finances."

—Jodi Owens, Financial Education Specialist,
Wisconsin Department of Workforce Development

"It's not what you make. It is what you keep."

—ReDonna Rodgers, Director,
Center for Teaching Entrepreneurship

APPENDIX

Governor's Task Force on Financial Education

Meeting Schedule

Monday, January 14th

Tuesday, February 19th

Wednesday, March 27th

Thursday, April 11th

Tuesday, May 7th

Thursday, June 20th

All Task Force meetings will take place from 9:00 a.m. to 3:00 p.m. at the Pyle Center located at 702 Langdon Street in Madison.

Meeting notes:

- Members not able to attend any meeting should contact DFI, Office of Financial Education, in advance, by contacting Teresa Walker at 608-267-1713, or e-mail her at teresa.walker@dfi.state.wi.us.
- Arrangements can be made for others to represent Task Force members who are unable to attend.

Express your views to

The Governor's Task Force on Financial Education

at any of five public listening sessions
Tuesday, May 14, 2002
4:00 p.m-7:00 p.m.

Make your voice heard. The Governor's Task Force on Financial Education has developed preliminary recommendations about financial education in Wisconsin. Now it is holding simultaneous public listening sessions via videoconferencing.

You can provide input before the recommendations become final in June. Join a public listening session at any of the five locations. Provide your views and tell us what you think. Pro or con. Be part of the conversation.

Wisconsin Student Survey

Wisconsin 12th graders in a just-completed study of financial basics scored F (58.8%) when tested on their knowledge of credit cards, retirement funds, insurance, and other personal finance basics The Jump$tart Coalition for Personal Financial Literacy conducted the survey.

Vision Statement

Prepare youth (K-16) to enter into and successfully participate in the evolving financial system as an informed and responsible contributor to Wisconsin's economy. This, in turn, helps improve quality of life.

Locations

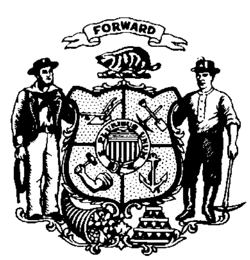
Madison, WI
The Pyle Center
702 Langdon Street
(UW campus)
(live)

Milwaukee, WI
Milwaukee Education Center
227 W. Pleasant St
(videoconference)

Appleton, WI
Appleton North High School
5000 N Ballard
(videoconference)

Rhinelander, WI
DNR Regional Headquarters
107 Sutliff Ave
(videoconference)

Washington D.C.
House Recording Studio
384 Rayburn House Office Bldg
(videoconference)



Task Force Facts

- Executive Order No. 33 created The Governor's Task Force on Financial Education.
- The Wisconsin legislature recently supported financial education through Senate Joint Resolution 31 that urged schools to improve the personal money management skills of high school students.
- The Wisconsin Department of Financial Institutions (DFI) Task Force on Financial Competitiveness 2005—representing financial institutions and consumers—ranked financial illiteracy as the top obstacle to financial competitiveness

Task Force Issues & Workgroups

- Financial Skills & Knowledge
- Status of Financial Literacy
- Best Practices & Funding Sources Wisconsin & Elsewhere
- Role & Needs of Educators
- Family Financial Literacy

Administrative support is provided by DFI.

For More Information
Contact: David Mancl, Director, DFI Office of Financial Education
Phone: 608-261-9540
Email: david.mancl@dfi.state.wi.us
Website: www.wdfi.org

APPENDIX

FINANCIAL KNOWLEDGE LACKING . . .
WISCONSIN STATE JOURNAL
JULY 18, 2002

OUR OPINION

Students' financial knowledge lacking

Wisconsin's high school graduates should be equipped to be successful consumers and investors.

The results of a recent survey should remove any doubt about the urgency of Wisconsin's efforts to improve how schools prepare students to manage their own money.

On average, Wisconsin high school seniors were only able to correctly answer [illegible].8 percent of the questions on a personal finance survey by the JumpStart Coalition for Personal Financial Literacy, based in Washington, D.C. Although that was above the woeful national average of 50.2 percent, it was a clear signal that Wisconsin seniors are ill-prepared to budget their income, compare deals for major purchases or pursue savings and investment strategies.

For example, just four of 100 Wisconsin seniors who took the test knew how much a credit card holder would be responsible for paying if a thief stole the card and ran up $1,000 in charges. Most answered that the legal liability would be zero. The correct answer is $50. (Some credit card issuers may choose to cover that $50, but the legal liability belongs to the card holder.)

Nationwide, most students also did not know that retirement income paid by a company is a pension, not Social Security, not a 401(k) and not rents and profits. Most did not know that a bond issued by a state is not insured by the federal government, and most did not know that money which may be needed right away for emergencies is better kept in a checking or savings account or even in stocks than used as a down payment on a house.

Most did not know a lot of important facts.

And if anything should demonstrate the importance of knowing the facts about money management, this summer's ugly stock market is it. It's a mistake for Wisconsin to send its high school graduates out into the workday world without equipping them to be successful consumers and investors.

Fortunately, Wisconsin is addressing the problem.

The state's Office of Financial Education is offering training programs to help teachers teach financial literacy, and Gov. Scott McCallum appointed a Task Force on Financial Literacy, which is completing work on recommendations to be presented next month to ensure that schools teach the basics of personal finance.

The Madison Area Chapter of Credit Unions, CUNA and Affiliates, and family living educator Pat Ludeman of UW-Extension, have combined to offer a free money management program that teachers can incorporate in classroom instruction.

School districts are taking the initiative as well. The Milton School District, for example, offered a class this summer on investing in the stock market. Fifteen middle school students took the course from teacher Jacki Foss.

Efforts to beef up personal finance education in schools will run up against competing pressures on curriculums and school budgets. For example, a requirement that all students to take a personal finance course (a tentative recommendation by the governor's task force) is a worthy idea, but whether it is practical in all districts is a question that deserves discussion. Nonetheless, much can be accomplished within existing curriculums and budget by incorporating personal finance lessons in mathematics and other subjects.

The state's effort to improve financial literacy among Wisconsin students deserves the support of parents, who also ought to encourage their local schools to improve the teaching of money management so that students will be better prepared to make the financial decisions that will confront them in adulthood.

WORKGROUP PROCESS

The Task Force Steering Committee identified five key areas for the Task Force to explore in conducting its research and in developing and offering its recommendations: Financial Skills & Knowledge, Status of Financial Literacy, Best Practices & Funding Sources in Wisconsin & Elsewhere, Role & Needs of Educators, and Family Financial Literacy. A workgroup-consisting of approximately five to six Task Force members, one of whom was identified as the Chairperson, along with a DFI staff person who served as a facilitator/support person to the group–was created for each of these five areas. People who were not official members of the Task Force but who had an interest in or expertise with a particular subject area also participated in workgroup meetings with the permission of the Steering Committee. Under the guidance of the Task Force's facilitators, Jeff and Linda Russell, Russell Consulting, Inc., each of the workgroups followed a similar process to complete its work. The following are the key elements of that process:

- The Steering Committee gave each workgroup a brief description of its topic along with a set of questions about the topic for the members to consider at their initial meeting. In addition, workgroup members were asked at that first meeting to: 1) further define and clarify their issue; 2) define what they hoped to see accomplished for this issue (i.e., desired outcomes); 3) identify any missing individuals who needed to be invited to participate on their workgroup; and, 4) list the information that they still needed in order for them to move on to the next steps of identifying findings and then developing recommendations for the Task Force.
- Efforts were made by the DFI staff and others to obtain the background information requested by the individual workgroups. This information was subsequently heard, reviewed, and discussed at the second and third meetings of the workgroups. Presentations were also scheduled for the Task Force as a whole at each of its sessions in order to provide additional information to everyone on various aspects of financial education.
- During their third meeting, workgroup members were asked to develop a single, prioritized list of findings, i.e., what they believed to be *true* about their topic area, based on their own knowledge and experience in addition to what they had learned from the information presented to the Task Force and their workgroup. Creating this list of findings was accomplished through a nominal group process which involved individuals first developing their own personal list of findings and then sharing these findings with the group; the facilitator recording all findings offered on a whiteboard or flipchart in front of the group; the group clarifying each of the findings; and then each person voting (with weighted votes) for

what they perceived to be the five most important findings. The tallying of these weighted votes created a prioritized list of findings for each workgroup with the natural *break point* between the vote totals determining each workgroup's top level findings.

- The agenda for the fourth (and last) meeting of each of the workgroups included, first, reviewing and finalizing their list of findings and, second, reviewing the Task Force's vision and guiding principles for financial education to be used as a framework in considering and evaluating possible recommendations. The nominal group process was again followed where each workgroup member was asked to individually develop a list of recommendations. These recommendations were then reported out and recorded on a whiteboard or flipchart in front of the workgroup. After clarifying each of the recommendations, members were asked to vote (with weighted votes) for what they believed to be the top five recommendations. The tallying of these votes resulted in a prioritized list of recommendations with the natural *break point* between the vote totals determining each workgroup's top-level recommendations.
- Prior to the Task Force's final meeting, five public listening sessions were held (four in Wisconsin and one in Washington D.C.) to gather citizen input on the workgroups' draft recommendations.
- In preparation for the final Task Force meeting, Russell Consulting, Inc. categorized and displayed on a matrix the top-level recommendations from each of the workgroups. The workgroups' chairs and the Steering Committee along with some other Task Force members then met to develop a single list of recommendations based upon the matrix. The single list of recommendations (along with the matrix and input from the public listening sessions) was presented to the entire Task Force where the recommendations were discussed, modified, and eventually approved.

INTEGRATION OF JUMP$TART COALITION STANDARDS WITH WISCONSIN'S ECONOMIC STANDARDS, GRADES 4, 8, AND 12

[Developed by the Financial Skills & Knowledge Workgroup]

FOURTH GRADE

Performance Standards for Economics

By the end of grade four, students will:

D.4.1 Describe and explain the role of money, banking, and savings in everyday life.

- Identify sources of income. (Jump$tart Income Standard 1)
- Explain the relationship between saving and investing. (Jump$tart Saving and Investing Standard 1)
- Describe reasons for saving and investing. (Jump$tart Saving and Investing Standard 2)

D.4.2 Identify situations requiring an allocation of limited economic resources and appraise the opportunity cost (for example, spending one's allowance on a movie will mean less money saved for a new video game).

- Explain how limited personal financial resources affect the choices people make. (Jump$tart Money Management Standard 1)
- Identify the opportunity cost of financial decisions. (Jump$tart Money Management Standard 2)
- Discuss the importance of taking responsibility for personal financial decisions. (Jump$tart Money Management Standard 3)
- Apply a decision-making process to personal financial decisions. (Jump$tart Money Management Standard 4)
- Compare the benefits and costs of spending decisions. (Jump$tart Spending and Credit Standard 1)

D.4.3 Identify local goods and services that are part of the global economy and explain their use in Wisconsin.

- Evaluate information about products and services. (Jump$tart Spending and Credit Standard 2)

D.4.4 Give examples to explain how businesses and industry depend upon workers with specialized skills to make production more efficient.

APPENDIX

D.4.5 Distinguish between private goods and services (for example, the family car or a local restaurant) and public goods and services (for example, the interstate highway system or the United States Postal Service).

D.4.6 Identify the economic roles of various institutions, including households, businesses, and government.

D.4.7 Describe how personal economic decisions, such as deciding what to buy, what to recycle, or how much to contribute to people in need, can affect the lives of people in Wisconsin, the United States, and the world.

EIGHTH GRADE

Performance Standards for Economics

By the end of grade eight, students will:

D.8.1 Describe and explain how money makes it easier to trade, borrow, save, invest, and compare the value of goods and services.

- Compare the benefits and costs of spending decisions. (Jump$tart Spending and Credit Standard 1)
- Evaluate information about products and services. (Jump$tart Spending and Credit Standard 2)
- Explain how limited personal financial resources affect the choices people make. (Jump$tart Money Management Standard 1)
- Identify the opportunity cost of financial decisions. (Jump$tart Money Management Standard 2)
- Discuss the importance of taking responsibility for personal financial decisions. (Jump$tart Money Management Standard 3)
- Apply a decision-making process to personal financial decisions. (Jump$tart Money Management Standard 4)
- Design a plan for earning, spending, saving, and investing. (Jump$tart Money Management Standards 7)
- Compare the risk, return, and liquidity of investment alternatives. (Jump$tart Saving and Investing Standard 3)
- Describe how to buy and sell investments. (Jump$tart Saving and Investing Standard 4)
- Explain how different factors affect the rate of return on investments. (Jump$tart Saving and Investing Standard 5)
- Evaluate source of investment information. (Jump$tart Saving and Investing Standard 6)

D.8.2 Identify and explain basic economic concepts: supply, demand, production, exchange, and consumption; labor, wages, and capital; inflation and deflation; market economy and command economy; public and private goods and services.

- Explain how inflation affects spending and investing decisions. (Jump$tart Money Management Standard 5)

D.8.3 Describe Wisconsin's role in national and global economies and give examples of local economic activity in national and global markets.

D.8.4 Describe how investments in human and physical capital, including new technology, affect standard of living and quality of life.

D.8.5 Give examples to show how government provides for national defense; health, safety, and environmental protection; defense of property rights; and the maintenance of free and fair market activity.

- Describe the rights and responsibilities of buyers and sellers under consumer protection laws. (Jump$tart Spending and Credit Standard 8)
- Explain how agencies that regulate financial markets protect investors. (Jump$tart Saving and Investing Standard 7)

D.8.6 Identify and explain various points of view concerning economic issues, such as taxation, unemployment, inflation, the national debt, and distribution of income.

D.8.7 Identify the location of concentrations of selected natural resources and describe how their acquisition and distribution generates trade and shapes economic patterns.

D.8.8 Explain how and why people who start new businesses take risks to provide goods and services, considering profits as an incentive.

D.8.9 Explain why the earning power of workers depends on their productivity and the market value of what they produce.

- Identify sources of income. (Jump$tart Income Standard 1)
- Analyze how career choice, education, skills, and economic conditions affect income. (Jump$tart Income Standard 2)
- Explain how taxes, government transfer payments, and employee benefits relate to disposable income. (Jump$tart Income Standard 3)

D.8.10 Identify the economic roles of institutions such as corporations and businesses, banks, labor unions, and the Federal Reserve System.

- Describe how insurance and other risk-management strategies protect against financial loss. (Jump$tart Money Management Standard 6)
- Explain how to use money-management tools available from financial institutions. (Jump$tart Money Management Standard 8)

- Compare the advantages and disadvantages of different payment methods. (Jump$tart Spending and Credit Standard 3)
- Analyze the benefits and costs of consumer credit. (Jump$tart Spending and Credit Standard 4)
- Compare sources of consumer credit. (Jump$tart Spending and Credit Standard 5)
- Explain factors that affect creditworthiness and the purpose of credit records. (Jump$tart Spending and Credit Standard 6)
- Identify ways to avoid or correct credit problems. (Jump$tart Spending and Credit Standard 7)

D.8.11 Describe how personal decisions can have a global impact on issues such as trade agreements, recycling, and conserving the environment.

TWELFTH GRADE

Performance Standards for Economics

By the end of grade twelve, students will:

D.12.1 Explain how decisions about spending and production made by households, businesses, and governments determine the nation's levels of income, employment, and prices.

D.12.2 Use basic economic concepts (such as supply and demand; production, distribution, and consumption; labor, wages, and capital; inflation and deflation; market economy and command economy) to compare and contrast local, regional, and national economies across time and at the present time.

- Identify sources of income. (Jump$tart Income Standard 1)
- Analyze how career choice, education, skills, and economic conditions affect income. (Jump$tart Income Standard 2)
- Explain how taxes, government transfer payments, and employee benefits relate to disposable income. (Jump$tart Income Standard 3)
- Explain how inflation affects spending and investing decisions. (Jump$tart Money Management Standard 5)

D.12.3 Analyze and evaluate the role of Wisconsin and the United States in the world economy.

D.12.4 Explain and evaluate the effects of new technology, global economic interdependence, and competition on the development of national policies and on the lives of individuals and families in the United States and the world.

D.12.5 Explain how federal budgetary policy and the Federal Reserve System's monetary policies influence overall levels of employment, interest rates, production, and prices.

D.12.6 Use economic concepts to analyze historical and contemporary questions about economic development in the United States and the world.

D.12.7 Compare, contrast, and evaluate different types of economies (traditional, command, market, and mixed) and analyze how they have been affected in the past by specific social and political systems and important historical events.

D.12.8 Explain the basic characteristics of international trade, including absolute and comparative advantage, barriers to trade, exchange rates, and balance of trade.

D.12.9 Explain the operations of common financial instruments (such as stocks and bonds) and financial institutions (such as credit companies, banks, and insurance companies).

- Explain how limited personal financial resources affect the choices people make. (Jump$tart Money Management Standard 1)
- Identify the opportunity cost of financial decisions. (Jump$tart Money Management Standard 2)
- Discuss the importance of taking responsibility for personal financial decisions. (Jump$tart Money Management Standard 3)
- Apply a decision-making process to personal financial decisions. (Jump$tart Money Management Standard 4)
- Describe how insurance and other risk-management strategies protect against financial loss. (Jump$tart Money Management Standard 6)
- Design a plan for earning, spending, saving, and investing. (Jump$tart Money Management Standard 7)
- Explain how to use money management tools available from financial institutions. (Jump$tart Money Management Standard 8)
- Compare the benefits and costs of spending decisions. (Jump$tart Spending and Credit Standard 1)
- Evaluate information about products and services. (Jump$tart Spending and Credit Standard 2)
- Compare the advantages and disadvantages of different payment methods. (Jump$tart Spending and Credit Standard 3)
- Analyze the benefits and costs of consumer credit. (Jump$tart Spending and Credit Standard 4)

APPENDIX

- Compare sources of consumer credit. (Jump$tart Spending and Credit Standard 5)
- Explain factors that affect creditworthiness and the purpose of credit records. (Jump$tart Spending and Credit Standard 6)
- Identify ways to avoid or correct credit problems. (Jump$tart Spending and Credit Standard 7)
- Explain the relationship between saving and investing. (Jump$tart Saving and Investing Standard 1)
- Describe reasons for saving and investing. (Jump$tart Saving and Investing Standard 2)
- Compare the risk, return, and liquidity of investment alternatives. (Jump$tart Saving and Investing Standards 3)
- Describe how to buy and sell investments. (Jump$tart Saving and Investing Standard 4)
- Explain how different factors affect the rate of return on investments. (Jump$tart Saving and Investing Standard 5)
- Evaluate sources of investment information. (Jump$tart Saving and Investing Standard 6)

D.12.10 Analyze the ways in which supply and demand, competition, prices, incentives, and profits influence what is produced and distributed in a competitive market system.

D.12.11 Explain how interest rates are determined by market forces that influence the amount of borrowing and saving done by investors, consumers, and government officials.

D.12.12 Compare and contrast how values and beliefs, such as economic freedom, economic efficiency, equity, full employment, price stability, security, and growth, influence decisions in different economic systems.

D.12.13 Describe and explain global economic interdependence and competition, using examples to illustrate their influence on national and international policies.

D.12.14 Analyze the economic roles of institutions, such as corporations and businesses, banks, labor unions, and the Federal Reserve System.

- Describe the rights and responsibilities of buyers and sellers under consumer protection laws. (Jump$tart Spending and Credit Standard 8)
- Explain how agencies that regulate financial markets protect investors. (Jump$tart Saving and Investing Standard 7)

Integration of Jump$tart Coalition Standards with Wisconsin's Economics Standards

Jump$tart Coalition Standard	Grade 4	Grade 8	Grade 12
Income			
1. Identify sources of income.	X	X	X
2. Analyze how career choice, education, and job skills affect income.		X	X
3. Explain how taxes, transfer payments, and employee benefits relate to disposable income.		X	X
Money Management			
1. Explain how limited personal financial resources affect the choices people make.	X	X	X
2. Identify the opportunity and cost of financial decisions	X	X	X
3. Discuss the importance of taking responsibility for personal financial decisions.	X	X	X
4. Apply a decision-making process to personal financial choices.	X	X	X
5. Explain how inflation affects spending and investing decisions.		X	X
6. Describe how insurance and other risk-management strategies protect against financial loss.		X	X
7. Design a plan for earning, spending, saving, and investing personal financial resources.		X	X
8. Explain how to use money-management tools available from financial institutions.		X	X

APPENDIX

Jump$tart Coalition Standard	Grade 4	Grade 8	Grade 12
Spending and Credit			
1. Compare the benefits and costs of spending alternatives.	X	X	X
2. Evaluate the quality of consumer information from different sources.	X	X	X
3. Compare the advantages and disadvantages of different payment methods.		X	X
4. Analyze the benefits, costs, and sources of consumer credit.		X	X
5. Compare sources of consumer credit.		X	X
6. Explain factors that affect creditworthiness and ways to avoid credit problems.		X	X
7. Identify ways to avoid or correct credit problems.		X	X
8. Describe rights and responsibilities of buyers and sellers under consumer protection laws.		X	X
Saving and Investing			
1. Explain the relationship between saving and investing.	X		X
2. Describe reasons for saving and reasons for investing.	X		X
3.Compare the risk, return, and liquidity of investment alternatives.		X	X
4. Describe how to buy and sell investments.		X	X
5. Explain factors that affect the rate of return on investments.		X	X
6. Evaluate sources of investment information.		X	X
7. Explain how agencies that regulate financial markets protect investors.		X	X

"WE ALL BENEFIT FROM INCREASED FINANCIAL LITERACY."

OPINION

Wisconsin State Journal

Wednesday, January 30, 2002

GUEST COLUMN

Financial education is essential for youth

By Patrick Vandenberg

It could not have been planned better. Gov. Scott McCallum just launched the first meeting of the Governor's Task Force on Financial Education on Jan. 14, the same day a story appeared in the Business section of the Wisconsin State Journal about increased debt load among college students.

Credit card companies love college students because all too often parents race to the rescue of their debt-mired sons and daughters and pay off the debts. This is just one of the complex issues the task force will tackle over the next six months.

However, the need for financial education goes well beyond college students. Several studies have recorded that today's graduating high school seniors fail badly on financial literacy tests. At the same time today's high school youth have unprecedented access to their own credit cards, unfettered Internet shopping and other financial means.

While Wisconsin ranked 30 percent below the national average in terms of annual bankruptcies from 1994-1997, the number of Wisconsin bankruptcies has increased gradually since the mid-1980s with no end in sight.

Even Federal Reserve Chairman Alan Greenspan in recent speeches has voiced strong support for financial education. At this time Wisconsin is one of just two states that are taking a closer look at the need for a comprehensive, collaborative and sustainable approach to financial education. This comes after a Wisconsin Department of Financial Institutions Task Force on Financial Competitiveness listed financial illiteracy as a top obstacle to financial competitiveness in the state.

At present, DFI promotes financial education in cost-effective approaches through its Office of Financial Education. This is a chance for Wisconsin to become a national leader by providing innovative ways to deliver financial education to families. These efforts will build stability and prosperity for all in Wisconsin through individual successes.

In my line of work, I see first hand how bad financial habits and decisions tear apart families and devastate lives. That's why I applaud McCallum for focusing attention on this important issue. We all need to focus on financial education. We all benefit from increased financial literacy.

Vandenberg is director of the Consumer Credit Counseling Service of Milwaukee.

FINANCIAL EDUCATION PAYS OFF . . .

Wisconsin State Journal

Sunday, December 16, 2001
Editorial

Financial education in high school pays off

Too many of America's young people set out on a life of their own without knowing how to budget their money, evaluate whether to lease or buy a car, determine what insurance to buy, or judge the merits of mutual funds, annuities and other investments. That's why Gov. Scott McCallum's appointment of a state Task Force on Financial Education is a step in the right direction.

The task force's job will be to advise the governor on how public and private institutions can prepare Wisconsin students for success in the financial system. There is certainly room for improvement. Nationally, a survey of high school seniors, conducted in 1997 by a coalition favoring greater financial literacy, found that only 5 percent of respondents earned a grade of C or better on a series of financial questions.

Moreover, there is evidence that improvement could come with more classroom instruction. A study by the National Endowment for Financial Education and a branch of the U.S. Department of Agriculture demonstrated that just 10 hours of classroom instruction can produce significant improvement in how teen-agers handle money.

Task forces often produce reports that end up gathering dust on a shelf rather than producing action. But Wisconsin's Task Force on Financial Education has the advantage of feeding into action already occurring. For example, the state's Office of Financial Education last summer put on a weeklong program in financial literacy for 74 high school teachers at Edgewood College in Madison. The program, aimed at helping teachers teach financial literacy to students, was successful enough that the office plans two such programs for next summer.

Parents ought to encourage the schools and the state to continue to improve financial education so that our children and our country will be better prepared to prosper.

MEMBERS OF GOVERNOR'S TASK FORCE ON FINANCIAL EDUCATION

Facilitation and Administrative Support

The Governor's Task Force on Financial Education was facilitated by Russell Consulting, Inc.

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State of Wisconsin
Department of
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The Wisconsin Department of Financial Institutions provided administrative support for the Governor's Task Force on Financial Education.

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For more information about the Governor's Task Force on Financial Education visit the Department of Financial Institution's Website at www.wdfi.org/ymm or contact David Mancl at 608-261-9540 or email: david.mancl@dfi.state.wi.us.

FORWARD

WWW.WDFI.ORG / YMM

Attachment
Section 13

West Virginia's
NetWorth
Program Details

16 pages

West Virginia's NetWorth Initiative

Personal Finance Education for 21st Century Learning

A classic definition of net worth calls it the difference between everything you owe and the market value of everything you own. Net worth can be either positive or negative. To many observers, net worth is the bottom line measure of personal financial success.

More importantly, it is the measure of how well an individual has been able to adhere to the principles of personal financial management. A person with a high income can still have a negative net worth. On the contrary, a person with a low to moderate income can have a positive net worth. A positive net worth is an indicator of sustainable wealth and is the desired state.

Personal finance education teaches principles and disciplines that lead to a positive net worth, such as budgeting, saving, investing and risk management.

What is NetWorth?

- **Partnership** between the State Treasurer and State Superintendent of Schools
- Supported by State Legislature, State Board of Education, State Auditor, Attorney General, and First Lady
- Goal is to improve and expand personal finance education in WV public schools and produce financially literate high school graduates
- Started with determining the personal finance skill set a high school graduate should have
- A comprehensive review of the K-12 curriculum to see where and when the skills can best be taught – math, social studies, language arts, i.e.
- Integrate into core curriculum so it will be taught and assessed
- Advance the guidance and counseling program to include personal finance
- Design lesson plans; train teachers
- Seek to maximize community and parental involvement in the solution
- Working task force composed of roughly equal number of teachers and community representatives
- Plan for working together for long-term impact
- Desire to build a sustainable system with sufficient resources
- Objective is to ensure personal finance education is authentic and experiential and progresses from K to 12.
- It is **never too early to start** building the knowledge and decision-making skills.
- Where possible, build on current activities
- Professional development for teachers will be large undertaking, will take time.
- Research component will measure impact at both the formative and summative stages of implementation.

Proposed Outcomes

Here are some of the dreams we have that are all attainable:

Where all elementary school students have a savings account and actively budget their money.

Where students from middle grades on develop a comprehensive personal financial plan and update it at least annually with parental input.

Where students from the middle grades on have developed a comprehensive career plan and update it annually.

Where students fully understand the pitfalls of credit cards well before being old enough to actually have one of their own.

Where students know how to shop for the best bank account deals and where all high school students have established a banking relationship with a financial institution and manage their accounts online.

Where all high school students have analyzed and compared for their parents the various automobile insurance options and costs prior to being added to their parents' automobile policies.

Where high school seniors can accurately prepare federal and state tax returns for sample households that have a variety of income sources, deductions and credits.

Where high school students analyze their own family and household finances and help their parents develop an improved personal financial plan.

Where every high school student with a part-time job has opened and contributed to an IRA or 401-K and are actively managing their investments in a manner appropriate to their financial goals.

Where students learn they can actually raise their standard of living through tight budgeting and being very savvy consumers.

Where high school graduates know the questions to ask to sniff out dubious financial deals such as bad mortgages or payday loans.

Where students know how to find the best deals on student loans and how to negotiate a financial aid package for higher education.

Where high school graduates can analyze credit reports and other related data and prepare a basic "credit repair" plan.

Where high school graduates can recognize instances of consumer fraud or abuse and exercise the appropriate steps to seek correction.

Where high school graduates know the characteristics and uses of common asset classes and can suggest simple asset allocations appropriate for typical investment goals and time horizons.

Where middle school students can analyze the product warranty that comes with their latest gadget (eg. iPod, PS-3) and then analyze the cost-benefits of the extended service plan offered by the retailer.

As is illustrated in these outcome examples, we want lessons that have the students actually doing something rather than just discussing it theoretically or hypothetically. For instance, don't just hear a lesson on savings, but learn savings by maintaining a savings account. The learning will be problem-based, experiential, standards-based with real world applications.

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NetWorth

Personal Finance Education for the 21st Century

WVPASS

October 17, 2008

West Virginia's NetWorth Initiative

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- Supported by State Legislature, State Board of Education, State Auditor, Attorney General, and First Lady
- Goal is to improve and expand personal finance education in WV public schools and produce financially literate high school graduates
- Initially, a 3-year project to reach into all classrooms

West Virginia's NetWorth Initiative

- Started with determining the personal finance skill set a high school graduate should have
- A comprehensive review of the K-12 curriculum to see where and when the skills can best be taught – math, social studies, language arts, i.e.
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- Design lesson plans; train teachers

West Virginia's NetWorth Initiative

- Seeking to maximize community and parental involvement in the solution
- Working task force composed of roughly equal number of teachers and community representatives
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Assessing Mastery with Bloom's Taxonomy

Novice	Partial Mastery	Mastery	Above Mastery	Distinguished
				Synthesis
			Analysis	***Create***
		Application	***Construct***	***Construct***
		Solve	***Solve***	***Solve***
	Comprehension	***Contrast***	***Contrast***	***Contrast***
Knowledge		***Compare***	***Compare***	***Compare***
	Classify	***Classify***	***Classify***	***Classify***
Explore	***Explore***	***Explore***	***Explore***	***Explore***
Identify	***Identify***	***Identify***	***Identify***	***Identify***

Sorting Our List of Desired Competencies
By the National Standards Categories from Jump$tart

Financial Responsibility and Decision Making

Overall Competency -- Apply reliable information and systematic decision making to personal financial decisions.

Standard 1: Take responsibility for personal financial decisions.

What do you cost your parents? Each week, month and year-- exercise on what student's impact is on their parents; Effects of credit score on insurance; and, Sliding the plastic thing – making money tangible; Finishing obligations/commitments; Character education; and, NSF – non-sufficient funds

Standard 2: Find and evaluate financial information from a variety of sources.

Choosing a bank/acct type/comparison shop –fees, etc.; Joint Accounts; Comparing which card to get – incentives vs. annual fees (points, cash back, miles – when is it worth it?); History of Money (Fed101.com); Auction; Money knowledge: coin recognition/worth/bartering/purchases; Advertisement (propaganda); and, Pros/cons of welfare

Standard 3: Summarize major consumer protection laws.

Account resolution, consumer rights; Predatory lending – check cashing, tax preparation anticipatory loans, etc.; and Rent to own scam

Standard 4: Make financial decisions by systematically considering alternatives and consequences.

Choosing a bank/acct type/comparison shop –fees, etc.; Joint Accounts; Needs vs. wants (home and car vs phone and internet); take care of needs before wants; Car – there is more to cars than just the car; Home Ownership; Expectations (socioeconomic status – balancing school and society's expectations with home expectations;) Patience; Obligation/personal responsibility/consequences; Budget – weekly/monthly/every day; Places to go when you need help with finances; and, Rent to own scam

Standard 5: Develop communication strategies for discussing financial issues.

Places to go when you need help with finances;

Standard 6: Control personal information.

Identity theft; Security freeze; Privacy of accounts, keeping information secure, shredding; Emergency record keeping

Income and Careers

Overall Competency -- Use a career plan to develop personal income potential.

Standard 1: Explore career options

Realistic salary expectations (salary.com); Workplace benefits (paid vacation, etc.); Career (college vs. vocational/other); Career planning; costs, skills, and education goals; Scholarships, grants, loans, scams; Vocational interests/assessment; Internships; Appearance for interview/job

Standard 2: Identify sources of personal income.

Realistic salary expectations (salary.com); "Payday" – charges/fines/earnings/bonuses; Value of different money

Standard 3: Describe factors affecting take-home pay.

Payroll deductions/taxes – gross vs. net income (FICA, Medicare, retirement, insurance); Paycheck deductions; Workplace benefits (paid vacation, etc.); "Payday" – charges/fines/earnings/bonuses; Income tax – gross/net; and, Benefits

Planning and Money Management

Overall Competency - Organize personal finances and use a budget to manage cash flow.

Standard 1: Develop a plan for spending and saving.

Needs vs. wants (home and car vs. phone and internet); Value of expenditures; Four categories of allocations: spending, saving, investing, charity; Miscellaneous expenses: birthdays, holidays, fundraisers, school supplies, etc.; Prioritize; Patience; Delayed/deferred gratification; Allowance; Budgeting to find extra money; Hidden costs (car, credit cards, bank cards, pets, house, etc.); Goal setting; Bills, utility costs; and, Sales tax, property tax, food tax, etc.

Standard 2: Develop a system for keeping and using financial records.

How to balance a checkbook; Organizing records – what you should keep & retention schedule; NSF – non-sufficient funds; Overdraft fees; How to dispute an unauthorized debit from account; Record keeping

Standard 3: Describe how to use different payment methods

How to write a check; Managing an electronic checking account; How to use electronic banking; Credit vs. debit cards vs. ATM cards; Direct deposit, charges, debit/credit; Checking accounts: opening accounts/online banking/filling out forms correctly; Demand drafts – electronic banking; Advantages of types of payment mechanisms – debit, credit, cash, check – when to use

Standard 4: Apply consumer skills to purchase decisions

Four categories of allocations: spending, saving, investing, charity; Car – there is more to cars than just the car; What do you cost your parents? Each week, month and year. (Exercise on what student's impact is on their parents.); Auction; Basic budgeting; Connecting dots between job – payday – banking – purchases; Expenses – fixed and variable; Predatory lending – check cashing, tax preparation anticipatory loans, etc.; Things that are "too good to be true"; Shopping for insurance; Bills, utility costs; Emergency fund; Moving costs (hidden costs); and, Cell phone bills/hidden costs/contracts

Standard 5: Consider charitable giving

Charitable giving/donations;

Standard 6: Develop a personal financial plan.

Emergency expense (broken washing machine, broke an arm, medication, etc); Home Ownership; Child rearing; Buy house; Job loss; Saving for children (SMART529); Sandwich generation – taking care of parents and kids; Goals – setting and meeting; Expectations – developing own expectations for future; Life cycle changes; Emergency fund; Retirement; and, College finance (529 accounts, etc)

Standard 7: Examine the purpose and importance of a will.

None listed

Credit and Debt

Overall Competency - Maintain creditworthiness, borrow at favorable terms, and manage debt.

Standard 1: Identify the costs and benefits of various types of credit.

Student loans – requirements, deferment adds interest to the principal of the loan; keeping your address current; Credit cards; Understanding impact of applying for multiple cards with free stuff – affects credit score; APR vs. interest rate; How interest is calculated; Comparing which card to get – incentives vs. annual fees (points, cash back, miles – when is it worth it?); Minimum balance paying off; Prudent uses – benefit (emergencies, not shopping); 3 types of credit: student loans, car loans, credit cards; Selecting credit cards; How to establish credit; Pre-approval; How to shop for loans; Debt to income ratio; and, Risk based pricing

Standard 2: Explain the purpose of a credit record and identify borrowers' credit report rights.

Credit management – what is credit; what does a credit report look like; what is the impact of credit scores?; Credit score (FICO, Advantix); Annual creditreport.com; Order free credit report annually – where to get it; How to read a credit report – how to dispute; and, Credit card agreement

Standard 3: Describe ways to avoid or correct debt problems.

Credit fears; Good/bad credit – benefits and consequences; Opting out of credit cards; Predatory lending – check cashing, tax preparation anticipatory loans, etc.; How to say "no" to family lending, credit card; Co-sign loans; and, How to negotiate with creditors

Standard 4: Summarize major consumer credit laws.

Cosigning and contractual relationships (Judge Judy);

Risk Management and Insurance

Overall Competency - Use appropriate and cost-effective risk management strategies.

Standard 1: Identify common types of risks and basic risk management methods.

Types and how to show for them; Effects of credit score on insurance; Insurance – preparation for a "rainy day"; Insurance – medical, etc.; and, GAP insurance

Standard 2: Explain the purpose and importance of property and liability insurance protection.

Auto (liability, comprehensive); Renters; Home owners; Deductibles;

Standard 3: Explain the purpose and importance of health, disability, and life insurance protection.

Whole life insurance; Health (health savings accts); Disability; Life (term vs. whole); Workers' compensation; Injury; Insurance – medical, etc.; Deductibles; Medical insurance (family, state, etc.)

Saving and Investing

Overall Competency -- Implement a diversified investment strategy that is compatible with personal goals.

Standard 1: Discuss how saving contributes to financial well-being.

Savings Accounts; Investments/Risk Tolerance: Pensions, 401K, IRA, etc.; Concept of saving; Allowance; Sacrifice to meet needs/get wants; Investments;

Standard 2: Explain how investing builds wealth and helps meet financial goals.

Matching; Home Ownership; Time value of money; Investments; Amortization – time value of money; Savings/interest/bonds/stocks;

Standard 3: Evaluate investment alternatives.

Annuities; Financial institutions;

Standard 4: Describe how to buy and sell investments.

Savings/interest/bonds/stocks; Goal oriented savings/investing;

Standard 5: Explain how taxes affect the rate of return on investments.

Tax benefits; Roth IRA/Traditional; Child Flexible Savings Accounts (pretax to pay health bills – limits); Time and value of money; Filling out tax returns; Tax deferred employment plans;

Standard 6: Investigate how agencies that regulate financial markets protect investors.

Pyramid of investment risks; Investments;

Attachment
Section 14

WSU Survey
Commissioned By WA DFI
2003

61 pages

Survey of Financial Literacy in Washington State: Knowledge, Behavior, Attitudes, and Experiences

Commissioned By
Washington State Department of Financial Institutions

Washington State University

Social and Economic Sciences Research Center

Technical Report 03-39

December 2003

Washington State Department of Financial Institutions

Survey of Financial Literacy in Washington State: Knowledge, Behavior, Attitudes, and Experiences

TECHNICAL REPORT 03-39

Commissioned by

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Social and Economic Sciences Research Center Technical Report Number 03-39

SESRC Project Profile

Title: Survey of Financial Literacy in Washington State: Knowledge, Behavior, Attitudes, and Experiences

Objectives: The purpose of this report is to provide a summary of survey and focus group activities

Methods: SESRC conducted surveys and focus groups to evaluate consumers' financial literacy and mortgage experiences in Washington State.

Timeframe: April 2003 through December 2003

Sponsor: Washington State Department of Financial Institutions
Olympia, WA

Contract: WSU OGRD Number 100962

Investigator: Danna Moore, Ph.D.

Acronym: DFIV

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TABLE OF CONTENTS

LIST OF TABLES

SURVEY OF FINANCIAL LITERACY IN WASHINGTON STATE: KNOWLEDGE, BEHAVIOR, ATTITUDES, AND EXPERIENCES

EXECUTIVE SUMMARY

BACKGROUND AND PURPOSE

The Washington State Department of Financial Institutions (DFI)[1] recently sponsored a financial literacy survey of Washington State residents. The purpose of the survey was to provide DFI information in developing an effective financial literacy role that provides useful education and information that assists consumers in making financial decisions. DFI enlisted the Social and Economic Sciences Research Center (SESRC) at Washington State University to administer the survey, conduct focus groups, and to report and interpret the results of the survey. DFI was particularly interested in investigating consumer experiences with lenders while entering into mortgage transactions in Washington State. This study utilized the American Association of Public Opinion Research guidelines for calculating and reporting sample element disposition and response rates for the survey. These results can be accepted as valid and representative of the populations surveyed.

Two groups of Washington State residents were asked to participate in the study. The first group included consumers who had loans with a lender that recently settled with the State of Washington in a large predatory lending case. This group is referred to in the study as the “victim pool”[2]. Focus groups were also conducted with individuals in the victim pool that had actually filed complaints with DFI, or the Office of Attorney General, regarding their recent mortgage transactions. DFI was interested in particular in learning about factors that may

[1] http://www.dfi.wa.gov/

[2] The Department's categorization of a "Victim Pool" is based upon the Agency's finding that a significant number of consumers within the analyzed pool were victims of predatory lending practices. However, the Department does not allege that every borrower within the pool was an actual "victim" or that every victim suffered the same degree of harm.

have contributed to this group's susceptibility to predatory lending practices and what the group felt might have protected them from such practices. The second group of consumers consisted of general population residents who were randomly selected and recruited, referred to in this study as the "general population pool". The two groups provided a unique opportunity to study differences in financial knowledge, behaviors, opinions, attitudes, and mortgage loan experiences.

In this research effort, it was necessary to integrate survey and focus group findings to more completely ascertain why individuals were susceptible. Focus group results complemented and supported survey findings by providing more in-depth information on mortgage experiences and how individuals interacted with particular lenders. It was through the focus groups that the nuances of the mortgage situation were revealed. This provided details not captured in survey interviews.

Previous research has generally demonstrated that financial literacy cannot be determined from simple, isolated measures of knowledge, experiences, or behaviors. Rather, a comprehensive depiction of an individuals' financial literacy, as an indicator of competency, must include a more complex analysis of these factors in aggregate. Financial knowledge, experiences, and behaviors are linked in a relational way. Financial experiences and behaviors together contribute to financial knowledge levels and gains in competency. Key to this assumption is the idea that with more experience and education, individuals become more sophisticated and competent in their financial dealings. The extent to which an individual demonstrates financial knowledge, more financial experience, and more positive protective type financial behaviors predicts the extent to which they would be more financially literate and more effective in their financial management.

Since financial literacy is not directly measurable, an alternative is to use proxy measures. In this study, scores or indices were devised for knowledge level, experience levels, positive and negative financial behaviors. Thus, from the survey responses, scores are calculated which indicated specific aspects of financial competences. Taken together, these scores represent the level of financial literacy that can be measured for individual respondents who participated in this study. These scores were further aggregated over the population subgroups for comparative purposes.

CONCLUSIONS:

Financial Knowledge

In the knowledge test questions answered correctly or incorrectly provided insight into the deficit the general population and the victim pool have in financial knowledge. Results showed that the financial score created from the test questions in the interviews varied across respondents. About 36% of respondents in both groups answered 7 or fewer of the 12 questions correctly; these are the least knowledgeable individuals in this study. The financial scores and the financial score ranges were significantly different between the two population subgroups. The victim pool was found to have statistically and significantly less levels of financial knowledge as compared to the general population. Almost 31% of the general population were able to answer the majority of financial questions correctly as opposed to 21.9% of victim pool consumers. These scores can be used to evaluate the relationships of knowledge to other measured variables that are crucial to explaining the differences between individuals in their financial outcomes and in their loans.

The two questions that were missed most often were measures of knowledge relative to bond markets and mutual funds (missed by 70% of the victim pool and 57% of the general population). While these two questions may seem irrelevant to determining individuals' knowledge relative to making mortgage loan decisions, these along with the other questions in the set of incorrectly answered questions, separates the “more financially knowledgeable” from the “less financially knowledgeable” for both population subgroups. The other questions frequently missed had to do with the financial topics of: reducing risk in investments, fees and costs of financial services products, understanding financial market operation and outcomes, and compound interest. Together these concepts represent the economics of financial markets. These questions taken together are relevant to measuring the basic knowledge needed by consumers to participate in financial markets.

A key aspect of defining a financial literacy program to help individuals harmed by or at risk for predatory lending should be to center on the most basic skills needed to participate competently in financial markets once it is determined what skills are missing or what types of financial practices are faulted. From this survey, of the knowledge questions answered incorrectly, the concept found lacking that is most troubling has to do with the concept of compound interest. In focus groups, individuals also told us they didn’t understand loans and interest rates. Compound interest as a financial factor is fundamental to understanding how, when interest rates change, money saved or invested is impacted and how it can generate wealth. It also serves as the basis of knowing the cost of borrowed money, loan payment structure, the time value of money, and the real cost of an asset over the lifetime of any loans used to acquire assets. If consumers lack knowledge of compound interest, they are naïve to evaluating and reading one of the most important market factors when involved with lenders. They potentially enter into loan agreements without understanding how much they are paying for borrowed money or the opportunity cost of the money they are investing.

Role of General Education

The role of general education -- as opposed to financial knowledge--in individual competency was also tested in this study. Comparisons of survey data showed that respondents who had at least one college degree were less likely to have a loan with harmful terms or to exhibit risk behaviors. Conversely, individual respondents with less than a college degree were more likely to have loans with more harmful terms, exhibit higher levels of risk behaviors, exhibit less positive protective behaviors and have less knowledge. These relationships held across both population subgroups in correlation tests. Attainment of at least one college degree is associated with more positive financial outcomes and served as a protective factor for individuals evaluated.

Role of Financial Experiences

The victim pool, like the general population, had a considerable amount of financial experiences. The victim pool exceeded the general population in having experiences in credit and loan markets, refinancing loans, consolidating credit card debt, and in taking out home improvement loans. However, the victim pool was very different from the general population in the extent of reporting experiences for long term planning, the ways they invest, save, invest for retirement, and the complexities of their financial investments. The victim pool tended to spend more now and save less for later. The general population, in strong contrast, had significantly more diverse financial experiences and exhibited more protective behaviors. The general population pool was more likely to have invested in the stock market, saved for long term financial goals, diversified their investments, put money into other retirement plans such as IRAs or other investments and prepared a long term financial plan. This would seem to demonstrate more effective money management exemplified by more reported savings and more complex retirement investing practices for general population respondents.

Role of Negative Financial Behaviors

Carrying the analysis of behaviors and experiences one step further by looking at the extent of participation in non-protective behaviors, it can be seen that the victim pool had a higher rate of risky behavior when compared to the general population. The victim pool engaged in what would be considered more negative, or non-protective behaviors. The largest differences between the two groups were for the questions, "Have you ever taken a cash advance on your Credit Cards?" (55.9% for the victim pool vs. 34.3% for general population) and "Have you ever used a payday lender?" (22.4% victim pool vs. 8.8% for the general population). In addition, during their current loan situations, a significant portion of the victim pool reported they had taken out multiple credit-consolidation loans to pay off credit card balances and had taken out more than one loan that used their home or property as collateral. Thirty-five percent of the victim pool indicated consolidating credit card debt into their home mortgage as the primary reason for their current home loan as compared to 3.7% of the general population. Twelve percent of the victim pool, as opposed to 1% of the general population, were also in the position of being 'behind schedule in paying off mortgage loans. If financial experiences and behaviors are additive relative to their positive or negative classification, then the victim pool is considered less financially literate than general population consumers.

The degree to which more risky financial behaviors were undertaken by some survey respondents may suggest that these individuals are not gaining in financial literacy and are not learning or responding to the financial consequences of their actions. Consequently, the demonstrations of protective versus risky behaviors may be manifestations of abilities and competencies for money management. Successful personal money management helps reduce risk of financial loss and reduces the likelihood of extraneous events (such as job loss, disability, or economic downturns) causing sudden financial ruin.

How Consumers Shopped for Loans: Attitudes and Barriers

Another question of interest was whether consumers tried to comparison shop for loans. When asked about their most recent home mortgage or loan experience, 55.7% of the victim pool reported interest rates of over 10% as compared to the general population with less than 1% reporting interest rates of over 10%. Almost a quarter of the victim pool was paying interest rates in excess of 15%. Many consumers in the victim pool stated (in focus groups and during survey interviews) that they tried to comparison shop, but they found banks and some lenders unwilling to lend to them because of poor credit histories or other circumstances with their financial status. Others stated they were desperate and needed the money in a hurry. Fifty-five percent of the victim pool rated themselves as desperate when entering into their loan agreement as opposed to 13.6% of the general population pool. A few related that they felt their credit scores declined the more they approached lenders who then checked their credit. In the end, victim pool consumers went with lenders who would work with them.

When asked why their current lender was selected for their current loan, 31.5% of the victim pool indicated the most important reason as “It was easier to qualify for the loan” as compared with 3.7% of the general population giving this answer. For the general population, 37.2% stated the primary reason for selection was “low interest rates.” The description of the loan market as portrayed by the victim pool is a market that is very limited and one that has barriers. Thus, it becomes quite apparent that for individuals who face scarce access to credit and are in a state of desperation, an opportunistic appeal from a lender that they personally are eligible for available loans with lower costs or better terms can prove appealing.

Attitude is a factor that drives an individual’s demeanor and state of mind in making decisions during transactions. Attitude in combination with financial knowledge and behaviors may be synergistic in driving outcomes. It is clear from survey results that the victim pool consumers were in a disadvantaged position --relative to their state of mind--when compared to the general population. They had compromised attitudes (lower confidence, feelings of too high of a debt load, and feelings of desperation), lower financial knowledge, and less protective behaviors. Individuals in the focus groups said they were desperate and the lender knew this, and used it to the lender's advantage in the loan agreement transaction. Together these factors interact to further show deflated abilities and possibly reduced competency of the victim pool consumers to interact effectively with lenders and protect themselves.

Focus Group Findings

In the focus groups, we learned in particular, how victim pool consumers connected with lenders and how they made the decision that their particular loan was the best loan for them. Many victim pool consumers responded to either a direct solicitation that came through the mail as an advertisement or to a telephone call from an interviewer representing the mortgage lender. Some were told that the lender had lower cost or better interest rate loans available compared to the consumer's current loan. Some victim pool consumers cashed checks that were sent to them in the mail from the lender for an automatic loan. Others sought out the lender as they had a previous loan or a good experience with the lender. Still others found themselves with this lender because their loan had been sold to this company.

Profound to this connection is that consumers in the victim pool were customers to the lender. In focus group dialogues and survey comments, those in the victim pool stated that they believed lenders and lender employees knew of their desperation and used this knowledge to take advantage of them. This notion may not be totally unfounded when it is considered that the lender has access to customer lists with detailed customer loan information and customer characteristics to select and screen individuals for solicitation. However, it needs to be kept in mind that, in focus groups, victim pool consumers readily admitted they voluntarily followed-up with lenders after the solicitation or contact and entered into loans. Some say they took out loans they didn't really need. This suggests these consumers are primarily reactionary instead of being proactive in planning in their finances. They are not aware of their own personal vulnerabilities and lack the knowledge needed to keep from being susceptible in engaging in loans with disadvantageous terms. The lender's contact was intended to make customers aware loans were available and that they were eligible for a new loan or a refinance. This type of contact by the lender proved to be effective, as many focus group participants indicated they followed through to further contact the lender at local offices and enter into loan transactions.

Respondents telling us that the lender knew they were desperate and had credit problems, raises the question of lender accountability. Lenders have detailed information on customers, and a history of customer repayment of loans—this provides for a fairly accurate picture of customer financial ability. Together this information is predictive of whether individuals can successfully repay the loans. One of the most common features grouping victim pool consumers is their own rating of themselves as having compromised credit and this being associated with loans that had non-beneficial or harmful terms. Some respondents articulated they were treated unfairly or discriminated against because of their credit standing.

Other measures from the survey and comments in focus groups also suggest that many of the consumers in the victim pool were naïve and lacking in competency even though they had considerable financial experience and exhibited a moderate level of positive financial behaviors. Naïve individuals lack the skill to evaluate whether they can afford a particular loan or evaluate if they are improving their financial circumstances. Relative to saving decisions, these consumers lacked appreciation of how the main factor, compounding and interest, grows their money. Relative to loans, these consumers didn't seem to understand how interest rates relate to what they could afford. Nor did they know how much of a premium in interest rate percentage points they should consider and accept as a tradeoff for their poorer credit rating. Thus, for less knowledgeable individuals, it is questionable how much interest rates can serve as a signal or stimulus to modify behavior or to make prudent financial decisions. For mortgage decisions, it is questionable whether less knowledgeable individuals are responsive to interest rate levels as signals to accept or reject a loan or for determining whether they are getting a good deal.

Towards a Financial Literacy Program---Learning Styles, Useful Tools

The study results of knowledge score and behavior scores strongly supports the need for an education program that teaches financial concepts to consumers and provides mechanisms that help consumers make informed decisions about engaging in loans. Survey responses and the focus group findings together exemplify that the victim pool and the general population respondents who were less knowledgeable didn't understand interest rates, loans, or how loans work. This study found that knowledge score overall and knowledge level on specific items were important to individual financial experiences and outcomes in mortgage loan markets in Washington. Less knowledge on financial knowledge items, less financial experiences, less frequency of protective financial activities, and engagement in "risky" or negative financial behaviors compositely measures financial literacy and explains the variation in mortgage experiences with lenders and the occurrence of engaging in loans with less beneficial or more financially harmful terms.

This study indicates a strong need for a financial education program for development of tools for consumers to evaluate loans and investments and their impact on personal finances. In focus groups and in the survey, respondents stated that they didn't understand how interest on loans worked, and that at the time they entered into loan agreements they didn't know what they were getting into financially. Survey and focus group findings for victim pool consumers showed interest rate[3] was the loan factor most associated with harm. Interest rate as a factor in loan decisions is not well understood by many respondents. With these results in mind, the development of useful types of tools might include: an agency-sponsored computer website hosting a loan scenario calculator, consumer checklists, and guidelines for accepting and rejecting loans. Consumers accessing such tools could enter loan terms, home appraised value, and their income into the calculator and it could display relative loan information over time such as monthly, yearly, and total interest payments, monthly, yearly and total payout towards principal. Specifically, the development of guidelines for the amount of fees that should be expected and guidance on thresholds of monthly payment to monthly income might prevent consumers from entering into loans they can't afford.

This study also suggests that there is a general low level of public awareness about the potential for harm from unfavorable mortgage terms. Lack of consumer awareness to the potential for harm from loan terms specified by the lender, is an important aspect of susceptibility for DFI to consider. Extraordinary loan terms were pervasive, particularly for the victim pool; this had measurable impacts on their personal finances. This perhaps warrants consideration of an awareness campaign to complement an educational program for preventing consumer harm.

In addition to the type of information to provide, an equally important aspect of the feasibility of a financial literacy program is to determine how best to offer a financial literacy program to the public and to those who need it. An important consideration is what venue would be most viable? When asked how they learned about money management, the top three answers in both groups

[3] Not all potential harms (i.e., discount points or multiple simultaneous loans) were measured in this survey or study.

were: personal financial experiences; friends and family; and high school and college courses. Less than 1% in both groups got their knowledge from financial institutions. When asked how they preferred to learn, almost a third of survey respondents chose the Internet or computer programs as the way they liked to learn, although this style might not work for everyone. Many respondents also indicated community based informational seminars in the community as a preferred learning method. The survey responses showed consumers somewhat split in whether they preferred individual-based modes or group-based modes. Consumers might demonstrate more interest and follow through with educational programs if components are offered and presented in a variety of modes. Educational outcomes may be achieved at higher rates and be more effective if consumers have a choice in how they learn them. Other important characteristics of an effective financial educational program would be to allow participants to navigate programs at their own pace, and provide interaction in ways they prefer.

Although study results show that a literacy program would be very beneficial, there remains concern over the victim pool respondents' lack of responsibility and effort, as demonstrated in this study, and whether they would actually participate in financial literacy programs if they were offered. DFI's challenge with these study findings and going forward with an educational program will be to motivate participation.

SURVEY OF FINANCIAL LITERACY IN WASHINGTON STATE: KNOWLEDGE, BEHAVIOR, ATTITUDES, AND EXPERIENCES

1.0 INTRODUCTION

1.1 Background and Purpose

The Washington State Department of Financial Institutions (DFI) recently sponsored a financial literacy survey of Washington State residents. The purpose of the survey was to provide DFI information in developing an effective financial literacy role that provides useful education and information that assists consumers in making financial decisions. DFI enlisted the Social and Economic Sciences Research Center (SESRC) at Washington State University to administer the survey, conduct focus groups, and to report and interpret the results of the survey. DFI was particularly interested in investigating victim pool consumers' experiences with lenders while entering into mortgage transactions in Washington State.

Two groups of Washington State residents were asked to participate in the study. The first group included consumers who had loans with a lender that recently settled with the State of Washington in a large predatory lending case. This group is referred to in the study as the "victim pool"[4]. Focus groups were also conducted with individuals in the victim pool that had actually filed complaints with DFI, or the Office of Attorney General, regarding their recent mortgage transactions. DFI was interested in particular in learning about factors that may have contributed to this group's susceptibility to predatory lending practices and what the group felt might have protected them from such practices. The second group of consumers consisted of general population residents who were randomly selected and recruited to the study from a Random Digit Dial (RDD) telephone frame of households in Washington, referred to in this study as the "general population pool". The two groups provided a unique opportunity to study differences in financial knowledge, behaviors, opinions, attitudes, and mortgage loan experiences.

[4] The Department's categorization of a "Victim Pool" is based upon the Agency's finding that a significant number of consumers within the analyzed pool were victims of predatory lending practices. However, the Department does not allege that every borrower within the pool was an actual "victim" or that every victim suffered the same degree of harm.

1.2 Survey Methodology

Sample: The sample consisted of 1423 adult Washington State residents who had the most knowledge of their household's finances. The sample frame was stratified with 891 individuals from the victim pool and 532 Random Digit Dial (RDD) general population pool members interviewed. Thirty-one randomly recruited consumers from the victim pool participated in four focus group sessions.

Techniques: A telephone survey was administered to Washington state residents. For the victim pool, an advance pre-notice letter was mailed at the beginning of data collection. The average length of the telephone interview was 20 minutes. Focus group sessions were held with individuals in the victim pool that lasted 1.5 hours in various cities in Washington.

Field Dates: May 23 to August 21, 2003

Margin of Error: Two population groups were considered in this study. The population for the victim pool is the listing of consumers who had loans with a lender who settled with Washington State in a large predatory lending case. There was no sampling and thus no sample error exists for this portion of the study. For the general population, a Random Digit Dial RDD telephone sample frame was used. For the completed interviews in this group (n=532), there is ± 5% sample error at the 95% confidence level. That is, if all households in Washington had been interviewed, there is a 95% chance the survey results would be within ±5% of the population estimate.

Data Collection: For the survey, calls were made during the weekday evenings, weekdays, and weekend evenings. Trained interviewers under WSU supervision conducted all interviews. A minimum of 10 call attempts were made for each call record in the sample frames. Five percent of interviews were monitored for quality assurance. Conversion interview techniques were used for mild refusal cases. Focus group discussions were transcribed into record.

Survey Questions: Three survey interview questions were of open-ended text format, which allowed respondents to answer in their own words. Responses to open-ended questions were categorized and coded to present in this report.

Knowledge test questions were true and false or one word response questions which were scored as correct or not. Behavior questions were either yes/no questions or categorical questions. Behavioral questions responses were coded to "Always/Often, Sometimes, or Never" during the interview. These responses were recoded to dichotomous (0,1) variables to calculate scores. Questions with numerical answers were summarized with mean, median, mode, and range reports. Numeric answers were categorized to ranges.

Focus Group Questions: Focus group questions were general and were asked open-ended. Focus group dialogue was summarized to themes to categorize findings.

For all respondents, attainment of at least one college degree was positively and significantly correlated with higher levels of financial knowledge, higher levels of financial experience, and higher levels of positive protective behaviors.

2.0 SURVEY FINDINGS

2.1 Respondent Profiles

For this study it was hypothesized that education may play an important role in explaining why some individuals were taken advantage of by lenders. Therefore, in interpreting these findings, it is important to keep in mind the characteristics of the people actually interviewed. Presented in **Table 1** is a demographic profile of the respondents for the survey. The sample is arranged into three segments for the purposes of this report:

- Overall: Base sample of all completed survey interviews from both sample frames in Washington State.
- Victim pool: Completed interviews with Washington residents who had loans with a lender that recently settled with the State of Washington in a large predatory lending case. The sample frame was furnished by DFI to SESRC.
- General Population RDD : Completed interviews with Washington residents (general population) were randomly selected from Random Digit Dial (RDD) telephone frame. This commercially purchased sample frame was from Genesys, Inc.

Demographic variables are often the most important factors for explaining causal relationships in population studies; therefore they are usually the first variables to be tested when studying to what extent groups of people might be similar. For some of the demographic variables tested, statistically significant differences were found between population subgroups with the presented categorical response categories and are indicated in **Table 1**. For some of these variables, because the data is spread across multiple response choices, relationship differences may not show. Stronger differences may be detectable if the data is recoded to a smaller subset of responses to make them dichotomous (0,1). This was the case with the education variables, which were recoded to represent the attainment of a college degree or not.

Table 1. Demographic characteristics of respondents.

		Overall	Victim	General
	Number in sample	(N=1361)	(n=862)	(n=499)
Gender				
	Male	45%	46%	42%
	Female	55%	54%	58%
Age				
	18 to 29	9%	5%	15%
	30 to 39	19%	21%	17%
	40 to 49	32%	36%	23%
	50-59	23%	26%	19%
	60-69	10%	10%	12%
	70+	6%	3%	12%
Marital status				
	Married	68%	71%	63%
	Living with a partner	7%	6%	8%
	Never married	6%	4%	10%
	Divorced or separated	13%	15%	11%
	Widowed	5%	4%	7%
	Other	1%	1%	1%
Race/Ethnicity***				
	White	84%	84%	84%
	Black or African American	4%	6%	2%
	American Indian or Native American	2%	3%	1%
	Native Hawaiian or other Pacific Islander	1%	1%	1%
	Asian	1%	1%	2%
	Hispanic	3%	3%	5%
	Other	2%	2%	3%
Household size**				
	1	13%	10%	17%
	2	33%	28%	41%
	3	19%	20%	17%
	4	20%	24%	14%
	5	9%	10%	6%
	6	4%	5%	3%
	7	3%	3%	2%

		Overall	Victim	General
Poverty level***				
	Less than equal to amount	20%	17%	25%
	Greater than amount	78%	82%	70%
Respondent education***				
	First through 8th grade	1%	1%	0%
	Some high school, no diploma	2%	2%	2%
	High school graduate or GED	22%	24%	20%
	Some college but no degree	32%	35%	26%
	Associates degree	11%	13%	9%
	College graduate	21%	17%	29%
	Advanced degree	10%	8%	13%
Spouse/partner education***				
	First through 8th grade	1%	1%	1%
	Some high school, no diploma	3%	4%	2%
	High school graduate or GED	25%	27%	21%
	Some college but no degree	15%	18%	11%
	Associates degree	9%	10%	7%
	College graduate	15%	14%	18%
	Advanced degree	6%	3%	10%
	No spouse/partner	25%	23%	29%
Active military status*				
	Yes	1%	<1%	2%
	No	99%	99%	98%
Income**				
	<$25,000	13%	8%	20%
	$25,000-$54,999	35%	39%	29%
	$55,000-$75,000	22%	25%	16%
	>$75,000	23%	24%	23%
Language				
	English	98%	98%	98%
	Spanish	1%	1%	1%
	Other	1%	2%	1%
Health insurance coverage				
	Yes	83%	82%	84%
	No	16%	17%	15%

		Overall	Victim	General
Education of parents***				
	None	1%	1%	0%
	First through 8th grade	6%	5%	9%
	Some high school, no diploma	5%	6%	4%
	High school graduate or GED	42%	45%	36%
	Some college but no degree	9%	10%	9%
	Associates degree	3%	3%	4%
	College graduate	18%	16%	21%
	Advanced degree	8%	6%	10%
Current support of your or your spouse's parents				
	Yes	6%	6%	5%
	No	94%	94%	94%
Region**				
	North-East	12%	10%	15%
	South-East	3%	0%	7%
	North-West	18%	19%	17%
	Seattle	23%	21%	25%
	Tacoma	22%	26%	14%
	South-West	20%	22%	17%
Recoded variables:				
Respondent education recoded***				
	No college degree	57%	62%	49%
	College degree	43%	38%	52%
Spouse/partner education***				
	No college degree	59%	64%	50%
	College degree	41%	38%	50%
Education of parents recoded***				
	No college degree	68%	71%	63%
	College degree	32%	28%	37%

Chi square significance tests at the 95% confidence level, ***p≤ .01, ** p=≤ .05, *p≤ .10
N.S.= no statistical significance in differences.

Only the recoded demographic variables for education were evaluated for this report. Limited correlation tests were conducted to find if there were relationships between college degree attainment and mortgage outcomes. The correlation coefficient r measures the degree to which two variables vary together and the intensity of this association. A positive value of r shows that two variables have a linear association and vary in the same direction. A negative value of r indicates two variables have an inverse relationship or are vary in the opposite direction. (The parameter p represents the probability and signifies the power of the test, thus a p value less than or equal to .05 is the level of confidence we have that the estimated value lies within the critical limits of the true population estimate). Education of respondent, spouse, and parents as explanatory variables, were found to be significantly different between population subgroups. All relationships and signs on correlation coefficients were in the directions expected. For all respondents, attainment of at least one college degree was positively and significantly correlated with higher levels of financial knowledge ($r= .23$, $p= .00$), higher levels financial experience, and higher levels of positive protective behaviors ($r=.21$, $p=.00$). Attainment of college degree was negatively correlated with outcomes of loans with more harmful terms ($r = -.13$, $p= .00$). Attainment of at least one college degree was negatively correlated with higher levels of risk behavior ($r = -.11$, $p= .00$).

2.2 Assessment of Financial Knowledge and Literacy

The victim pool when compared to the general population had statistically significantly different levels of financial knowledge. The victim pool had less knowledge overall and less knowledge on specific financial items that critically impact consumers' loan decisions.

Twelve financial questions, shown in Table 2, were used to measure respondent knowledge and to calculate a financial knowledge score. For each respondent, the score is the sum of the number of questions answered correctly. As shown in Table 3, the financial scores for the population subgroups are categorized by the percentage of respondents within the three financial score ranges. The financial scores range from zero to 12, with a mean score for all respondents of 8.04, which is 67% of respondents giving correct answers. A comparison between the subgroups shows a statistically significant difference in knowledge levels based on this set of questions. On average, the victim pool scored 7.95, which is, statistically, a significantly lower score than the general population group score of 8.21. For most questions, a larger percentage of the general population respondents answered questions correctly when compared to the victim pool. However, on three questions in particular, the victim pool had a slightly higher percentage of respondents with correct answers. These questions asked about costs related to length of loan period, repeated refinancing fees, and credit card interest rates. Some of this anomaly may be attributed to the sample selection criteria of victim pool consumers who had mortgages and many therefore had recent loan refinance exposure.

As shown in Table 3, the difference in knowledge between population subgroups occurs at each end of the scoring spectrum and on specific questions. For the three financial score categories (low, medium, and high) there were 5% more victim pool respondents in the lowest score category and 9% less victim pool respondents in the highest score category. The largest difference was a 9 percentage points spread for those in the highest score category; that is, 30.9% of the general population compared to 21.9% of the victim pool were able to answer the majority of financial questions correctly.

Evaluating the questions missed most often provides the opportunity to see how knowledge differs between low and high scoring respondents. Questions with 30% or more respondents answering incorrectly were the most difficult. Respondents missing these would be considered as having less knowledge than average (a grade of C or less). Both groups found the following six questions as the most difficult.

- What happens to bond prices when interest rates go up? (Bond prices fall)
- A no load mutual fund involves no sales charges or other fees. (False)
- Over a 40-year period which do you think gave the highest returns? (Stocks)
- Mutual funds pay a guaranteed rate of return. (False)
- When an investor diversifies his investments, does the risk of losing money increase or decrease? (Decreases)
- With compound interest you earn interest on your interest as well as on your principal. (True)

Together these six questions, when answered correctly by respondents, represent more breadth of knowledge in financial markets.

Table 2. Percentage of respondents answering financial knowledge test questions correctly.

Question wording	Correct Answer	Percent Answering Correctly: Overall	Victim Pool	General Pop	
Making late payments on you bills can make it more difficult for you to take out a loan.	True	96.8	97.3	95.8	NS
You could save money in interest costs by choosing a 15 yr rather than a 30 yr mortgage.	True	94.5	95.7	92.3	**
Creditors are required to tell you the APR you will pay when you get a loan.	True	94.2	94.0	94.6	NS
Repeatedly financing loans over time results in added fees.	True	88.2	90.4	84.4	***
The APR is the most important thing to look at when comparing credit card offers.	True	82.3	82.3	82.2	NS
Over a 40 year period which had the highest variation in returns?	Stocks	80.0	78.8	82.1	NS
With compound interest you earn interest on your interest as well as on your principal.	True	70.6	67.1	76.4	***
When an investor diversifies his investments, does the risk of losing money increase or decrease?	Decreases	69.6	66.7	74.4	***
Mutual funds pay a guaranteed rate of return.	False	66.1	61.5	73.9	***
Over a 40-year period which do you think gave the highest returns?	Stocks	61.0	58.7	64.9	**
A no load mutual fund involves no sales charges or other fees.	False	43.1	42.6	43.9	NS
What happens to bond prices when interest rates go up?	Bond prices fall	36.7	33.1	43.0	***

Chi square significance tests at the 95% confidence level, ***$p \leq .01$, ** $p = \leq .05$, *$p \leq .10$
N.S.= no statistical significance in differences.

Table 3. Summary of respondents' financial knowledge scores by category.

Knowledge Score	Overall	Victim Pool	General Pop	Significance
Mean number correct	8.04	7.95	8.21	***

Categories	-----Percentage Respondents---			Chi Sq	P-value
1- 7 correct	36.3	38.2	33.1	13.49	.00
8-9 correct	38.5	39.6	36.1		
10-12 correct	25.2	21.9	30.9		

Chi square or t significance tests at the 95% confidence level, ***$p \leq .01$, ** $p = \leq .05$, *$p \leq .10$
N.S.= no statistical significance in differences.

2.3 Learning About Money Management

Respondents reported that the most effective way to learn about managing their money was through primarily personal modes such as the Internet or computer programs and video presentations they could view at home.

The survey information provides descriptions of how respondents learned about managing money and the ways they find most effective to learn about finances. As in other studies, respondents tell us that the most important ways they learned about managing their money were through personal financial experiences (62%), friends and family (16%), and high school and college courses (8%). Both the victim pool and the general population rank these alternatives in the same order. There were slight differences in frequencies reported for the two leading categories: The victim pool was more likely to report personal experiences, while general population respondents were more likely to report friends and family as the way they learned.

Turning to learning preferences, respondents were asked to think about their time and how they like to learn. They were asked to rate 6 ways of learning to manage money as most effective for them, personally. Respondents reported that the most effective way to learn about managing their money was through primarily personal modes such as the Internet or computer programs (31%) and video presentations they could view at home (23%). Following these, more group-based type learning modes were selected, but to a lesser extent. These modes included informational seminars (16.5%) and formal courses at a school in their community (15%). There were some differences between population subgroups in learning mode selection. As first choices, the victim pool and the general population express the same preferences for the Internet or computer programs (31% and 28%, respectively). As a second choice, more individuals in the victim pool reported video (23%) whereas the general population selected informational seminars (19.6%) as most effective. The third choice selected by the victim pool was informational seminars in the community (16.5%) whereas the general population selected video (16%).

2.4 Financial Experiences and Behaviors

Specific Experiences and Behaviors As Measures of Financial Sophistication

The general population compared to the victim pool was more likely to:
- **Invest in the stock market,**
- **Save for the long term,**
- **Spread their investments,**
- **Invest in retirement plans, IRA's, etc., and**
- **Prepare long-term financial plans.**

A primary interest in this study was to determine how financially literate or financially sophisticated consumers take on financial experiences and behaviors and whether there were differences in experiences and behaviors between individuals in the victim pool and individuals in the general population. Individuals are considered financially literate if they are competent and can demonstrate they have used knowledge they have learned. Financial literacy cannot be measured directly so proxies must be used. Literacy is obtained through practical experience and active integration of knowledge. As people become more literate they become increasingly more financially sophisticated and it is conjectured that this may also mean that an individual may be more competent. Financial sophistication and competence imply extensive development of practical knowledge and refinement of knowledge through experience and education together. To obtain these measures, respondents to the survey were asked whether or not they had experienced 14 specific financial experiences (listed in Table4).

Six of the 14 experiences were very common to the majority (better than 73%) of all respondents and these included:

- Having a checking or savings account,
- Having ever bought a house,
- Having a credit card (currently),
- Having ever reviewed their credit report to have an idea of their credit rating,
- Having ever refinanced a mortgage, and
- Reconciling or balancing their checkbook every month.

Table 4. Percentage of respondents reporting financial experiences.

Experiences/Behaviors	Percentage Reporting Yes or Done Always/Often/Sometimes Overall	Victim Pool	General Pop	
Experience measured as yes/no:				
Do you currently have a checking or savings account?	98.0	98.7	96.8	***
Do you currently have a credit card?	85.0	84.8	85.4	
Have you ever bought a house?	90.4	97.9	77.4	***
Have you ever reviewed your credit reports to get an idea of your credit rating?	77.7	85.1	64.9	***
Have you ever refinanced a mortgage?	74.4	87.9	36.6	***
Do you reconcile or balance your checkbook every month?	73.5	71.5	76.9	**
Do you save for long-term goals such as education, a car, a house, or a vacation?	64.7	59.5	73.7	***
Have you ever calculated your net worth?	62.3	59.9	66.6	***
Do you participate in an employer's 401k or other sponsored retirement plan?	60.7	64.7	53.6	***
Do you currently have money spread across more than one type of investment?	56.9	53.2	63.4	***
Have you ever taken out a loan to pay for home improvements?	50.6	61.1	32.2	***
Have you ever prepared a long-term financial plan?	45.7	42.6	51.1	***
Do you put money into other retirement plans such as IRA or other accounts?	39.4	36.2	46.5	***
Do you invest in stock market outside of employer sponsored retirement accounts?	29.4	22.0	42.3	***

Chi Square Significance tests at the 95% confidence level indicated by: ***$p \leq .01$, ** $p = \leq .05$, *$p \leq .10$. N.S.= no statistical significance in differences.

It should be noted, that for the item "having ever refinanced a mortgage" only 36.6% of the general population have had this experience, whereas for the victim pool, more than 87% had this experience.

Other fairly common experiences (for over 50% to 65%) reported for both subgroups were:

- Saving for long-term goals such as education, a car, a house, or a vacation,
- Having ever calculated their net worth,
- Participating in an employer's 401k or other sponsored retirement plan, and
- Having money spread across more than one type of investment (currently).

Four of the 14 financial experiences are the least reported (50% or less) by all respondents and include:

- Having ever taken out a loan to pay for home improvements,
- Having ever prepared a long-term financial plan,
- Putting money into other retirement plans such as IRA or other accounts, and
- Investing in the stock market outside of employer sponsored retirement accounts.

When the victim pool was compared to the general population very strong significant differences emerged in the levels of engagement for specific financial experiences. The victim pool was twice as likely as the general population consumers to have ever refinanced their mortgage. They were also more likely to have taken out a loan for home improvements, checked their credit report, and bought a house. For the victim pool, the least two reported experiences were:

- Investing in the stock market outside of employer sponsored retirement accounts (22%), and
- Putting money into other retirement plans such as IRA or other accounts (36.2%).

The general population compared to the victim pool was more likely to have invested in the stock market, saved for long term financial goals, spread money (currently) over more than one kind of investment, put money into other retirement plans such as IRAs or other investments, and prepared a long-term financial plan. For general population respondents the least two reported experiences were:

- Having ever taken out a loan to pay for home improvements (32.2%), and
- Having ever refinanced a mortgage (36.6%).

In summary, for financial experiences, the victim pool was more likely to refinance loans and take out home improvement loans and less likely to have diversified long-term type investments or savings when compared to the general population. For the general population, the levels of reporting particular financial experiences and behaviors are indicative of more thoughtful and decisive long term planning.

Respondent Practice of Positive Financial Behaviors

To determine more about financial literacy, two classes of behaviors were asked about: positive behaviors and more negative type behaviors. Respondents were first asked to rate the extent to which they practiced 9 financial behaviors. The behaviors reported in **Table 5** are classified as positive type behaviors that are protective for a respondent if they are accomplished. Positive behaviors can be interpreted as a skill that the more they are practiced the more protective or wealth generating their effect financially. Protecting oneself financially can be explained by activities that increase awareness such as monitoring of finances, active management of accounts, or increased investments. General goals associated with protective behaviors are either preventing decline of one’s wealth or increasing one’s wealth. The demonstration and level of positive behaviors is an indicator of increased or increasing financial literacy and sophistication.

Table 5 provides the rank order of the frequencies of respondents with positive behaviors. Over both populations, four of the behaviors have a strong frequency of occurrence and were reported by more than half of the respondents. The most frequently reported behaviors by both subgroups were:

- Paying bills on time, and
- Tracking expenses.

The least reported protective behaviors for both subgroups were:

- Reading about personal finance, and
- Checking background qualifications of persons giving financial advice.

General population respondents were 1.6 times more likely than victim pool respondents to report paying credit card balances in full each month.

For all but two behaviors in **Table 5**, the general population has a larger percentage of respondents reporting protective behaviors as occurring Always, Often, or Sometimes. The two behaviors that the victim pool reported more often than the general population were:

- Comparing offers before applying for a loan, and
- Comparing offers before applying for a credit card.

Table 5. Percentage of respondents exhibiting positive financial behaviors.

	Percentage Reporting Done Always/Often/Sometimes			
Behaviors	Overall	Victim Pool	General Pop	
Behavior measured as (Always/Often/Sometimes):				
How often do you pay all your bills on time?	89.6	87.2	93.6	***
How often do you track your expenses?	67.5	63.5	69.2	NS
How often do you use a spending plan or budget?	54.5	54.1	55.2	NS
How often do you compare offers before applying for a loan?	53.9	54.4	52.8	NS
How often do you save or invest money out of each paycheck?	45.7	41.7	52.8	***
How often do you compare offers before applying for a credit card?	45.1	46.7	42.2	NS
How often do you pay credit card balances in full each month?	38.8	24.6	62.9	***
How often have you checked background qualifications such as education, licenses, or certifications of the person giving you financial advice?	21.5	18.7	26.5	***
How often do you read about personal money management?	19.2	18.0	21.3	NS

Chi Square Significance tests at the 95% confidence level indicated by: ***p≤ .01, ** p=≤.05, *p≤.10. . N.S.= no statistical significance in differences.

For the general population subgroup, respondents were 1.6 times more likely to report paying credit card balances in full each month and this is the behavior that is most different between subgroups. The protective financial behaviors with the greatest differences between the two subgroups were:

- Paying credit cards balances in full each month,
- Saving or investing money out of each paycheck,
- Checking background qualifications of the person giving them financial advice, and
- Paying all your bills on time.

These four behaviors together are qualities associated with individuals that rigorously track and manage their finances.

Respondent Practice of Negative (or Risk Inducing) Financial Behaviors

The set of behaviors reported in **Table 6** can be classified as negative or more risk inducing; and these have costs to consumers. High fees per transaction, high interest rates for very short terms are examples of these costs. Risk inducing behaviors are defined as behaviors that predict cost, wealth reduction, or probability of financial loss the more they occur. In other words, they are non-protective. A higher frequency of risk behaviors is an indicator of low financial literacy and the lack of knowledge or failed learning associated with the financial costs of a behavior.

The victim pool showed a higher tendency towards more risky behaviors than the general population--
- **Taking advances on their credit cards (55.9 vs. 34.3%), and**
- **Using payday lenders (22.4% vs. 8.8%)**

All respondents were asked about 6 specific risky behaviors. For almost all non-protective behaviors (**Table 6)**, the victim pool showed a statistically higher tendency towards risky behaviors than the general population. The largest differences, between subgroups, occurred for the behaviors “Have you ever taken a cash advance on your credit cards?" (55.9% for the victim pool versus 34.3% for the general population) and "Have you ever used a payday lender for a one to two week loan under $500?"(22.4% versus 8.8%, respectively.) The least discerning difference between the two population subgroups occurs for the behavior "Have you ever used a check casher?" General population consumers were less likely than the victim pool to engage in non-protective financial behaviors. A composite risk score –using numeric range 0-6--was generated to measure the overall tendency of risk for individuals and for the population subgroups. The victim pool had a composite risk score of 1.8, which is significantly higher than the composite risk score of 1.2 for the general population. The victim pool had about 26.7% of respondents with a risk score of 3 or more. In contrast, the general population consumers had about half as many showing risk behaviors. That is, only 12.2%, of the general population had a risk score of 3 or more.

Table 6. Rank order of percentage of respondents exhibiting negative (risk inducing) financial behaviors.

`	Percentage Reporting Yes, Have Done			
Behaviors	Overall	Victim Pool	General Population	
Have you ever had a car title loan where the lender holds the title to your car until the loan is repaid?	48.9	50.4	45.8	*
Have you ever taken a cash advance on any of your credit cards?	48.0	55.9	34.3	***
Have you ever used a payday lender for a one to two week loan under $500?	17.4	22.4	8.8	***
Have you ever had a rent to own transaction as a way to buy an appliance or furniture?	13.8	16.7	8.9	***
Have you ever used a check cashier?	13.2	14.0	11.9	NS
Have you ever used a pawn shop for a small loan while the shop holds an item of yours as collateral until you pay back the loan?	13.0	15.4	8.4	***
Did you cash (air) check? [a]	10.1	13.2	4.8	***
Number of respondents	1359	862	497	

[a] Respondents answering yes to question: In the last 12 months have you ever received a blank check from your credit card company or a printed check from a finance company offering you credit if you complete the check? (Such checks are sometimes known as live checks or air checks)

[b] Chi Square Significance tests between population subgroups at the 95% confidence level indicated by: ***p≤.01, ** p=≤.05, *p≤.10. N.S.= no statistical significance in differences.

2.5 Attitudes and Opinions

Overall, the victim pool -- because they were less confident in their abilities, had strong feelings that their debt was too high, and had desperate financial need --were at a great disadvantage, compared with general population consumers, when interacting with lenders.

All respondents were asked to give their opinions on three items related to their abilities and mental attitude about aspects of their finances. These are reported in **Table 7**. The first of these attitudes had to do with respondent's confidence levels when entering into financial transactions with creditors or lenders. All were asked "How confident are you in your ability to understand the loan terms and ask questions about the loan factors that will impact your financial circumstances?" Results showed the victim pool, statistically, significantly less confident than the general population when entering into financial transactions. About 10% and 8% more of the general population consumers were "completely confident" and "very confident" when compared to the victim pool at the higher end of the response scale. At the other end of the measurement scale, about 4% and 14% more of individuals in the victim pool rated themselves as "not at all confident" and "somewhat confident" compared to the general population pool.

Table 7. Attitudinal measures for respondent confidence, debt, and financial need.

	Percentage of Respondents Indicating			
Attitudes	Overall	Victim Pool	General Pop	
"Completely" or "Very Confident" in own ability to understand loan terms and ask questions about loan factors that will impact your financial circumstances.	48.7	42.6	59.9	***
"Yes": feels debt load is too high.	54.3	68.2	30.3	***
"Somewhat" or "Very Desperate" description of financial need at time when entered into loan agreement with [lender].	45.5	55.0	13.6	***

Chi Square Significance tests between population subgroups at the 95% confidence level indicated by: ***p≤ .01, ** p=≤.05, *p≤.10. N.S.= no statistical significance in differences.

The next attitudes measure measured respondents' perceptions regarding their debt load and financial need. Individuals in each subgroup were significantly different in how they rated their debt and their financial need. About 68% of the victim pool indicated their level of debt was "too high". This is 38% more than the 30.3% of the general population who rated themselves this way. Also shown in Table 7, individuals in the victim pool were 4 times more likely to rate themselves as in desperate financial need. More than half of all respondents in the victim pool considered themselves to be in desperate financial need, whereas less than one quarter of general population respondents considered themselves in this position.

Taken together, these three attitudes described the state of mind victim pool consumers had when engaging in loan activities with lenders. Overall, the victim pool --because they were less confident in their abilities, had strong feelings that their debt was too high, and had desperate financial need --were at a great disadvantage, compared with general population s, when interacting with lenders. This information implies that the victim pool consumers' state of mind placed them more at risk, than the general population, of being susceptible and tractable to lender strategies aimed at controlling or influencing their loan transactions.

2.6 Experiences with Lenders and Creditors Obtaining Credit

Fifty-seven percent of respondents in the victim pool had been turned down for credit compared to 23.5% of the general population.

One of the main goals of this study was to evaluate individuals' experiences with creditors and lenders in order to describe financial outcomes and relate this to educational needs. Most respondents to this survey were experienced borrowers with better than 98% or 1,313 reporting they have had a credit card, bought a house, refinanced, or had a home improvement loan. Less than 4% of respondents had not had any credit or loan experiences. Most of those who had not had credit experience were general population sample members.

All respondents were asked if they had been turned down for credit or not given as much credit as they had applied for at some point in the last 5 years. For all respondents answering this question, just more than half (55%, n=747) had never been turned down for credit. Further, 20% of these respondents say they had never applied for credit, while 80% say they had never been turned down when they have sought credit.

Correspondingly, just less than half (45%, n=595) of the respondents had been turned down for credit in the last 5 years. For those who had been turned down for credit, the most prevalent types of loans individuals had applied for were credit card loans (29.8%), mortgage loans (23.6%), "Other types of loans "(15%), car loans (11.6%) and home improvement loans (4.9%). For these same respondents, the most prevalent types of lending institutions individuals went to for loans were banks (43%), finance or loan companies (29%), other (12), credit unions (11%) and brokerages (4.3%). Of the "other types of lenders" individuals (n=50) indicated they went to for loans, most could be classified as credit card companies (34%), department stores (26%), or mortgage companies.

When victim pool consumers are turned down for credit it is mainly because of their credit histories. Of the 45% of all respondents who indicated they had been turned down or not given as much credit as they had applied for, more than three fourths or most (77%) were turned down for credit reasons and 23% were not given as much credit as they had applied for.

An important difference emerges when the two population subgroups of respondents are compared for outcomes on applying for credit. The victim pool had considerably more, 57% (n= 486), who had been turned down for credit compared to the general population, which reported only 23.5%. This is a statistically significant difference. Most individuals in the victim pool were primarily seeking credit card loans (27%) and mortgage loans (27%). The general population sought more credit card loans (42%) and other types of loans. For the 3rd and 4th types of loans (**Table 8**), the general population was seeking slightly more car loans, while individuals in the victim pool were seeking slightly more home equity and home improvement loans.

Table 8. Respondents' reasons for lenders turning them down for credit.

	Percentage of Respondents Reporting		
Reasons	Victim Pool	General Population	Overall
Credit problems	55	70	57
Debt to income ratio	21	7	18
Bankruptcy	5	11	7
Outstanding debt level	6	7	6
Previous foreclosure	<1	0	1
Self employed	<1	0	0
Collateral/property	<1	2	2
Equity	5	2	5
Unstable condition (divorcing, etc.)	<1	0	0
Don't know	5	0	4
Total number of respondents commenting	201	43	244

Consumers from both groups who had been denied credit were very similar in that a large percentage of each group, ultimately, were able to obtain the financing they were seeking. When asked if they were later able to obtain the full amount requested by reapplying to the same institution or elsewhere, about 44% of the victim pool and 40 % of the general population that had been turned down for credit, were able to get a loan. Just a little more than a third for each subgroup were unable to obtain the loan when they reapplied. For the victim pool and the general population pool, about a fourth (24% and 28%, respectively) of each had not reapplied for a loan.

For consumers who had been denied credit, most, from both subgroups had to go to another institution to get financing. Of those who were able to obtain the full amount of the loan by applying to the same institution or elsewhere (n=259), the majority for both sub groups (86% of the victim pool and 74% of the general population pool) applied elsewhere to other institutions to obtain loans. A significantly greater portion of the general population, 26%, as compared to 13.6% for the victim pool, successfully reapplied to the same institutional lender.

For those that had been turned down for credit and then successfully reapplied for a loan (n=252), the outcome had mixed results for cost. For the victim pool, just more than half (58%) indicated this was not a higher cost loan to them and 41% said it was a higher cost loan. For the general population, 64% reported the loan was not a higher cost loan to them and just over one third (35%) reported this was a higher cost loan. While there is a significant difference between sub groups, the trend points strongly in the same direction. For more than half of the respondents who had been turned down, the final loan they received did not have a higher cost than the one they originally applied for.

The victim pool and the general population had similar experiences as to why lenders had turned them down for credit. **Table 9** summarizes the coding of open-ended comments respondents gave when prompted for the reasons they were turned down or did not receive as much credit as they had applied for. For both groups, the foremost reason for being turned down was credit history problems. The second most reported reason for the victim pool was “excessive debt to income ratio” and thirdly, “outstanding debt” level. For the general population, the second most reported reason was “bankruptcy” and the third reason was “outstanding debt” level.

Respondents who had been turned down for credit and who later successfully obtained financing (n=255), were asked if they believed they were treated unfairly or discriminated against. For both the victim pool and the general population, most (76% and 70%, respectively) were of the opinion that they were treated fairly or were not discriminated against. However, some felt mistreated. Over both groups, 64 individuals made 95 comments[5] as to the reasons they considered their treatment unfair. Of those who indicated they were unfairly treated or discriminated against,

[5] It should be noted that some respondents tended to give multiple comments when probed and this is handled in Tables 9 and Table 10 by providing a percentage of comments.

Table 9. Respondents' reasons for considering lender treatment as unfair or discriminatory.

Reasons	Percentage of Comments: Victim Pool	General Population	Overall
Race	0	0	0
National origin/ethnicity	1	0	1
Gender	0	0	0
Age	0	1	1
Marital status	0	0	0
Parental status	0	0	0
Immigration status	0	0	0
Credit history	36	16	32
Issue with appraisal	1	0	1
Issue with excessive interest rate	1	0	1
Issue with lender practices	32	26	31
Other	29	52	33
Total number of comments	76	19	95
Total number of respondents	50	14	64

Table 10. Respondents' reasons why they thought they might be turned down for credit.

Reasons	Percentage of Comments: Victim Pool	General Population	Overall
Bankruptcy	8	6	7
Credit history	48	64	51
Outstanding debt	6	4	6
Debt to income ratio	17	7	15
Previous foreclosure	<1	0	1
Employment/unemployment issues	6	7	5
Collateral property	2	0	1
Equity	<1	0	1
Not understanding loans	2	<1	2
Amount of loan	2	<1	2
Personal factors: gender, age, race, marital status	2	6	3
Previously declined by another lender	3	3	3
Lender dishonest	1	0	1
Don't know	2	0	2
Number of Comments	237	70	307
Number of Respondents	223	68	291

about 24.9% were from the victim pool and 30.4% were from the general population, respectively. **Table 9** shows that both groups were similar in that "credit history" in the loan review or "problems with lender practices" were the most frequent opinions of why they considered themselves treated unfairly or discriminated against. Examples of respondent comments are given below:

- "Had a late payment seven years ago, but no late payments in recent history, but still turned down."
- "I wasn't given the loan because I don't have stellar credit, I think that is unfair"
- "Everyone should have the same criteria for issuing credit, it should be a standardized formula. However, everyone is different so there should be more regulation."
- "His view is that loan decisions are capricious"

About 22% of all respondents indicated that, in the last 5 years, they had thought about applying for credit at a particular place, but changed their mind because they thought they would be turned down. As shown in **Table 10,** more individuals in the victim pool (26.4%) had this fear than did the general population respondents (14%). For those who were inhibited in this manner, the most predominant reason they thought they would be turned down had to do with their own knowledge about their credit standing**.** For those respondents with this fear, more than 48% of the victim pool's reasons (n=237) and 64% of the general populations' reasons (n=70) were explained as having to do with their credit status. The next leading reasons given by both population subgroups were debt-to-income ratio and bankruptcies.

Factors Influencing Lender Selection

Respondents were asked to think about the financial institutions they do business with most often. Most (68.7%) respondents said they do business with banks most often. The next leading type of institution dealt with, for about one fourth of respondents, was credit unions. All other types of institutions asked about were reported by less than 7% as the type they dealt with most often. Less than 1% indicated they used payday lenders most often. These trends held consistently across both population subgroups with very little difference in type of institution selected.

After thinking about the lenders they used most often, respondents were asked to think about the factors important to them when making a major decision to borrow money. Their task was to rate the importance of each of 5 factors thought to influence loan decisions. Respondents were then asked to select the "one most important factor" for them personally when deciding to borrow money. Ratings obtained under both scenarios achieved the same relative order of factors as important. The largest differences between population subgroups are most discernable from the selection of the single most important factor and this is presented in **Table 11.** These ratings of factors serve as a description of the signals respondents say they respond to and use to judge and select loans. For both subgroups, interest rate was selected as the most important factor to the loan decision. There are significant differences in frequencies of respondents for each subgroup. The largest differences between subgroups occurred for interest rate and monthly payment amount factors. After selecting interest rate, victim pool consumers selected monthly payment amounts, willingness of the lender, and previous experience with the lender as factors (respectively) for selecting a loan when compared to the general population.

Table 11. Percentage of respondents rating factors for making loan decisions.

	Percentage of Respondents Rating Factor As "One Most Important"			
Factors	Overall	Victim Pool	General Population	
The interest rate of the loan	54.7	49.4	64.4	***
The monthly loan payment amount	25.6	29.1	19.3	***
How close the lender is located to where you live or work	0.4	0	1.2	N.S.
Having previous experience with lender	7.5	8.7	5.4	**
Thinking about your personal credit history, the willingness of the lender or bank to loan you money	10.4	11.8	7.9	***

Chi Square Significance tests between population subgroups at the 95% confidence level indicated by: ***p≤.01, ** p=≤.05, *p≤.10 . N.S.= no statistical significance in differences.

Aspects of Respondents' Most Recent Home Mortgage or Loan

The most important reason for obtaining the home loan for the victim pool was "consolidating credit card debt into (their) home mortgage" (35%).

In contrast, for the general population "purchasing a home" was the primary reason (>50%).

Respondents to the survey were asked questions about whether they own or rent their home. While the majority of respondents in both sub groups own their homes (95.4% of the victim pool, and 70.1% of the general population), the victim pool had significantly greater home ownership than the general population. Of the respondents owning homes (n=1168), most have mortgage loans on their home (96.4% for the victim pool and 69.2% for the general population). About 30% of the general population does not have any type of loan on their home.

More than half, or 55.7%, of the victim pool reported interest rates over 10% on their home loans.
Less than 1% of the home loans the general population reported were over 10%.

Respondents who had a mortgage (or another type of loan) on their home were asked why they took out this loan. Respondents in the victim pool were specifically prompted to think about their most recent loan as they were asked specific details about the loan. These consumers were significantly different from general population loan consumers regarding the reasons for the current home loan. As shown in **Table 12**, the most important reason for the home loan indicated by more than a third of the victim pool was “consolidating credit card debt into (their) home mortgage” (35%). In contrast, for about half of the general population consumers “purchasing a home was the primary reason for the loan.

Table 12. Rank order for percentage of respondents reporting primary reason for current home loan.

	Percentage of Respondents Reporting		
Reasons	Overall	Victim Pool	General Population
Refinance or rollover an earlier loan	30.6	28.2	38.4
Consolidate credit card debt into home mortgage	27.8	35.0	3.7
Purchase a home	19.9	10.9	50.0
Borrow additional money on your home mortgage	14.7	18.0	3.7
Other reasons	7.0	7.9	4.1
Number of respondents	1050	808	242

General population sample members with home loans were asked what type of lender provided the loan. For just more than half, banks were identified as the lender. The next most prominent (for 32%) type of lender was a mortgage company or broker.

Both groups were prompted as to the reasons why they selected this lender for this home loan. Again, the victim pool and the general population subgroups were significantly different as to the most important reasons for choosing this lender. About one third (32.7%) of the victim pool stated the most important reason was “it was easier to qualify for the loan” and about a fourth (24.2%) said they “had done business before with this lender”. In contrast, the leading two reasons for selecting the lender of their home loan for the general population were “low interest rates” (37.2%) and “they had done business with lender before” (23.9%).

Some other indicators of consumer behavior were asked in questions regarding the home loan. Respondents were asked if they were paying off this loan ahead of schedule, on schedule, or behind schedule. About half (50.9%) of the victim pool and 61% of the general population were paying off their loans “on schedule”. Close percentages of each subgroup indicated they were paying off loans “ahead of schedule”, 37.4% and 38.4%, respectively. The largest differences occurred for the “behind schedule” response, with about 12% of the victim pool and less than 1% of the general population consumers indicating they were behind schedule.

To further compare how the populations fared on their home loans, consumers were asked details about loan terms. The average interest rate for the victim pool on this home loan was 12.3%, although responses ranged from 4% to 29.5%. More than half, or 55.7%, of the victim pool reported an interest rate over 10% on their home loans. The general population average interest rate of 6.1% was statistically significantly lower (t test value of 27.38 and probability of .00). This group had a reported interest rate range of 3.6% to 18%. Less than 1% of the home loans for the general population reported were over 10%. **Table 13** further displays the comparisons of specific loan terms asked about in the interview. As can be seen from this set of information, individuals in the victim pool were much more likely to have loans with terms that individually had high costs or hurt finances. The three terms causing the most damages to the victim pool were high interest rates (55.4%), prepayment penalties (31.8%), and charges for credit or life insurance (31.8%). The terms causing harm to general population loan consumers were life insurance (12.5%), disability insurance (11.7%), and loan prepayment penalties (7.3%).

Of all the loan factors measured, the one factor associated with the largest financial effect was interest rate. The victim pool was at a clear financial disadvantage on this factor as can be seen, with more than 55% having an interest rate greater than 10%. Even more cause for concern is that almost a quarter of individuals in the victim pool were paying rates in excess of 15%. Again, less than 1% of the general population with loans had this detrimental condition.

Consumers, who indicated they had a prepayment penalty on their loan, were asked when they first learned the loan had this term. Respondents from both subgroups were not statistically different in how they answered this question. For the victim pool (n=350), about half (57.4%) found out at signing of loan documents. For the rest, most indicated they learned it at a later time. This later time was referred to in numerous ways such as right after to years later, when refinancing, when selling, or when they tried to pay the loan off. Most of the general population members who had this condition on their loan found out when signing their loan documents.

The victim pool is set up for an even more ruinous financial picture, when compared to the general population, if multiple non-beneficial terms exist simultaneously on the loan. **Table 14** provides a summary of how much harm is accumulated for specific factors. This evaluation is limited to only those factors that were measured in the interviews with respondents. Harm units were assigned in a way that documents whether harm occurred or did not occur. Or, if it could be measured as occurring to a greater extent, more harm units were assigned. Consider, for example, individuals reporting higher than average interest rates: If they reported an interest between 10% and 15%, that aspect of the loan was assigned 1 unit of harm. If they reported an interest rate greater than 15%, it was assigned 2 units of harm. Comparatively, based on self-reports of loan terms, over 80% of the victim pool had harm associated with their loan and only 22.4% of the general population exhibited harm using this same evaluation criteria.

For the victim pool, 11.7% compared to less than1% of general population consumers stated they were paying off their loans “behind schedule”.

Almost 35% of the victim pool had more than one loan where the home was used for collateral. This is compared to 17.9% for the general population that reported this condition on their mortgage loan.

Assessment of Financial Behaviors on Current Mortgage Loan

Individuals in the victim pool were significantly different from the general population in their loan behavior and loan payment behaviors. Respondents were asked to self-report on their payment behaviors on their current mortgage loan. In terms of assessing the practice of positive loan payment behavior, just about a third of each population subgroup reported paying their loan off “ahead of schedule” (37.4% for the victim pool and 38.4% for the general population). And, about 51% of the victim pool and 61% of general population consumers stated they were paying off their loans “ahead of schedule”. The main difference between subgroups is in terms of the reporting of negative payment behaviors. For the victim pool, 11.7% compared to less than1% of general population consumers stated they were paying off their loans “behind schedule”.

When asked if they consulted with a professional such as a lawyer, financial advisor, or some other professional specifically about loan terms, 9.1% of the victim pool and 23.1% of the general population reported in the affirmative.

Another important financial behavior related to current mortgages that is distinctly and significantly different between the two populations was the tendency of individuals in the victim pool to have multiple loans that use their home as collateral. Almost 35% (n=283) of the victim pool had more than one loan where the home was used for collateral. This is compared to 17.9% (n=66) for the general population that reported this condition on their mortgage loan. The most frequent reason reported by the victim pool for the additional mortgage loans was to consolidate credit card debt (n=244). For the general population, the most reported reason for the additional mortgage loan was to borrow additional money on their home equity (n=47).

Taking out loans to pay off credit card balances is a financial practice that accelerates personal debt load and is considered a negative financial practice if done to excess. When asked about whether they had “ever” taken out a debt consolidation loan to pay off credit card balances, more than half (55.5%, n=483) of the victim pool had done so. Whereas, less than a quarter (16% (or n=56) of the general population had ever taken out credit card consolidation loans. The victim pool averaged 1.2 consolidation loans in the last 5 years, with the maximum number of consolidation loans for any individual being 8 loans. About 88% of the victim pool had one or more loans in the last 5 years and about 28% had more than two loans in the last 5 years. For the general population, for those that had ever taken out credit card consolidation loans, the average was less than 1 loan (.89). Of these, in the last 5 years, less than 17% (n=13) of general population consumers had two or more consolidation loans.

All loan consumers (n=1055) were asked if they consulted with a professional such as a lawyer, financial advisor, or some other professional specifically about loan terms. The two population subgroups are significantly different, with 9.1% of the victim pool and 23.1% of the general population reporting in the affirmative. For all respondents reporting they consulted a professional (12.3% or n=130), when open-ended survey comments are coded, the most prevalent type of professional they consulted was a financial advisor or mortgage broker (45%). The next most prevalent advisors were lawyers (22%) and bank/lender personnel (9%). It is interesting to note that few consumers have a tendency to consult with professionals. And when they do gain consultation, the professionals consumers accessed are in the lending industry rather than outside to evaluate legal terms of loan contract. From survey responses it is not possible to ascertain whether the professional consulted is actually an employee or representative of the lender the loan was from or whether it was the person they dealt with at the lending institution.

Table 13. Percentage of respondents reporting specific types of loan terms on current loan.

	Percentage of Respondents Reporting			
Loan Terms	Overall	Victim Pool	General Population	
Interest rates:				
0-10%	57.5	44.3	98.6	***
>10% to 15%	24.4	32.0	0.9	
>15% to 29.5%	18.1	23.4	0.5	
Adjustable rate mortgage:				
Yes	15.7	16.3	13.8	NS
No	84.3	83.7	86.2	
Payment includes property tax/homeowners insurance:				
Yes (taxes only, insurance, only or both)	26.8	15.1	65.8	***
No	73.2	84.9	34.2	
Payment includes credit insur., life insur, or both:				
Yes, (credit only, life only, or both)	27.7	31.8	13.8	***
No	72.3	68.2	86.0	
Loan has prepayment penalty:				
Yes, (has prepayment penalty)	37.5	46.8	7.3	***
No	62.5	53.2	92.7	
Loan has balloon payment::				
Yes	6.2	7.1	0.8	**
No	93.8	92.9	96.6	
Other loans use this property for collateral:				
Yes	29.8	34.9	17.9	***
No	70.2	65.1	82.1	
Number of respondents [a]	1031	792	239	

Chi Square Significance tests between population subgroups at the 95% confidence level indicated by: ***p≤ .01, ** p=≤ .05, *p≤ .10. N.S.= no statistical significance in differences.

[a] The number of respondents may vary on each question as not all respondents provided answers when asked.

Table 14. Summary of mortgage terms that are classified as harmful or non-beneficial[1].

Loan Terms	Units of Harm Assigned	Percentage of Respondents with Calculated Level of Harm Units: Overall	Victim Pool	General Population	
Interest rates:					
0-10	0	51.7	36.9	97.7	***
>10% to 15	1	39.6	51.5	2.34	
>15% to 29.5	2	8.8	11.6	0	
Payment includes life insur,					
Yes, (life only)	1	25.5	29.5	12.5	***
No	0	74.5	70.5	87.5	
Payment includes disability insur					
Yes, (disability only)	1	21.7	24.9	11.7	***
No	0	78.3	75.1	88.3	
Loan has prepayment penalty:					
Yes, (has prepayment penalty)	1	37.5	46.8	7.3	***
No	0	62.5	53.2	92.7	
Loan has balloon payment::					
Yes	1	6.2	7.1	3.4	
No	0	93.8	92.9	96.6	
Summary of Total Harm Units :					
0 harm		32.1	18.7	77.6	***
1 harm		26.0	30.3	11.2	
2 harms		25.7	30.6	9.1	
3-5 harms		16.2	20.4	2.1	

[1] A level of harm is calculated for each respondent based on their report of each of the individual loan terms for their current mortgage with their current lender if the respondent is a member of general population sample. For the victim pool the level of harm is calculated the same, but the loan is associated with the lender Household or Beneficial, Inc.

Chi Square Significance tests between population subgroups at the 95% confidence level indicated by: ***p≤ .01, ** p=≤ .05, *p≤ .10. N.S.= no statistical significance in differences.

3.0 DISCUSSION AND CONCLUSIONS

Purpose. A key question in this study was "What do consumers know about finances and does it matter when entering into agreements with lenders? Answering this question will elucidate whether the idea of developing a financial education program is a good one and whether this is a good use of resources. Financial literacy as a concept is not readily defined; it cannot be measured directly. A main intent in this research was to measure and describe the level of financial competency of individuals in the survey populations. A second goal was to compare in the population subgroups levels of financial literacy or competency and to determine if this was related to their mortgage outcomes.

Reasons for integrating focus group and survey findings. In this research effort, it was necessary to integrate survey and focus group findings to more completely ascertain why individuals were susceptible. Focus group results complemented and supported survey findings by providing more depth to information on mortgage experiences and how individuals interacted with particular lenders. The focus group results provided even more evidence that victim pool consumers are in need of financial education. In the survey interviews, the goal was accurate measurement on specific items and it was not cost effective to probe too deeply on a topic; whereas, in the focus group discussions, several individuals were able to comment on the same topic and explain how their situation might have been similar or different to others in the group. It was through the focus groups that the nuances of the mortgage situation were revealed; this provided details not captured in survey interviews.

Justification for use of scores. Financial knowledge, experiences, and behaviors are linked in a relational way. Financial experiences and behaviors together contribute to financial knowledge levels and gains in competency. Key to this assumption is the idea that with more experience and education, individuals become more sophisticated and competent in their financial dealings. The extent to which an individual demonstrates financial knowledge, more financial experience, and more positive protective type financial behaviors predicts the extent to which they would be more financially literate and more effective in their financial management. Since financial literacy is not directly measurable, an alternative is to use proxy measures. In this study, scores or indices were devised for knowledge level, experience levels, positive and negative financial behaviors. Thus, from the survey responses, scores were calculated which indicated specific aspects of financial competencies. Taken together, these scores represented the level of financial literacy that can be measured for individual respondents who participated in this study. These scores were further aggregated over the population subgroups for comparative purposes.

Discussion of knowledge items. In the knowledge test, questions answered correctly or incorrectly, provide insight into the deficit the general population and the victim pool had in financial knowledge. Results showed that the financial score created from the test questions in the interview varied across respondents. About 36% of the respondents answered 7 or fewer of the 12 questions correctly; these are the least knowledgeable individuals in this study. The financial score and the financial score ranges were significantly different between the two population subgroups, and can be used to evaluate the relationships of knowledge to other measured variables that are crucial to explaining the differences between individuals in their financial outcomes and in their loans.

Profiling respondents based on knowledge score. Two questions that were missed most often were measures of knowledge relative to bond markets and mutual funds (missed by 70% of the victim pool and 57% of the general population). It is quite tempting to say that these may be unfamiliar markets and investments to many people. While these two questions may seem irrelevant to determining individuals' knowledge relative to making mortgage loan decisions, these along with the other questions in the set of incorrectly answered questions, separates the "more financially knowledgeable" from the "less financially knowledgeable" for both population subgroups. The other questions frequently missed (Table 2) had to do with the financial topics of: reducing risk in investments, fees and costs of financial services products, understanding financial market operation and outcomes, and compound interest. Together these concepts represent the economics of financial markets. These questions taken together are relevant to measuring the basic knowledge needed by consumers to participate in financial markets and to having a perspective of financial market operation.

Lack of specific knowledge a concern. A key aspect of defining a financial literacy program to help individuals harmed by or at risk for predatory lending should be to center on the most basic skills needed to participate competently in financial markets once it is determined what skills are missing or what types of financial practices are faulted. From this survey, of the knowledge questions answered incorrectly, the concept found lacking that is most troubling, has to do with the concept of compound interest. In focus groups, individuals also told us they didn't understand loans and interest rates. Compound interest as a financial factor is fundamental to understanding how, when interest rates change, money saved or invested is impacted and how it can generate wealth. It also serves as the basis of knowing the cost of borrowed money, loan payment structure, the time value of money, and the real cost of an asset over the lifetime of any loans used to acquire assets. If consumers lack knowledge of compound interest, they are naïve to evaluating and reading one of the most important market factors when involved with lenders. They are unable to tell whether the decision to invest money will work for them or not. They potentially enter into loan agreements without understanding how much they are paying for borrowed money or the opportunity cost of the money they are investing.

Role of general education. The role of general education level-- as opposed to financial knowledge--in individual competency was also tested in this study. Cursory bivariate comparisons of survey data showed that respondents who had at least one college degree were less likely to have a loan with harmful terms or to exhibit risk behaviors. And, conversely, individual respondents with less than a college degree were more likely to have loans with more harmful terms, exhibit higher levels of risk behaviors, exhibit less positive protective behaviors and have less knowledge. These relationships held across both population subgroups in correlation tests. Attainment of at least one college degree is associated with more positive financial outcomes and served as a protective factor for individuals evaluated.

Role of financial experiences in competency. The victim pool, like the general population, had a considerable amount of financial experiences and demonstrated to a large extent, financial experience. They reported "middle of the road" levels of experiences and protective behaviors. The victim pool exceeded the general population in having experiences in credit and loan markets, refinancing loans, consolidating credit card debt, and in taking out home improvement loans. However, the victim pool was very different from the general population in the extent of reporting experiences for long term planning, the ways they invest, the way they save, the way they invest for retirement, and the complexities of their financial investments. The victim pool tended to have a tendency to spend more now and save less for later. The general population, in strong contrast, had significantly more diverse financial experiences and exhibited more protective behaviors. This would seem to demonstrate more effective money management exemplified by more reported savings and more complex retirement investing practices for general population respondents.

Negative behavior and summative nature of scores towards literacy. Carrying the analysis of behaviors and experiences one step further by looking at the extent of participation in non-protective behaviors, it can be seen that the victim pool had a higher rate of risky behavior when compared to the general population. Most significant to this difference in terms of risk were the "taking of cash advances on credit cards" and "use of payday lenders for short term loans". If financial experiences and behaviors are additive relative to their positive or negative classification, then the victim pool was considered less financially literate than the general population.

Role of negative behaviors. Adding to this body of evidence toward the need for a financial literacy program is that many individuals in the victim pool engaged in negative, risky, or non-protective behaviors. They are very different from the general population in this regard. During their current loan situations a significant portion of the victim pool reported they had taken out multiple credit consolidation loans to pay off credit card balances and taken out more than one loan that used their home or property as collateral. A significant portion of individuals in the victim pool were in the position of being 'behind schedule in paying off mortgage loans.

The degree to which risky financial behaviors were undertaken by some survey respondents would be evidence that these individuals are not gaining in financial literacy and are not seeming to learn or respond to the financial consequences of their actions. Consequently, the demonstrations of protective versus risky behaviors are manifestations of abilities and competencies for money management. Successful personal money management helps reduce risk of financial loss and reduces the likelihood of extraneous events (such as job loss, disability, or economic downturns) causing sudden financial ruin.

Focus group and survey findings complimentary. Survey responses and the focus group findings together exemplify that the victim pool and general population respondents who are less knowledgeable don't understand interest rates, loans, or how loans work. This study found knowledge score overall and knowledge level on specific items important to individual financial experiences and outcomes in mortgage loan markets in Washington. Less knowledge on financial knowledge items, less financial experiences, less frequency of protective financial activities, and engagement in "risky" or negative financial behaviors compositely measures financial literacy and explains the variation in mortgage experiences with lenders and the occurrence of engaging in loans with less beneficial or more financially harmful terms.

Relationship of multiple measures indicates consumer ability to respond. Other measures from the survey and comments in focus groups also suggest that many individuals in the victim pool were naïve and lacking in competency even though they had considerable financial experience and exhibited a moderate level of positive financial behaviors. Naïve individuals lack the skill to evaluate whether they can afford a particular loan or evaluate if they are improving their financial circumstances. Relative to saving decisions, these consumers lack appreciation of how the main factor, compounding and interest, grows their money. Relative to loans, these consumers didn't seem to understand how interest rates relate to what they can afford. Nor did they know how much of a premium in interest rate percentage points they should consider and accept as a tradeoff for their poorer credit rating. Thus, for less knowledgeable individuals, it is questionable how much interest rates can serve as a signal or stimulus to modify behavior or to make prudent financial decisions. For mortgage decisions, it is questionable whether less knowledgeable individuals are responsive to interest rates levels as signals to accept or reject a loan or for determining whether they are getting a good deal.

Towards a financial literacy program---learning styles, useful tools. The study results of knowledge score and behavior scores strongly supports the need for an education program that teaches financial concepts to consumers and provides mechanisms that help consumers make informed decisions about engaging in loans. Consumers have described "individual based learning" modes as the most preferred way to learn. In focus groups and in the survey, respondents have told us that they don't understand how interest on loans works, and that at the time they entered into loan agreements they didn't know what they were getting into financially. Survey and focus group findings for the victim pool showed interest rate was the loan factor most associated with harm. Interest rate as a factor in loan decisions is not well understood by many respondents. With these results in mind, the development of useful types of tools might include: an agency-sponsored computer website hosting a loan scenario calculator, consumer checklists, and guidelines for accepting and rejecting loans. Consumers accessing such tools could enter loan terms, home appraised value, and their income into the calculator and it could display relative loan information over time such as monthly, yearly, and total interest payments, monthly, yearly and total payout towards principal. Specifically, the development of guidelines for the amount of fees that should be expected and guidance on thresholds of monthly payment to monthly income might prevent consumers from entering into loans they can't afford.

What was learned in focus groups. In particular, in focus groups we learned how victim pool consumers connected with lenders and how they made the decision that this was the best loan for them. Many victim pool consumers responded to either a direct solicitation that came through the mail as an advertisement or to a telephone call from an interviewer representing the mortgage lender. Some participants cashed checks that were sent to them in the mail from the lender for an automatic loan. Others sought out the lender as they had a previous loan or a good experience with the lender. Still others found themselves with this lender because their loan had been sold to this company. Profound to this connection is that individuals in the victim pool were customers to the lender. The lender's contact was posed to make customers aware loans were available and that they were eligible for a new loan or a refinance. From what participants tell us we deduce that the lender used customer lists and personal customer knowledge to select and personalize the contact. Some consumers were told that the lender had lower cost or better interest rate loans available compared to the consumer's current loan. This type of contact by the lender proved to be effective, as many focus group participants indicated they followed through to further contact the lender at local offices and enter into loan transactions.

Many in the victim pool stated they were solicited because they were customers. This along with respondents telling us the lender knew they were desperate and had credit problems, raises the question of lender accountability. Lenders have detailed information on customers, and a history of customer repayment of loans—this provides for a fairly accurate picture of customer financial ability. Together this information is predictive of whether individuals can successfully repay the loans. One of the most common features grouping individuals in the victim pool was their own rating of themselves as having compromised credit and this being associated with loans that had non-beneficial or harmful terms.

Consumers shopping for loans and barriers. Another question of interest was whether consumers tried to comparison shop for loans. Many victim pool consumers told us (in focus groups and during survey interviews) that they tried to comparison shop, but they found banks and some lenders unwilling to lend to them because of poor credit histories or other circumstances with their financial status. Still others told us they were desperate and needed the money in a hurry. A few related that they felt their credit scores declined the more they approached lenders who then checked their credit. In the end, consumers went with lenders who would work with them. The description of the loan market as portrayed by victim pool consumers is a market that is very limited and one that has barriers. Thus, it becomes quite apparent that for individuals who face scarce access to credit and are in a state of desperation, an opportunistic appeal from a lender that they personally are eligible for available loans with lower costs or better terms, proves quite tantalizing and irresistible.

Interpretation of attitudes. In focus group dialogues and survey comments, participants told us that they believed lenders and lender employees knew of their desperation and used this knowledge to take advantage of them. Others articulated they were treated unfairly or discriminated against because of their credit standing. This notion may not be totally unfounded when it is considered that the lender has access to customer lists with detailed customer loan information and customer characteristics to select and screen individuals for solicitation. Taking together the factors learned in the survey that describe consumers' state of mind (poor credit, fear of turn down, and desperation) it is not hard to imagine a possibility of lender(s) using credit status as a main factor for selecting individuals for solicitation. However, it needs to be kept in mind that, in focus groups, individuals in the victim pool readily admitted they voluntarily followed-up with lenders after the solicitation or contact and entered into loans. Some say they took out loans they didn't really need. This suggests these consumers are primarily reactionary instead of planning in their finances. They are not aware of their own personal vulnerabilities and lack the knowledge needed to keep from being susceptible in engaging in loans with disadvantageous terms.

Attitude is a factor that drives an individual's demeanor and state of mind in making decisions during transactions. Attitude in combination with financial knowledge and behaviors may be synergistic in driving outcomes. It is clear from survey results that individuals in the victim pool were in a disadvantaged position --relative to their state of mind--when compared to the general population. They had compromised attitudes (lower confidence, feelings of too high of a debt load, and feelings of desperation), lower financial knowledge, and less protective behaviors. Individuals in focus groups also said they were desperate and were of the mind that lender employees knew this and used it to the lender's advantage in the loan agreement transaction. Together these factors interact to further show deflated abilities and possibly reduced competency of individuals in the victim pool to interact effectively with lenders and protect themselves.

Integration of learning preferences and characteristics needed in literacy program. An important aspect of the feasibility of a financial literacy program is to determine how best to offer a financial literacy program to the public and to those who need it. An important consideration is what venue would be most viable? Even though almost a third of survey respondents chose the Internet or computer programs as the way they liked to learn, this style might not work for everyone. The survey responses show consumers as split in how they like to learn. About half liked individual-based modes and the other half liked group-based modes of learning. Consumers might demonstrate more interest and follow through with educational programs if components are offered and presented in a variety of modes. This suggests educational outcomes may be achieved at higher rates and be more effective if consumers have a choice in how they learn them. There are two other important characteristics of an effective financial educational program: allowing participants to navigate programs at their own pace, and permitting them interaction in ways they prefer.

Lack of consumer awareness to the potential for harm and to the magnitude of potential harm resulting from loan terms specified by the lender, is an important aspect of susceptibility for DFI to consider. Taken together with the victim pool's tendency for lower indicators of financial literacy, consumers are still at risk with out a campaign to raise public awareness to this problem. The study results show that a literacy program would be very beneficial, especially to individuals in the victim pool. However, there remains concern over victim pool consumers' lack of responsibility and effort, as demonstrated in this study, and whether they would actually participate in a financial literacy program if one were offered. DFI's challenge with these study findings and going forward with an educational program will be to motivate participation.

Attachment
Section 15

Pennsylvania
Office of Financial Education

5 pages

The Office of Financial Education:
A Resource for Schools, Districts, and IU's

The Pennsylvania Office of Financial Education is pleased to provide the following services to Pennsylvania schools, districts, and intermediate units. Services are offered at no charge thanks to a partnership between the Pennsylvania Departments of Education and Banking.

Curriculum Consultation

Are you considering revamping your personal finance curriculum? Or maybe you want to offer a new course on personal finance? The Office can help. We work with districts to identify gaps in current offerings and identify ways to fill them. We also help to identify resources and local contacts that can be of additional assistance.

In-Service Presentations/Teacher Training

Do your teachers need some help integrating personal finance into their courses? The Office offers customized training programs for teachers and administrators on a range of financial education topics. Below are just a few:

- Teaching Personal Finance Using Children's Literature
- Money and Math: Making math meaningful through real-world applications
- Personal Finance 101 – Resources for teaching kids about money

All programs address numerous academic standards and assessment anchors in both reading and math. Training programs are scheduled on a first-come, first-serve basis. Host organizations must guarantee a minimum of 20 participants.

Resource Library

The Office houses a collection of personal finance curriculum and textbooks. It is perfect for curriculum review committees or teachers looking for additional resources. Visitors are welcome with advance notice.

Call Mary Rosenkrans, School-Based Financial Education Specialist, at 717-783-2498 to take advantage of any of these services or to request additional information.

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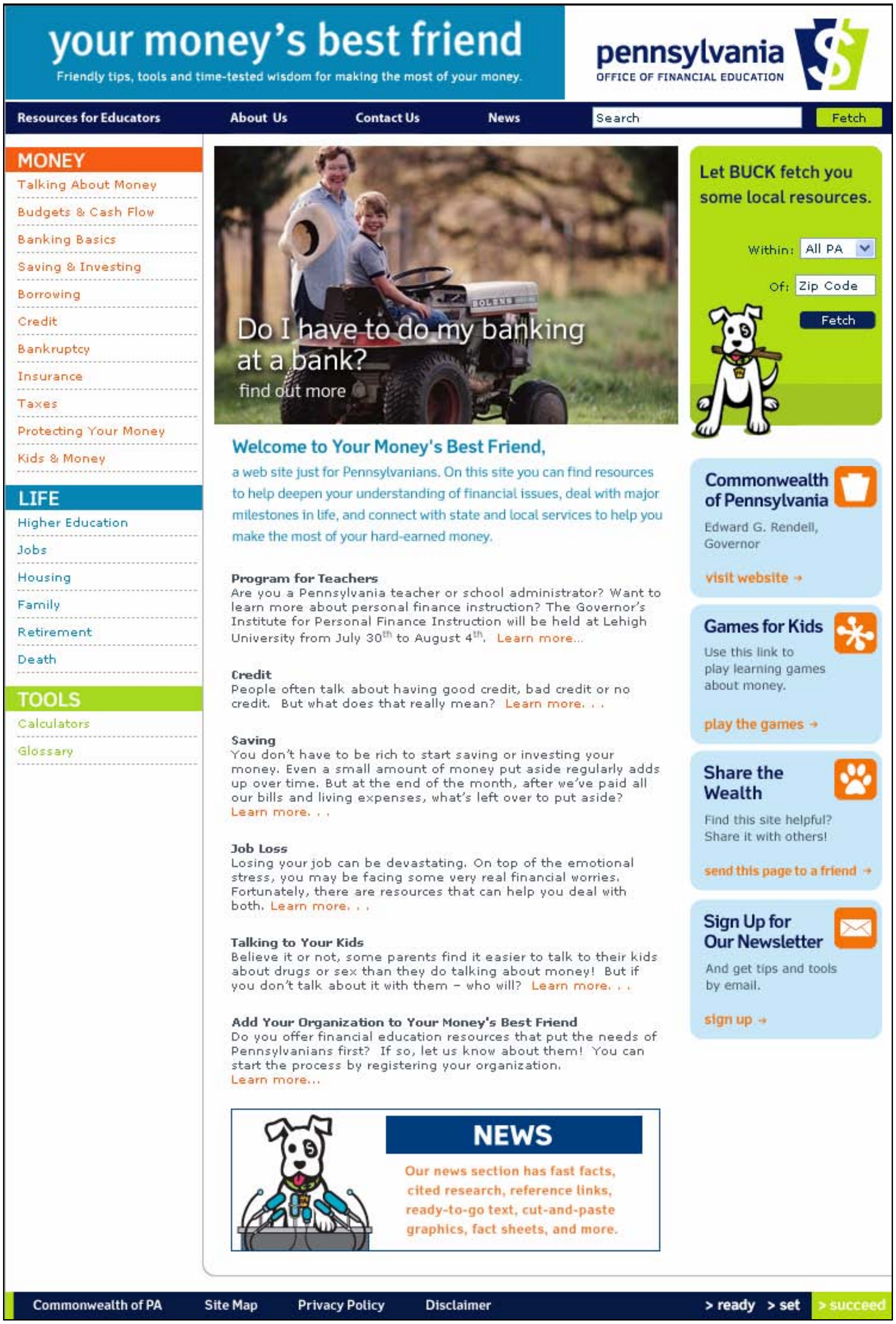
Your Money's Best Friend:
A Resource for Teachers, Parents, and Students



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Frequently Asked Questions

Your Money's Best Friend

www.moneysbestfriend.com

What is Your Money's Best Friend?

Your Money's Best Friend is a consumer-oriented website that presents a wide array of personal finance concepts in clear, everyday language. This Pennsylvania-specific, non-commercial resource covers banking basics, creating and balancing a budget, buying a home, coping with job loss, talking with one's family about money, filing taxes, and much more. Each section explains a concept, spotlights simple tips, and offers pre-screened links (primarily government agencies and nonprofit organizations) to help users along.

And, because not everyone wants to get information from the web, www.moneysbestfriend.com also includes a feature that allows users to enter their ZIP codes to find community-based resources near where they live and work.

Who will benefit from Your Money's Best Friend?

Everyone. Because it doesn't matter how much money one makes or how old one is, everyone has questions about money. The site is arranged by both topic and life stage, so users can either find information to answer a specific question or they can browse the site to find out about things they might not even have known they were interested in.

Why was Your Money's Best Friend created?

In the summer of 2004, more than two dozen public discussions took place across Pennsylvania as part of Governor Edward G. Rendell's Task Force for Working Families. Reoccurring themes included an urgent need for convenient, non-commercial, consumer-oriented financial education throughout the state and the strong desire for an easy way to connect Pennsylvanians to the community-based financial education opportunities that already exist across the Commonwealth. *Your Money's Best Friend* is a direct result of consumer demand.

Who created Your Money's Best Friend?

The Pennsylvania Office of Financial Education is a free-standing office of state government that seeks to increase the availability and quality of financial education in Pennsylvania's schools, communities, and workplaces. It is housed in the Pennsylvania Department of Banking and supported by the assessments, fees, and fines paid by Pennsylvania's regulated financial community.

What does Pennsylvania hope to accomplish with Your Money's Best Friend?

Financial education can help Pennsylvanians achieve greater economic self-sufficiency, higher levels of homeownership, enhanced retirement security, and improved quality of life.

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Answering the Question:

Why Should Schools Teach Personal Finance?

- The average score of the nearly 6,000 high school seniors who took the Jump$tart personal finance survey in 2006 was only a 52.4% - an 'F' on any grading scale. (Jump$tart Coalition 2006 Survey)

- 66% of 16- to 22-year-olds think they should know more about money management. (TIAA-CREF/American Savings Education Council Youth and Money Survey, 1999)

- Only 21% of students between the ages of 16 and 22 say they have taken a personal finance course through school. (TIAA-CREF/American Savings Education Council Youth and Money Survey, 1999)

- About 60% of high school students who completed the National Endowment for Financial Education's Financial Planning Program increased their knowledge about the cost of credit, auto insurance, and investments. (National Endowment for Financial Education, 2005)

- In August 2005, the United States personal savings rate was a negative $158 billion. (U.S. Department of Commerce Bureau of Economic Analysis, 2005)

- As little as 10 hours of personal financial education positively affects students' spending and savings habits. (National Endowment for Financial Education, 1998)

- Individuals who are required to take a personal finance education course in high school achieve roughly 1 year's worth additional net worth when compared with those who were not required to take such a course. (Education and Saving: the Long-Term Effects of High School Financial Curriculum Mandates, Bernheim, Garrett, and Maki, 1997)

- Teens are already starting to accumulate debt, with nearly a third of those surveyed in 2006 (31 percent) owing money to either a person or a company. On average, teens owe $230, with older teens 16-18 owing significantly more than younger teens 13-15 ($351 vs. $84). (Teens & Money 2006 Survey from the Charles Schwab Foundation)

- University administrators say they lose more students to credit card debt than to academic failure. (Utah Mentor, 2003)

- Students double their average credit card debt — and triple the number of credit cards in their wallets — from the time they arrive on campus until graduation. (Nellie Mae, Undergraduate Students and Credit Cards, 2002)

- Teens spent $169 billion, an average of $91 per week, in 2004, a decrease from the $175 billion spent 2003. (Teenage Research Unlimited, 2004)

- Nearly 48% of high school seniors use an ATM card. (Jump$tart Coalition 2006 Survey)

About the
Pennsylvania Office of Financial Education

Established in April 2004 by executive order of Governor Edward G. Rendell, the Pennsylvania Office of Financial Education seeks to increase the availability and quality of financial education in Pennsylvania's schools, communities, and workplaces.

The Office of Financial Education works to:

- help Pennsylvania's teachers incorporate age-appropriate personal finance principles into the reading, math, and other subjects they're already teaching;
- show Pennsylvania's employers how to provide personal finance tips, tools, and training to their employees in ways that complement their business objectives and boost their bottom lines; and
- connect existing community-based efforts and help more community-based organizations offer high-quality financial education and counseling throughout the Commonwealth.

The Office of Financial Education also strives to link the many personal finance-oriented efforts of various state agencies and manages the *Your Money's Best Friend* website (www.moneysbestfriend.com) that provides introductory information and resources on a wide array of financial topics.

The Office of Financial Education is housed in the Pennsylvania Department of Banking and is funded by the assessments, fees, and fines paid by Pennsylvania's regulated financial community.

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Attachment
Section 16

Pennsylvania
Dollars and Sense
Realistic ways policymakers can help Pennsylvania's working families

Governor's Task Force for Working Families
January 2005

75 pages

DOLLARS AND SENSE

Realistic ways policymakers can help
Pennsylvania's working families

Prepared by the
Governor's Task Force for Working Families
January 2005

Co-Chairs
Representative Dwight Evans
Secretary of Banking Bill Schenck

HELPING WORKING FAMILIES
in tight budget times

HELPING WORKING FAMILIES
in tight budget times

January 2005

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
225 Main Capitol Building
Harrisburg, Pennsylvania 17120

Dear Governor Rendell,

We eagerly accepted your appointment to co-chair a Task Force that would explore strategies to help the Commonwealth's working families. Over the past several months many people have joined with us in this important work—including a number of working families who shared their thoughts at the two dozen open discussions we convened throughout the summer. More than 60 Task Force members—representing state government, financial entities, educational institutions, community groups, employers, and others—invested their time and lent their expertise to develop the recommendations that we respectfully submit to you today.

We were tough task masters, and they had a tough job. We were not interested in duplicating progress already underway in the Commonwealth's current economic stimulus, workforce development, health care reform, manufacturing modernization, or mortgage foreclosure prevention efforts. Nor were we interested in academic solutions to real-world problems or costly overhauls that could not receive serious consideration in the current fiscal environment. Task Force members took their charge seriously, and the commitment, creativity and passion they brought to this process is evident in its impressive results. This report provides an achievable, cost-effective blueprint that can make a real difference in the lives of Pennsylvania's hard working families.

A number of people are already doing some of this important work. As co-chairs, we would like to add two recommendations of our own to the list compiled by the Task Force. First, we respectfully request that you hold an annual summit and issue annual Governor's awards for excellence in financial education to recognize innovative models, commend practitioners, and welcome nontraditional sectors to the field. The summit and awards will help highlight some of the remarkable people we've had the privilege to get to know—and others like them. Second, we suggest that you find a substantive way to continue the momentum of the Task Force and continue to monitor the Commonwealth's progress in achieving its vision.

Thank you for the opportunity to lead this deeply rewarding effort. We look forward to working and moving together to help Pennsylvania's hard working families.

Best regards,

Dwight Evans
House of Representatives

Bill Schenck
Secretary of Banking

TABLE OF CONTENTS

BACKGROUND

In April 2004, Governor Rendell issued an Executive Order to establish the Governor's Task Force for Working Families and appointed Representative Dwight Evans (D-Philadelphia) and Secretary of Banking Bill Schenck as co-chairmen. The purpose of the Task Force was to:

- identify and explore current and proposed strategies for
  - building incomes and assets for working families;
  - promoting financial education and literacy; and
  - protecting working families from predatory and abusive financial services;
- maximize the coordination of programs that affect working families and create an environment in which they can work together with greater effectiveness and impact;
- work with charitable foundations, local government agencies, advocacy groups, community and religious leaders, academia, policy and research organizations, and other entities as may be appropriate, to carry out the purpose of the Task Force.

The Governor charged Task Force members with identifying strategies to build the incomes and assets of working families, promote financial education, and protect families from abusive financial services. The Task Force included more than 60 members from the public, private, and nonprofit sectors (See Appendix 3). In order to work effectively and efficiently, the Task Force divided its work between four committees, each co-chaired by a Commonwealth and community representative (See Appendix 4). To augment their own unique blend of expertise and experience, Task Force members hosted two dozen roundtable discussions throughout the Commonwealth to garner citizen input (see Appendix 5).

Co-Chairs Evans and Schenck wanted the work of the Task Force to have real and lasting impact. Thus, they charged members with finding strategies that could be employed within the reality of the Commonwealth's current fiscal constraints. The strategies that emerged ranged from the common sense to the complex. Some can be implemented immediately—at low or no cost—and yield instant results. Some require generational investments which could yield returns well worth the wait.

The Task Force's work and recommendations are included in this report. First, the state of working families in Pennsylvania – their challenges and problems and the barriers that keep them from getting ahead – is detailed. Next follows the Task Force's recommendations and the need for each, along with suggestions for implementation. With these recommendations is a blueprint for action that outlines who should take responsibility for each action item within the report. Finally, Appendix 2 includes an abbreviated list of some of the many programs that are already helping Pennsylvania's working families. For ease of recognition, these programs are noted in italics throughout the report.

EXECUTIVE SUMMARY

Pennsylvania is a great place to live and work. Our Commonwealth boasts natural beauty, cultural diversity, and American heritage second to none. Our people have the creativity and drive needed to revolutionize our economy. Our colleges, universities, and technical schools graduate thousands of capable professionals each year. Our cost of living is among the most affordable in the nation, homeownership is attainable, and personal income taxes are low. Our state government works to foster the businesses that help our Commonwealth thrive.

Yet too many of Pennsylvania's working families are struggling. They are losing jobs. Well over half earn less than $27,000 per year. Too many are patching together part-time jobs, when they would rather be working full time. More than a million of our citizens lack health insurance. Pennsylvania's working families are saving less and losing their homes more often. Financial predators exploit families who are worried about making ends meet. Our young people are leaving the Commonwealth at an alarming rate.[1]

The Commonwealth is not unique; across the United States working families are struggling to make ends meet. In real terms, families at the lower end of the wage scale are actually earning less than they did three decades ago. For example, the real value of today's minimum wage is 30 percent below the minimum wage of 1968 and 24 percent lower than 1979. A growth in single parent families and the fall in pay meant that incomes fell dramatically for children in the bottom third of families. For this group, family income is 16 percent lower than it was almost a quarter century ago.[2]

Given this drop in real wages, more working families live "paycheck to paycheck" just to cover housing, child care, transportation, food, and health care. Without some sort of help, they cannot save to build a financial buffer for an

[1] CFED (2004). *The Development Report Card for the States.* http://drc.cfed.org. Washington DC.
[2] Bernstein, Jared and Lany Mishel (2004). *The State of Working America*, Executive Summary. Economic Policy Institute. Washington, DC.

emergency. Worse, they are having trouble saving to meet their dreams such as buying their own home, starting their own business, or sending their kids to college.

In order to help our working families, the Task Force recommends that Pennsylvania should:

- Connect working families to quality financial education
  - Establish, maintain, and market a clearinghouse with information about financial education resources, income supports, and savings programs.
  - Integrate financial education in the curriculum already taught in Pennsylvania's K-12 schools.
  - Expand community-based financial education and counseling.
  - Help employers provide financial education in the workplace.
  - Encourage financial professionals to volunteer in financial education efforts.
  - Conduct a long-term study to find out which financial education strategies are most effective.

- Move working families beyond living "paycheck to paycheck"
  - Market the federal *Earned Income Tax Credit* and help families claim it.
  - Extend the scale, impact, and flexibility of the Commonwealth's *Family Savings Account* program.
  - Expand use of the federal *Family Self-Sufficiency* program and make it work with the Commonwealth's *Family Savings Account* program.
  - Increase asset limits for families that receive help through the *Temporary Assistance for Needy Families* program.
  - Determine where market conditions are getting in the way as working families try to get ahead.

- Help working families create their own jobs and security
  - Bolster entrepreneurship and small business development.
  - Create PennIRA so that small employers can facilitate retirement savings for working families.

- Make sure that working families are treated fairly by financial institutions
  - Provide a model to ensure responsible credit card marketing on college campuses for full implementation of Act 82.
  - Broker conversations between responsible financial service providers and community advocates to outline what's fair, then make sure all providers comply.
  - Promote programs to develop or re-establish relationships between working families and responsible financial service providers.

The State of Working Families in Pennsylvania

What is the status of Pennsylvania's working families?

Jobs and Income

Pennsylvania was hit hard by the 2001 recession, and our working families continue to struggle through its lingering effects. Long-term employment growth in Pennsylvania is among the lowest in the nation. According to the Bureau of Labor Statistics, growth between 1999-2002 was 9.1%—only eight other states fared worse.[3] During 2002-2003, the Commonwealth actually *lost* 1.8% of its jobs.[4]

Employment Growth: 2002 - 2003

Virginia	+ 1.1%
Ohio	+ 0.7%
New Jersey	+ 0.5%
Maryland	+ 0.1%
New York	- 0.5%
Delaware	- 0.8%
Pennsylvania	- 1.8%
West Virginia	- 2.1%

The manufacturing sector has been especially hard hit. As of July 2004, there were 151,600 fewer manufacturing jobs than we had at the start of the recession—a 17.9% loss, compared to a national average of 14.9%.[5] As a result, many Pennsylvanians are out of work. In 2002, for example, the Commonwealth's unemployment rate was 5.7%, ranking 30th nationwide.[6]

[3] U.S. Department of Labor, Bureau of Labor Statistics. (2004). *Local Area Unemployment Statistics*. Washington, D.C.
[4] Wial, H. (2004). *The State of Working Pennsylvania*. The Keystone Research Center. Harrisburg, PA.
[5] Wial (2004).
[6] *The Development Report Card for the States* (2004).

There is some good news though. The Commonwealth's average annual pay was around $35,000 in 2002, and over 70% of those in the workforce are covered by an employer-based health plan.[7] Unfortunately, paychecks seem to be stagnating, as average compensation has only grown 2.4%—ranking 28th of the 50 states—for the most recent period for which comparable data is available.[8] The number of Pennsylvanians without employer-based health insurance has increased by 40% since 1999.[9]

It's important, however, not to get lost in the sea of statistics. The challenge to the Governor's Task Force for Working Families was to look at the impact these economic trends have in the kitchens, bank accounts, and communities of real people—and see if there were ways to help. In 24 public roundtables hosted by the Task Force committees during the summer of 2004 people said:

- that the "prevalence of minimum-wage or low-wage jobs" is a problem for people who lost jobs and are trying to find family-wage employment;

- that the "obscurity of resources available to assist working families, including the federal *Earned Income Tax Credit* and state poverty tax exemption" make it hard for families to use some of the tools available to them to get ahead; and

- that the lack of affordable housing as well as the high costs of child care, health care, transportation and other basic needs in certain working-class and poor communities make it even harder for some families to stay financially afloat.

Assets

Most studies of family economic well-being focus on household income, in part, because it is the most readily available data. While income measures give a sense of a household's ability to "get by," they do not reveal if a family has any real chance to "get ahead." Savings and equity—assets—actually create financial security by providing a hedge against a downturn in income, a fund to meet unexpected expenses, and savings for your own or your children's future.

Homeownership Rate: 2003

West Virginia	78.1
Delaware	77.2
Virginia	75.0
Pennsylvania	73.7
Ohio	72.8
Maryland	71.6
New Jersey	66.9
New York	54.3

7 *The Development Report Card for the States* (2004).
8 CFED (2002). *State Asset Development Report Card*. http://sadrc.cfed.org. Washington, DC.
9 *The Development Report Card for the States* (2004).

Mean net worth for Pennsylvania's families is $117,385.[10] While the Commonwealth's homeownership rate is 73.7%, our small business ownership rate is only just over 10%.[11] And almost one in five Pennsylvania households don't have enough savings to live even at the poverty level for three months without other sources of support.

In the 24 public roundtables hosted by the Task Force committees during the summer of 2004 people said:

- that there are "disincentives to save" for some working families, in that "the more saved the less benefit received;"

- that "lack of affordable housing" makes it difficult for some working families to build equity; and that

- some working families have "fear or intimidation in dealing with financial institutions".

Financial Threats

In addition to examining measures of household income and assets, another way to assess the state of working families is to examine the extent to which their household finances are at risk. For example, a lack of financial training and education coupled with the absence of basic forms of asset protection like health and life insurance, can expose working families to serious and often preventable misfortune, limit their opportunities to accumulate assets, hold back their upward mobility, and actually strip them of everything they've worked for.

In Pennsylvania, job loss, increasing health care and insurance costs, and declining wages have combined with other factors to cause us to have the ninth highest foreclosure rate among prime loans and fourth highest rate among sub prime loans in the nation.

But our families do better than those in most other states in managing their outstanding credit card debt with only a two percent increase in credit card liabilities from 2002 to 2003. Pennsylvania and 29 other states share per capita household debt figures between $5,000 and $10,000.

Perhaps the best measure of financial risk or failure is personal bankruptcies. Federal bankruptcy law provides some protections to people who are not able to pay their creditors. Unfortunately, the Commonwealth's bankruptcy rate is above the national average. If we compare total filings nationally from 1995-2003, there was an increase of 79%. If we compare Pennsylvania's total filings of that same period, there is a 143% increase.

In the 24 public roundtables hosted by the Task Force committees during the summer of 2004 people said that:

- a "lack of budgeting skills or resources to budget" puts working families at increased financial risk;

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[10] *State Asset Development Report Card* (2002).
[11] *State Asset Development Report Card* (2002).

- the “lack of financial education and money management, especially at an early age,” and the “consumerism and emotional issues tied to getting help with money management” are real barriers to families who want to move ahead and give their children a chance to “do better;” and

- the “prevalence of predatory lending” and the lack of enforcement by state and local authorities may make it difficult for some families to establish relationships with responsible financial service providers.

RECOMMENDATIONS

As the Governor's Task Force for Working Families, we took our charge seriously. Always at the front of our minds were Pennsylvania's working families. All of them. Urban, rural, and suburban. One parent. Two parents. Blue collar, white collar, self-employed, and unemployed. Old and young. With newborns, college kids, grandchildren or no children at all.

The Commonwealth needs more and better jobs, dynamic career paths, world-class learning opportunities, and growing wages. We are well aware and supportive of the Commonwealth's current economic stimulus, workforce development, health care reform, manufacturing modernization, and mortgage foreclosure prevention efforts—indeed, in our individual capacities, many of us are active in those issues as well. We were not interested in duplicating or second-guessing any good work underway. Instead, the charge to the Task Force was viewed as a unique forum to look at unique issues. Academic solutions to real-world problems and costly overhauls that could not be borne in the current fiscal environment were not considered.

This report provides an achievable, cost-effective blueprint that can make a real difference in the lives of Pennsylvania's hard working families. It is a cost-effective plan, but it is certainly not without significant cost. We believe there are four types of investment needed to bring these recommendations to life. The first are investments that have already been committed by the Commonwealth in the coming year. The second are those that can be realized by examining and shifting current spending priorities. The third requires new commitments on behalf of the Commonwealth, and the fourth includes investments that can be made in cooperation with the private sector, including the philanthropic and business communities. No budget estimates for these recommendations are included as there are a variety of ways to achieve the goals and each method would have differing budget implications.

1. Connect Working Families to Quality Financial Education

There are more than a million and a half families and nearly three million children in Pennsylvania. More than a quarter of our families with children are low-income, despite the fact that more than half of the families have at least one parent who is employed full-time, year-round.[12] The Task Force considered ways to help all family members gain age-appropriate financial skills.

There are more than 3,250 public schools serving K-12 students in Pennsylvania. Our teachers and administrators work hard, and already do a great job teaching mathematics, reading, and writing—all fundamental skills needed for financial education. How can we help them broaden their approach to include more explicit examples of financial education without over burdening them?

There are more than 270,000 employers in Pennsylvania. Our employers already play a pivotal role in the financial lives of their employees, providing more than just paychecks. Many employers also provide opportunities, incentives, and education for their employees, about retirement savings, direct deposit, and savings clubs, for example. How can employers identify teachable moments and help employers expand the information they provide to help working families?

There are more than 1,750 bank and credit union branches staffed by financial professionals, approximately 70,000 licensed insurance professionals, and countless numbers of investment, credit, and financial counselors in Pennsylvania. How can the professionals be encouraged to share their experience and expertise with working families—right in their own communities—who need help?

Consider these stories:

> **Michelle** is a teacher in Philadelphia. Her husband is a police officer. Yet, they're struggling to make ends meet. They were awe struck and delighted at the birth of their new baby, but now they find themselves financially strapped because the costs of newborn care have amplified the financial strain resulting from Michelle's maternity leave. The monthly bills are late, and the mortgage is overdue.
>
> **Robert** is 30. He lost his job a while back but tried to keep working through a temporary agency in order to supplement the income his wife earns as a hairdresser. Robert needed more than a minimum wage job in

[12] Columbia University Mailman School of Public Health National Center for Children in Poverty (2003). *Pennsylvania State Profile*. www.nccp.org. New York, NY.

order to keep his household afloat, so he applied for reduced medical coverage for his children while he kept hunting for a good position. He and his wife went without. They pieced things together financially and managed to keep their house until he found a permanent job with benefits. But now he's up to his neck in debt and working with creditors and mortgage companies to get on the right track with his finances.

In Pennsylvania, Michelle and Robert's stories are not uncommon. In the public roundtables held by the Governor's Task Force for Working Families during the summer of 2004, the same stories were heard over and over. In the cities. In the suburbs. In the country. Two-parent families. Single-parent families. Stretching the finances. Losing jobs. Looking for work. Making great strides forward. Building hope. Fighting debt. Doing their best.

But despite the stories of struggle, the families had several things in common. One was determination—even the families that needed to ask the Commonwealth for help were determined only to rely on public assistance to "get through the rough patch." They would rather succeed on their own and be strong role models for their children.

Another thing they had in common was confusion. Despite the numerous resources available to help working families in Pennsylvania—provided by the Commonwealth, community-based agencies, educational institutions, and others—they often did not know what kind of help was available or where to find it. Some families felt that if they were struggling but did not need welfare, there was nowhere to turn and there were no programs to assist them.

These families are also strapped for time. They are often piecing together part-time jobs, a job search, child care, school activities, household duties, and family obligations—sometimes adding in their own educational or skill enhancement pursuits. Is it a wonder that so many families try to go it alone—and end up taking advantage of the "in your face" marketing of credit card companies, expensive check cashers, and profit-motivated companies that offer quick credit repair?

The Commonwealth is uniquely positioned to connect working families to quality financial education. Created at the same time as the Governor's Task Force for Working Families, Pennsylvania's Office of Financial Education is a state-level resource dedicated to coordinating and promoting the Commonwealth's financial education programs and policies. No other state in the nation has such dedicated capacity. Additionally, state agencies can come together and work with their community-based and private-sector partners to create and maintain a clearinghouse to provide information about the wide range of help already available throughout Pennsylvania.

In particular, the Task Force believes that strides have been made in recent years in welfare programs, but that much more information is needed to help working families find out about financial education, saving, and asset-building resources. Made available on line and in print, the clearinghouse must be aggressively and consistently marketed—to both working families and the social service and community-based professionals who serve many of them. The clearinghouse must provide positive alternatives and compete with the bombardment of advertising by organizations that don't have our working families' best interests at heart.

As the gatekeeper of the clearinghouse, the Commonwealth can require that quality standards and minimum performance thresholds are met in order for programs to be listed. Programs that are willing to ensure quality will also benefit from combined outreach and marketing investments that most community-based programs can't afford to conduct by themselves.

A secondary benefit of the clearinghouse will be an accurate and up-to-date inventory of help available in different locations. Some parts of the state already have robust services. Some parts need more. The Commonwealth can support and expand community-based financial education resources where they may be lacking, share information about great models, provide training to financial education providers, and more.

If Pennsylvania is going to help its working families find help, it needs to know what works and target the Commonwealth's investments toward making the most effective strategies widely available. The causes and results of inadequate financial knowledge are well documented, but little is known about what approaches really work in terms of changing financial behavior, for example helping families know how to avoid the escalating-interest-rate-credit-card-trap in times of trouble. Pennsylvania can make sound financial decisions and provide the nation with a wealth of data if we commit to conducting a long-term study on financial education strategies and effects.

In order to connect working families with quality financial education, the Governor's Task Force for Working Families recommends that the Commonwealth:

A. Establish, maintain, and market a clearinghouse with information about financial education resources, income supports, and savings programs.

A multitude of resources already exist to help Pennsylvania's working families build assets, increase incomes, improve financial literacy, and avoid financial abuse, but awareness of these resources is low among both working families and the professionals who provide or coordinate social services. In instances where there is some knowledge that resources exist, people are unsure how to tap into the help that is available. These general levels of ignorance and confusion are compounded by the fact that many of these resources are unconnected, making referrals difficult and duplication almost certain. Most of these resources are supported by small budgets, making marketing a secondary priority that forces dollars away from direct service delivery.

The clearinghouse should be structured so that a working family, or a person assisting a working family, can look for a specific resource—say, a budgeting class. In addition to providing location and content-specific information about a budgeting class, the clearinghouse could augment the listing with cross references to credit counseling, savings, asset-building, and targeted counseling programs for homeownership, business development, education financing, etc.

Two key factors that will influence the long-term success of the clearinghouse. The clearinghouse will only be as useful as it is used. People must know about the resource, and it must be made available in formats, languages, and locations that are useful to people who need the information. To ensure that people know about the resources, the Commonwealth must be aggressive and creative in its marketing efforts. There is a growing movement to conduct financially-oriented social marketing campaigns to help families become more aware of saving, asset-building, and responsible financial choices. The Commonwealth should both promote the clearinghouse and engage with appropriate existing marketing efforts.

Second, people who use the clearinghouse must be pleased with the results. This means more than convenience in getting information. It means that when a working family contacts a program listed in the clearinghouse, the program provides useful, quality services. It is of utmost importance to ensure quality standards and monitoring—perhaps even going as far as a "Good Housekeeping" style seal of approval for every resource listed in the clearinghouse.

Recommendation. The Office of Financial Education with input from other state agencies should develop a comprehensive clearinghouse of financial education, income support, savings, and asset-building resources. Clearinghouse information should be heavily cross-referenced and made available in print, on line, and—ideally-supported by a toll-free phone line. To ensure the integrity of the clearinghouse, minimum standards should be developed as a threshold for inclusion. The Commonwealth should aggressively and creatively market the clearinghouse directly to working families as well as to educators, social service specialists, community-based advocates, financial professionals, and other stakeholders. In addition, the Commonwealth should also maintain close relationships with other social marketing campaigns such as *Pennsylvania Saves*, Don't Borrow Trouble, and the *Campaign for Working Families* in order to leverage their outreach and increase awareness of the clearinghouse.

Implementation. This recommendation can be achieved in 2005 within the existing budget of the Commonwealth's Office of Financial Education. No legislative or regulatory action is required.

B. Integrate financial education in the curriculum already taught in Pennsylvania's K-12 schools.

This theme emerged time and again throughout the Task Force's roundtable discussions. Throughout the Commonwealth and among all groups of people, there was an overwhelming sense that in order to stimulate informed financial decision-making, encourage the accumulation of assets, and break the cycle of financial abuse, sound financial management skills must be taught and reinforced throughout our lives and especially during the formative childhood years.

Alan Greenspan, chairman of the U.S. Federal Reserve Board, said that, "in many respects, improving financial education at the elementary and secondary school level is essential to providing a foundation for financial literacy that can help prevent younger people from making poor financial decisions that can take years to overcome."[13]

Our public school systems are already faced with many challenges. Administrators struggle with fewer resources and more requirements, and hardworking teachers struggle to meet multiple expectations. Thus, the Commonwealth should not place any more demands on educators, but instead promote the inclusion of personal finance into the existing curriculum—specifically mathematics, reading, and writing. Personal finance principles can be integrated in a seamless way, reducing the need for schools and teachers to find room for it on their already full plates.

In addition, it cannot be assumed that all teachers have a full understanding of financial principles themselves. Professional development opportunities must be made available to teachers to enhance their own knowledge and skills. Further, the Commonwealth's postsecondary educational institutions must ensure that future teachers graduate with a deep understanding of financial education.

Integrating financial education into school curricula isn't a new idea—in fact, personal finance is already found extensively in Pennsylvania's academic standards. But the idea goes even farther back. At a symposium held a few years ago by the *National Endowment for Financial Education*, a participant discussed a textbook called "Hamilton's Essentials of Mathematics." Designed largely for elementary school students and published in the early 1900's, the book covered financial concepts such as earning money, paying bills, establishing savings accounts, paying taxes, buying insurance, and understanding the federal budget.

PA Recommendation. The Department of Education and the Commonwealth's Office of Financial Education should develop a comprehensive plan for increasing the extent to which personal finance is being taught in Pennsylvania's K-12 schools. The plan should include a scope and sequence that identifies appropriate personal finance concepts to be taught at each grade level; provide suggestions for how these concepts can be taught within the existing curriculum; and identify supportive materials that are currently available from a variety of sources.

The Department of Education should create a working group to address the financial education needs of schools, teachers, and students and work with the Office of Financial Education to meet these needs—including the development of professional development options for educators in the area of personal finance instruction. Furthermore, the Department of Education should purposefully include personal-finance-related questions in the Pennsylvania State System Assessment tests. Specifically, the mathematics, writing, and reading content should be tested in a personal finance context. The Department should also encourage school districts to implement a personal finance requirement for graduation.

[13] National Endowment for Financial Education (2002, October). *Motivating Americans to Develop Constructive Financial Behavior*. White paper report.

Implementation. The Department of Education and the Commonwealth's Office of Financial Education can begin to work on these projects in 2005. The development of a scope and sequence can be fully funded by the Office of Financial Education. The working group should require no additional funding. The cost of including personal finance into the statewide assessment tests and of supporting district-level initiatives has not yet been determined, but will be costly.

C. Expand community-based financial education and counseling.

"Financial education" is a broad term. For some working families, it might mean learning to invest in ways that best protect and appropriately grow their savings over the long term. For other working families, it might mean learning how to develop and manage a household budget to stretch their scarce resources. For some educational experts, it might mean a comprehensive classroom-style curriculum integrated into the adult education system. For some social service professionals, it could mean a one-on-one coaching session with stacks of bills or extensive, targeted, and on-going counseling based on specific needs.

In truth, financial education is all of these things.

A previous recommendation is that the Commonwealth support financial education in schools. Teaching financial skills at the earliest ages and reinforcing and expanding financial knowledge with over a decade of school-based instruction will provide citizens with a solid foundation to make informed financial decisions. But school-based financial education, by itself, is not enough. The financial marketplace is constantly changing; new laws, transactions, products, participants, and threats emerge all the time. And, while vital, the Commonwealth's investment in school-based financial education will take a decade or more to fully mature. Many working families need help now.

Recommendation. The Commonwealth should support community-based financial education and counseling for all working families throughout the state. The education should be "commercial free" and provide reliable, trusted resources. The Commonwealth should work with educational and community organizations to develop community models, train local instructors, and designate "financial education centers" within communities to provide information, referrals, and—if appropriate—deliver training locally. If qualified instructors or physical space are not readily available, the Commonwealth should explore distance learning technologies to provide financial education.

The Commonwealth should also seek ways to improve the delivery of financial counseling, including evaluating existing programs such as homebuyer education, mortgage foreclosure assistance, and small business development assistance for "teachable moments" and aggressively integrate extensive and targeted financial counseling into each program. This effort should be coordinated with the Pennsylvania Housing Finance Agency's housing counseling initiative to ensure that quality financial counseling is delivered in conjunction with financial education. In addition, training for financial counselors should be coordinated and offered in greater quantities to increase the number and quality of financial counselors.

Implementation. The Commonwealth's Office of Financial Education can coordinate state agencies, educational institutions, community organizations, and other stakeholders. No legislative or regulatory action is required; however, the quality and consistency with which this recommendation can be implemented are dependent upon the dedication of one full-time staff person who can devote all his or her time to this program. Among other justifications for this expense is the argument that the Commonwealth should invest in programs that prevent financial crisis among working families with at least as much vigor as it responds to and supports working families who are already in crisis.

Support from the philanthropic community should be sought to help fund demonstration or pilot programs.

D. Help employers provide financial education in the workplace.

There are two challenges that nearly all working families face in accessing financial education programs. The first challenge is finding a source they trust to provide information that has their family's best interest at heart and to be sure that the education is not really a sales-pitch in disguise. The second challenge is making time in their busy schedule to learn more about their finances. By developing and encouraging workplace financial education efforts, the Commonwealth can address both of these concerns.

In many respects, a majority of employers already provide financial information, even if they don't consider it "educational." More than ever, employers are providing more access points to savings programs—retirement, medical, and flexible spending accounts, for example. Many employers negotiate beneficial account terms for their employees with specific financial institutions for using direct deposit. The U.S. military, a large number of federal agencies, and some private-sector employers routinely provide financial education to their employees. Unfortunately, they are in the minority.

Number of Employers: 2003

New York	478,270
Pennsylvania	271,459
New Jersey	268,203
Ohio	229,648
Virginia	167,527
Maryland	134,447
West Virginia	37,144
Delaware	25,280

A growing number of studies suggest that workplace financial education efforts benefit both employees and employers and help increase employee productivity, satisfaction, and retention. Some of the state's smaller employers told the Task Force that they would be happy to provide information to their employees and to their small-business-owner colleagues, so long as it was appropriate, affordable, available, and convenient.

Recommendation. The Commonwealth's Office of Financial Education should coordinate with the Governor's Office of Administration, the Department of Community and Economic Development, the

Department of Labor and Industry, businesses, business associations, and labor organizations to identify workplace education models that can be recognized and replicated. The Office of Financial Education should engage the Pennsylvania Chamber of Business and Industry and others to engage employers in the planning of tools, avenues, and—potentially—incentives for providing financial education to employees. The Commonwealth should also deliver financial education through its workforce development programs and to state employees. Finally, the Office of Financial Education should host an annual summit on workplace financial education to keep this important issue at the fore, acquaint employers with the resources available to support their efforts, highlight successful and innovative programs, provide hands-on-training and mentorship opportunities, and more.

Implementation. The Commonwealth's Office of Financial Education can begin to assemble stakeholders in the first half of 2005. Initial costs can be funded through the requested 2005-2006 budget for the Office of Financial Education (funded by the Banking Fund). Dedicated staff will be necessary.

E. Encourage financial professionals to volunteer in financial education efforts.

Many effective financial education programs—*Junior Achievement* and *Volunteer Income Tax Assistance* programs, for example—depend on the volunteer efforts of experienced business professionals to reach working families and young people. Typically, these organizations have limited financial resources and devote the lion's share to running their programs. There is little "left over" to recruit and retain volunteers. It is expected that when fully implemented other Task Force recommendations will help these programs stretch scarce resources by creating a clearinghouse, marketing financial education and asset-building resources, connecting financial education resources to one another, and supporting community-based, school-based, and workplace financial education.

The Commonwealth can further assist these programs by providing an incentive for financial professionals to volunteer their time. Many financial professionals are required to be licensed to work in Pennsylvania and, as a condition of licensure, to participate in a pre-determined amount of continuing education (number and activities vary by profession). The Commonwealth could choose to award continuing education credits to professionals who volunteer their time to assist financial education efforts. In addition to providing benefits for the students and the financial education programs, the professionals also benefit from a cost-free option for earning continuing education credits.

Recommendation. The Department of State, the Department of Banking, the Department of Insurance, the Securities Commission, and any other appropriate state agency should work with community advocates and industry representatives to review their requirements for licensure and continuing education to determine if it is appropriate for specific professionals who donate time to financial education efforts to be granted continuing education credit. The Commonwealth should identify appropriate industries, determine permissible activities, develop a reliable system to monitor quality of delivery—keeping in mind working families' strong need for "commercial free" education—and a system to keep track of accumulated credits. In addition, when deemed permissible, agencies that support this activity should market allowable financial education programs to their professionals and encourage them to participate. Finally, as agencies review their requirements for licensure, they should take the opportunity to include education for professionals to better understand the scope, scale, and outcomes of the growing problem of financial abuse faced by the commonwealth's working families.

Implementation. Examination of policies to determine if legislative, regulatory, or policy change is needed could occur in less than one year with no cost. The recommendation could be piloted with one group of licensed professionals, and then rolled out to others after the process runs smoothly.

F. Conduct a long-term study to find out which financial education strategies are most effective.

Financial education is a hot topic among academics, economists, social service professionals, the media, and others. Growing debt, greater rates of foreclosure and bankruptcy, and reduced household savings have a devastating effect on our economy. Indeed, in response to what is perceived to be a growing problem of "financial illiteracy" in the United States, the federal government signaled that it has a role to play in stemming the crisis and opened an Office of Financial Education at the U.S. Department of the Treasury in May 2002 and a Financial Literacy and Education Commission in January 2004.

Across the nation, the reasons for and outcomes of "financial illiteracy" have been widely studied and often documented. There is consensus that poor financial management has a generational component and is perpetuated in families. Alternative financial systems are emerging in the capital marketplace that provide essential services but also further erode families' financial stability.

Yet, despite the public dialogue, the myriad of studies, and the array of available resources that purport to teach positive money management, negative trends continue. Why?

Intuitively, it appears that families who are better prepared to make sound financial decisions and economically equipped to weather unexpected set-backs will be less likely to fall into crisis and seek public assistance. But little is known about what motivates people to change their financial habits. In short, when it comes to financial education, there is good anecdotal evidence but less certainty about what educational approaches (or combination of approaches) work best. The Commonwealth could lead the nation by commissioning a comprehensive research study to find out.

In previous recommendations, the Commonwealth has been asked to support financial education—in schools, communities, and work places. It is believed that investments in financial education will provide long-term returns for both the Commonwealth and working families. Yet, to be effective stewards of our investment, the Commonwealth should invest in approaches that provide the greatest return. A study will provide the information needed to ensure identify most effective long-term approaches to financial education.

Recommendation. The Commonwealth, in partnership with others, should develop guidelines for evaluating financial education and commission independent research to evaluate and document the long-term effectiveness of various programs and materials.

Implementation. Steps to implement this recommendation can begin immediately, coordinated by the Commonwealth's Office of Financial Education. It is recommended that an independent research firm be retained to ensure that the project is properly constructed and conducted to accurately determine if people who participate in financial education demonstrate a change in behavior—save more, have less debt, keep their houses, don't file for bankruptcy, etc.—and have better outcomes than those without financial education. The Office of Financial Education should guide an independent firm to construct a study so that no Pennsylvania working family is disadvantaged as a result of participation. A comprehensive study could take as long as six or eight years to be developed, completed, and analyzed and could cost more than $1 million to follow a representative sample of Pennsylvania's working families in a longitudinal study. Philanthropic interests may support a significant portion of the cost, but some investment may be required by the Commonwealth.

2. Move Working Families Beyond Living "Paycheck to Paycheck"

In the past few years, Pennsylvania has been losing higher-paying jobs—including almost 18% of our manufacturing jobs—and replacing them with lower-paying employment.[14] Pennsylvania families value work. Nearly 12% are supporting themselves, at least in part, by piecing together part-time work even as they look for more stable situations.

Remarkably, despite these trends, thousands of families—even if their earnings seem very small—are working, sacrificing, and saving to reach their dreams. Over 6,000 families earning roughly $30,000 have saved upwards of $5 million dollars through the Commonwealth's *Family Savings Account* program, so that they can buy a home, pursue advanced education or job training, pay for child care while they're at job training, or start their own business.[15] Thousands of others are putting away as little as $50 at a time in Pennsylvania's *Tuition Assistance Program*, so they can send their kids to college. And, tens of thousands save for retirement little-by-little.

Consider these true stories:

[14] Wial (2004).
[15] Governor's Task for Working Families (2004). *Executive Committee: Recommendations Briefing Book.* Harrisburg, PA.

Sally's husband walked out. She wanted to build a good life for her family, so she took a job as a secretary. She lived with her pre-school-aged son in subsidized housing and enrolled him in a nearby Head Start program. Sally was stunned to find out that she would be worse off financially when she began working, because the assistance she relied upon to make ends meet would be so suddenly and drastically reduced.

John works for a greenhouse, and his wife cleans a local business. They have three children, from six to nine years old. Despite both parents having jobs and perfect credit, the family has trouble making ends meet, so they live in public housing. In order to achieve their homeownership dreams, John and his wife participated in a "Taking Control of Your Finances" series offered by the local housing authority and Penn State Cooperative Extension. They learned sound financial principles and discovered that they could get health coverage for their children and some help from the state to buy groceries each month. It has made all the difference. With the new knowledge and the extra help, they are putting away a little bit of money each month. It looks like they will be homeowners in the new year.

Pennsylvania policymakers have been paying close attention to the overall economic picture. Governor Rendell and others are making significant investments to improve the economic environment in which our families live and work. An economic stimulus package, a comprehensive reform of the Commonwealth's workforce development programs, and manufacturing modernization efforts have recently been developed but will take time to yield results.

While the Commonwealth moves forward on multiple fronts, it must make sure that the existing programs designed to help working families are coordinated and efficient. One state-funded program should not encourage families to sacrifice, save, and invest in themselves while another state-funded program denies help based on the very savings they achieve. Programs must have the funding and staff they need to reach out to working families and serve all the people who need help. Like so many others, Sally and John are working to support their families—we should help them.

In order to move working families beyond living "paycheck to paycheck", the Governor's Task Force for Working Families recommends that the Commonwealth:

A. **Market the federal Earned Income Tax Credit and help families claim it.**

Targeted specifically at working families the federal *Earned Income Tax Credit* has emerged as one of America's most effective anti-poverty programs over the last 28 years. Yet, eligible Pennsylvania working families didn't claim an estimated $250 million from the credit in 2001. That's a quarter of a *billion* dollars that could help Pennsylvania's hard working families that's just sitting in Washington DC—dollars that could pay mortgages, buy groceries, fix cars, and otherwise help working families meet their day-to-day needs or save to stabilize their futures.

Increasing the uptake of this program by as little as 5% would bring about $13 million into the homes of the Commonwealth's working families. Imagine, then, if it were made easy for families to use their refunds to build assets, through the *Family Savings Account* program, for example. The money could be doubled. That sort of investment could occur without any new state spending or bureaucracy. The money's already there. Families just need to be told about it, find out how to get it, and get connected with the programs that can help them grow it (college savings plans, matched savings plans, etc.).

One proven strategy in increasing the number of families who claim the credit is to provide free, well-trained assistance as they file their annual tax returns. The *Volunteer Income Tax Assistance* program helps working families who earn $35,000 per year or less prepare their tax returns. Sponsored by various organizations, volunteers receive training and help families claim their federal *Earned Income Tax Credit*. In addition, volunteers are trained to help families take advantage of child care, dependent care, education and other tax breaks that may apply. With additional training and materials, volunteers could also help families find financial education, savings programs, and other resources to help them leverage their returns.

This approach is already working in some areas of the Commonwealth. In only its second year in operation, a coalition called the *Campaign for Working Families* in Philadelphia has helped families claim more than $15 million in credits. It manages 19 free tax filing sites and conducts extensive outreach in the communities it serves. Conversely, Cameron County was the only county in Pennsylvania to have no EITC-tax returns prepared with the assistance of a volunteer.

By offering volunteer income tax preparation assistance there is great potential to put more money in the pockets of working families. Even with the significant volume of returns currently prepared (in terms of absolute number of returns filed and refund dollars they represent) it is estimated that volunteers reach fewer than 5% of the people who could use their help.

Recommendation. The Commonwealth should dramatically increase the number of *Volunteer Income Tax Assistance* programs available throughout the state. (This is important more now than ever, as the federal Internal Revenue Service is pulling back their funding for these remarkably successful programs.) At a minimum, the Commonwealth should determine an agency in which to house a full-time professional to coordinate and provide technical assistance to those who offer free tax preparation. The Office of Financial Education should leverage the work of the clearinghouse recommended by the Task Force by providing materials and training to volunteer tax preparers so that, in addition to providing tax counsel, they can advise working families of the financial education and asset-building opportunities that are available to them, including how families can use part of their refund to acquire assets through the Commonwealth's asset building initiatives such as the *Family Savings Account* and *Tuition Assistance Programs.*

In addition, the state should aggressively market the federal *Earned Income Tax Credit* and the availability of free tax preparation assistance for working families, including those who are self-employed. This information should be integrated into the clearinghouse and coordinated with other financially-oriented social marketing campaigns such as *America Saves, Pennsylvania Saves, Faith Saves,* etc. It should be included in any community-based or employer-based financial education. Replicable materials should be created and training should be provided so that volunteers and activists can market specific services within their own communities.

The Department of Banking should broker a dialogue with leading private tax preparers to encourage appropriate outreach, referrals, services, fees, and support for Pennsylvania's federal *Earned Income Tax Credit*-eligible families. And, finally, the Commonwealth should examine its own *Tax Back* program, determine its effectiveness, and study the pros and cons of implementing a state-level *Earned Income Tax Credit*.

PA Implementation. New volunteer tax preparation sites and a communications campaign could be set to launch by January 2006 for next year's tax season. Costs for this recommendation include support of a full-time professional and extensive marketing efforts. Given its potential to leverage hundreds of millions of dollars, the cost-benefit analysis to the Commonwealth suggests that it's an investment worth making. Pennsylvania's economy will reap immediate and on-going benefits.

B. Extend the scale, impact, and flexibility of the Commonwealth's Family Savings Account program.

The Pennsylvania Department of Community and Economic Development runs the *Family Savings Account* (FSA) program to help working families build financial strength. Families that earn 200% of the federal poverty level or below work with community organizations to increase their financial knowledge, set savings goals, and open savings accounts. Families save for up to two years, and their savings are matched to help them reach their aspirations, which may include homeownership, advanced education or job training, child care for job training, business development, or other activities approved by the Department of Community and Economic Development.

Federal Poverty Guideline: 2004
By Family Size, Annually

Size of Family	Percent of Poverty	
	100%	200%
1	$9,310	$18,620
2	$12,490	$24,980
3	$15,670	$31,340
4	$18,850	$37,700
5	$22,030	$44,060
6	$25,210	$50,420
7	$28,390	$56,780
8	$31,570	$63,140

Established in 1997, the program uses state dollars to match 50% of the working family's savings, up to $500 per year or $1,000 over two years. In order to obtain the $1,000 ($500 per year) maximum match, a family would have to save at least $2,000 over two years. For those savers qualifying for another related federal program, even more matching dollars are available. Savers are expected to save $10 per week (a lesser amount must be approved by the Department of Community and Economic Development) during the two-year period. No match is provided to savers who fail to meet the savings requirements.

With their savings accumulated through the *Family Savings Account* program, at the end of two years, working families could finance a $50,000 home, pay tuition at a Pennsylvania community college, provide equity in a business or assist in obtaining a loan for small business. As of June 30, 2004, there were nearly 5,000 active savers with over $3 million saved. In addition, more than 1,000 people had already graduated from the program; approximately 50% had used their savings for home purchase or home repair. Another 40% of the savers used their accumulated savings and match monies towards either education or the purchase of a car. Still others saved for retirement or a small business.[16]

Yet, despite its promise and success, the program needs to be updated. Too few families are able to access the program, and the two-year time frame is too short for some families who are working the hardest to make ends meet. Also, families are only allowed to make one withdrawal at the end of the savings period, making it hard to reach interim goals. And, if a family drops out of the program, the unused money—even though it's already been appropriated—cannot be used to help another family but must instead be returned to the Commonwealth. This single requirement meant that Pennsylvania's working families have missed out on more than $800,000 in savings assistance.[17]

Recommendation. The Commonwealth should make this program available to more working families by appropriating or reallocating from other sources additional funds and also by allowing unused matching funds to be allocated to other families, instead of returned to the Commonwealth. Families who live in different parts of the Commonwealth have different financial needs, so eligibility requirements should be changed to 80% of area median income or 200% of the federal poverty level, whichever is greater. Families should be allowed to save for three years and for retirement, if they want to. Because FSA savings are safeguarded and cannot be used to cover daily household expenses, the Task Force also recommends that the Commonwealth disregard any other household assets in determining eligibility.

The Task Force believes that the program should be changed to increase the amount of support available to community-based organizations that offer financial counseling and account access to a significantly greater percentage of the contract amount. Contracts with community-based organizations should also be lengthened to at least five years, to ensure continuity in service delivery and development of expertise.

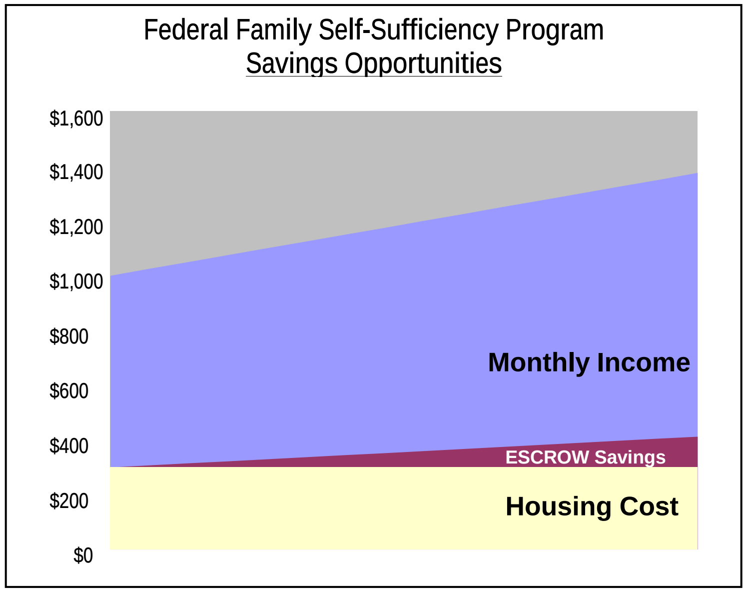
Implementation. Implementing this recommendation will require action by both state legislators and the Department of Community and Economic Development. Legislators should increase the appropriation, change the eligibility thresholds, increase the amount available to support community-based organizations, extend the number of years working families can save and allow unused matching dollars to be used by

[16] *Recommendations Briefing Book* (2004).
[17] *Recommendations Briefing Book* (2004).

other families. The Department of Community and Economic Development should exempt other household assets in determining eligibility, make it possible for families to make approved withdrawals for interim goals, allow people to save for retirement, and increase the length of contracts with community-based agencies.

C. Expand use of the federal Family Self-Sufficiency program in Pennsylvania and make it work with the Commonwealth's Family Savings Account program.

The U.S. Department of Housing and Urban Development offers the *Family Self-Sufficiency* program for working families that use certain kinds of housing assistance to make ends meet.



When a family lives in public housing or uses a Section 8 voucher, their monthly rent is set at 30% of whatever they earn. (For example, if they earn $1,000 per month, their rent would be $300.) If a family chooses to enroll in the *Family Self-Sufficiency* program, they work with a case manager to create and carry out a five-year plan that will lead to financial independence. As they progress toward their goals, it is almost certain that their earnings will increase. Because their rent is set at 30% of their income, their rent rises with their earnings. (For example, if they now earn $1,500 per month, their rent would be $450.) For families enrolled in the *Family Self-Sufficiency* program, the amount that their rent goes up each month (in this case, $150) is placed in a safeguarded savings account.

When they've been employed, not needed public assistance for a year, and met the goals set out in the plan with their case manager, they are given their accrued savings. Most families graduating from the program use their savings to buy their own home. For added flexibility, a case manager can help the family meet key goals by using a little bit of the money along the way for certain things—to keep a car running to get to a job or to take an extra training class, for example.

Despite the fact that there is no limit on the federal money that can be leveraged by Pennsylvania's working families and that Congress appropriated more than $70 million for the program in 2004, less than 25% of the people in the Commonwealth who are qualified to use the program are actually enrolled.[18]

[18] *Recommendations Briefing Book* (2004).

If the case management services and automatic monthly savings of the federal *Family Self-Sufficiency* program were enhanced by the financial education and matching dollars of Pennsylvania's *Family Savings Account* program, the Commonwealth's working families could get a life-changing boost.

Recommendation. The Pennsylvania Housing Finance Agency should use state leverage to encourage Public Housing Authorities to establish or expand *Family Self-Sufficiency* programming in all regions of the state. If necessary, the Commonwealth should provide technical assistance, funding, staff-sharing, or other support to help ramp up and maintain *Family Self-Sufficiency* programs. Also, the Task Force recommends streamlining and—to the extent possible—synchronizing outreach, applications, rules, procedures, and permissible savings goals of the two programs (so long as such synchronization moves the programs toward the widest and most flexible rules of each).

Implementation. Implementing this recommendation will require Public Housing Authorities to apply to the U.S. Department of Housing and Urban Development to become designated *Family Self-Sufficiency* service providers and to build and manage *Family Self-Sufficiency* programs. The Pennsylvania Housing Finance Agency must aggressively reach out to these Housing Authorities, broker a dialogue between Family Self-Sufficiency professionals and *Family Savings Account* program managers, and, if necessary, change rules or procedures to ensure that the programs work together seamlessly to benefit the Commonwealth's working families. Because funds in *Family Self-Sufficiency* accounts are federally provided, the cost of the basic recommendation is neutral to the Commonwealth. If, however, Pennsylvania is serious about providing additional integration and case management support, state funding will be required. This funding, however, could be viewed as a good initial investment to leverage currently untapped federal support for Pennsylvania's working families.

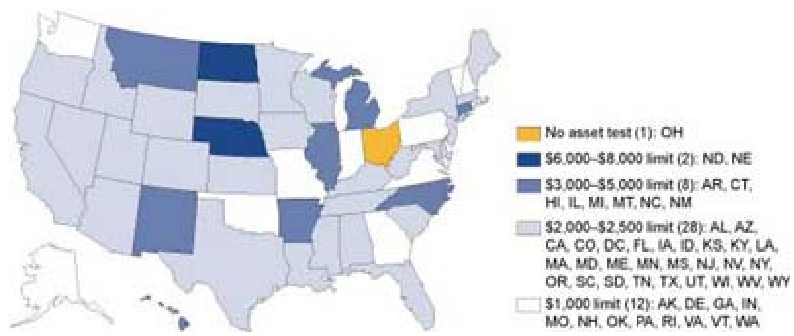
D. Increase asset limits for families that receive help through the Temporary Assistance for Needy Families program.

The *Temporary Assistance for Needy Families* (TANF) program helps move recipients from welfare to work and turn welfare into a program of temporary assistance. Under the welfare reform legislation of 1996, *Temporary Assistance for Needy Families* replaced the old welfare programs known as Aid to Families with Dependent Children (AFDC), the Job Opportunities and Basic Skills Training (JOBS) program and the Emergency Assistance (EA) program. The law created a block grant that provides states and Native American tribes with federal funds each year. Federal and state dollars cover benefits, administrative expenses, and services targeted to needy families. As it stands, the program helps thousands of Pennsylvania's working families, but it could be improved.

When working families encounter a crisis—job loss, serious illness, disruption of child care, unexpected major home repair—they often weather the storm by drawing upon their savings. Indeed, a big focus of the Governor's Task Force for Working Families has been to determine how the Commonwealth can help people become more sophisticated consumers and create a financial environment so that our families can keep—and save—more of their hard-earned money.

Yet, for some working Pennsylvania families, a series of complex rules mandates that if they have more than $1,000 in the bank, they lose out on opportunities to help meet their most basic household needs.[19] So, if a working family gets a tax return boosted by the *Earned Income Credit*, the rules say that they must spend it within two months or lose their food stamps. Even if the family would like to save the windfall—maybe to build a cushion against crisis, to help build a down payment on a house, or to send their child to college, for example—they are not able to do it. At one roundtable discussion held by the Task Force, a man honestly pointed out, "Why would I even have a bank account? If I save anything in it, it will just count against me."

Asset Limits for TANF Applicants



(Graphic courtesy of the National Center for Children in Poverty)

On the one hand, savings helps to stabilize working families. On the other hand, some working families have to choose between saving and eating.

Recommendation. The Commonwealth should change the rules that limit assets under the *Temporary Assistance for Needy Families* program so that working families can save more—ideally $5,000 but potentially higher. (Given the significant cost associated with this recommendation, a gradual lessening of the asset restriction may be in order. If so, at a minimum, the Commonwealth should make a first step to make the *Temporary Assistance for Needy Families* rules align with the Food Stamp rules, which allow families to have $2,000 in assets.)

The Task Force also recommends that the Commonwealth exempt certain savings all together, if the savings are in safeguarded accounts earmarked for specific purposes that help families invest in themselves. For instance, existing tuition assistance, individual development, and family savings accounts have mechanisms to make certain that families are using the savings wisely, to go to college, buy a home, support a business, make a home repair, buy a reliable car, or other approved goals. Finally, the Task Force recommends that the Commonwealth not count tax refunds, especially those that result from the federal *Earned Income Tax Credit*, against working families who are trying to get ahead.

[19] Columbia University Mailman School of Public Health, National Center for Children in Poverty. (2003) *State Policy Choices: Assets and Access to Public Assistance*. www.nccp.org. New York, NY.

Implementation. Implementing this recommendation will require action by both state legislators and leaders of the Department of Public Welfare. Legislators must increase the allowable asset limit under the *Temporary Assistance for Needy Families* program. Leaders of the Department of Public Welfare must not count earned income tax refunds and savings in safeguarded accounts when evaluating opportunities to help working families. The cost of this recommendation can vary dramatically, depending upon the determination of a new, appropriate asset ceiling.

E. Determine where market conditions are getting in the way as working families try to get ahead.

Given the limited choices that some families face in trying to work, save, and spend wisely, it's easy to understand why some families believe that they will never get ahead.

Throughout the United States, it has been documented that working families who live in poor communities actually pay more than people in more affluent communities for basic necessities including food, shelter, child care, transportation, credit and financial services. In some instances, fundamental services such as health care are not present at all. Economic disparities between urban and rural areas are also well documented and particularly troublesome.

If a working family lives in the city and uses public transportation, for example, there is a large and growing chance that the best employment opportunities are not accessible via the public transportation system. If the family buys a car in order to get to the best employment opportunities, their insurance is more expensive than their suburban or rural counterparts, even if they have a perfect driving record. Similarly, a rural working family is unlikely to have a large supermarket chain retailer nearby; often the prices of their basic grocery items are 15% or more higher than in suburban stores.[20]

Some communities are less likely to be served by mainstream banks and credit unions and more likely to have check-cashing outlets and pay day lenders. If a working family earns $20,000 per year, for example, they may be charged two percent of the value of the check (a conservative estimate) to cash their paycheck. That's $400 per year to get their own money that they have worked so hard to earn.[21]

A variety of public and private organizations are studying and addressing various aspects of this issue. For example, the nationally renowned Brookings Institution is working in partnership with the Greater Philadelphia Urban Affairs Coalition and others to document place-based economic barriers in Philadelphia and several other communities throughout the country. Also, the *Pennsylvania Fresh Food Financing*

[20] Massachusetts Citizens for Children (nd). *High Cost of Being Poor Threatens Gains Made in Child Well-Being*. www.masskids.org. Boston, MA.
[21] Barr, Michael (2004, September). *Banking the Poor: Policies to Bring Low-Income Americans into the Financial Mainstream.* The Brookings Institution. Washington, DC.

Initiative is a public-private partnership that works to increase the number of supermarkets or other grocery stores in underserved communities across the Commonwealth. So far, though, important efforts like these remain unconnected. A more holistic assessment and approach is needed to make sure communities work for working families.

Recommendation. The Commonwealth should study a cross section of its own urban and rural communities to determine if market conditions in some communities are getting in the way of working families trying to get ahead. The study should evaluate the cost and accessibility of basic services against those provided in suburban communities and national averages. The study should address any negative findings with a detailed action plan—including, for example, targeted economic development (such as strategic placement of a grocery store) or a legislative model (such as limits on financial entities that may be considered predatory). Planning for the study should include, at a minimum, professionals from the Departments of Transportation, Community and Economic Development, Public Welfare, Labor and Industry, and Banking.

Implementation. Implementing this recommendation will require the creation of an interagency Task Force to study the cost and accessibility of basic services in urban and rural areas. The Task Force recommends that this be implemented once the Brookings Institution study is complete and its recommendations are in hand. Costs of the interagency group would be minimal. However, should the Commonwealth undertake a full scale study, appropriation and philanthropic support would be needed.

3. Help Working Families Create Their Own Jobs and Security

Pennsylvania's working families, like those all across the nation, continue to suffer from problems in the job market. In fact, according to several studies, the Commonwealth's economic recovery is taking longer and has been somewhat weaker than the nation as a whole because of its traditional reliance on manufacturing jobs. State government has invested significantly in a number of programs to help shift the overall economic picture, including realignment of the manufacturing sector, modernization of workforce development, and redirection of economic stimulus. While these programs take time to mature, there are a number of working families who—with a little help and a little money—could create their own jobs.

In 2003, there were approximately 23.7 million businesses operating in the United States. Ninety-nine percent of these had fewer than 500 employees. Small businesses generated $4 trillion in economic output, 68 million jobs, and one-third of all foreign trade. Significantly, businesses with fewer than 100 employees constitute nearly one quarter of all sales.[22]

[22] OECD (2002). *Small and Medium Enterprise Outlook.*www.oecd.org. Paris, France.

Conventional wisdom used to say that working families were not entrepreneurial, but that thinking has changed radically over the past 25 years. Many families have turned part-time hobbies into full-time jobs or recieved the help they need to follow a business dream that they always nurtured but didn't believe was attainable. Entrepreneurship is a viable solution to help re-connect some people to the economic mainstream.

According to Inc. Magazine, 69% of its 500 fastest growing firms in the United States started with less than $50,000 in capital; 50% had businesses that were non-technology-related; and 56% started their businesses at home.[23]

Consider some true stories:

> **Rebecca** is a 27-year-old mom with two young sons. Her husband has been in and out of prison throughout her marriage and she's had enough. She's moved in with her parents and is seeking a divorce. Despite the fact that she works full time as a cook at a "mom and pop" restaurant, she doesn't earn benefits to cover herself or her boys. Rebecca has earned an associate's degree in restaurant management and has dreams of "running things" herself one day.
>
> **Gerry** was employed with a health service agency until the program in which she worked was ended in 2000. A 49-year-old mother of three, she took part in training through the Self Employment Assistance program. She combined her education and work experience to start a private duty and staffing agency to provide home-based services to clients. She started her business from her home with a $2,500 loan that she received from the Women's Opportunities Resource Center's Loan Fund. She now employs 40 people with plans for five new hires.

According to newly released U.S. Census data, 4.2 million Americans worked from home in 2000, a 23 percent increase in the number of home-based workers in 1990. In Pennsylvania, it is estimated that six percent of workers of people are self-employed. These people generate new economic activity, increase public revenues, and reduce dependence on public assistance. In the best scenarios, as their businesses grow, they also create new jobs for others.[24]

Of course, being self-employed also has its drawbacks. In this country, employers are the gateway to many social benefits. Employers typically pay some portion of taxes and insurance premiums, for example, and provide convenient withholding mechanisms for taxes. Large employers also generally offer access to retirement and other tax-deferred savings accounts, for child and medical care, for example. Yet many entrepreneurial small employers can't afford to offer the same benefits to their hard-working employees. Thus, a large segment of the state's working families—those who work for themselves and those who work in small enterprises—face extra barriers in trying to work and save toward stable financial futures.

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[23] National Commission on Entrepreneurship (2002). *Entrepreneurship: A Candidate's Guide: Creating Good Jobs in Your Community*. www.ncoe.org.
[24] *Recommendations Briefing Book* (2004).

In order to help working families create their own jobs and security, the Task Force recommends that the Commonwealth:

A. Bolster entrepreneurship and small business development.

Nationwide, small businesses maintain 50% of all private-sector jobs and generate between 60% and 80% of the new jobs created each year. Expanded investments in entrepreneurship and small business development will complement existing economic stimulus work and enhance the tax base. Such investments have proven results:[25]

- Pennsylvania's *Small Business Development Centers* have helped clients open more than 2,700 new businesses and increase sales by over $450 million, creating 5,700 new jobs and $27 million in new state tax revenue.

- From 1998-2002, the *Self Employment Assistance Program* has helped to create more than 1,000 businesses with incomes of more than $33 million and employee income of nearly $5 million.

SBIC Financing: 2003
investment fund dollars targeted to disadvantaged entrepreneurs, per worker

Delaware	$121
New York	$40
New Jersey	$25
Pennsylvania	$21
Virginia	$20
Maryland	$19
Ohio	$7
West Virginia	$4

- As of November 2002, *Community Development Financial Institutions* have made approximately 500 business loans totaling nearly $20 million and creating at least 500 jobs.

- Programs that belong to the *Pennsylvania Microenterprise Coalition* serve high percentages of nontraditional entrepreneurs (including low-income people, women, people of color, people with disabilities, and others). These programs estimate that there are more than 770,000 businesses (each with five or fewer employees) that provide more than 15% of all employment opportunities in the state.

PA **Recommendation.** The Commonwealth should increase the productivity, skills, and number of staff that serve potential and existing entrepreneurs at the state's *Small Business Development Centers, Ben Franklin Technology Partners,* business incubators, and other resources. The legislature should increase funding for the *Self Employment Assistance* Program and allow people with part-time businesses to be eligible for the program. The Commonwealth should earmark specific funds to help nontraditional

[25] *Recommendations Briefing Book* (2004).

entrepreneurs by supporting programs that provide in-depth entrepreneurial training and targeted capital to people who might require assistance in growing a business idea until it fits into the economic mainstream.

Also, since the northern tier is not serviced by a *Community Development Financial Institution*, the Pennsylvania Community Development Bank should create one to fill this void. Additionally, development of existing and new *Community Development Financial Institutions* should be supported through an additional appropriation each year. Finally, all agencies of the Commonwealth must assure that self employment is offered as a viable option (in welfare-to-work, for example) and is supported as an important economic development activity for the state (in economic stimulus decision-making, for example). Self-employment must not be undermined by other state policies (in strategic sourcing decision making, or counting business income as personal income for the determination of welfare benefits, for example).

PA Implementation. This recommendation requires a shift in current resources and the designation of new resources. Compared to the other recommendations of the Task Force, bolstering entrepreneurship and small business seems relatively expensive. But when viewed in conjunction with the shift away from the manufacturing sector, this investment is vital and will pay long-term dividends to both working families and the state's economy. One possible first step would be to require that a specific percentage of state purchasing come from the Commonwealth's own small businesses.

B. Create PennIRA so that small employers can facilitate retirement savings for working families.

Currently 50% of all working Pennsylvanians do not have a retirement plan. In the past the Commonwealth has taken a leadership position in identifying solutions and opportunities for such challenges. One such example is the administration of the *INVEST Program*, which offers local governments, municipalities, fire departments, public libraries and nonprofit organizations the opportunity to participate in a pooled investment fund. Under the *INVEST Program* the State Treasurer contracts with a private company to manage the fund, while the Treasury Department is responsible for overseeing the contract and marketing the program. The program offers local governments a prudent way to handle the short-term cash management responsibilities of tax-payer funds.

The Task Force believes that the *INVEST Program's* concept of pooling money is an excellent model for a Pennsylvania's small businesses to offer their employees the opportunity to participate in a state-administered deferred compensation program and secure a retirement fund that is both safe and flexible.

The State Treasurer could create "PennIRA," a similar program that small employers could voluntarily offer to their employees who could, in turn, voluntarily enroll in it. The relationship with employers could potentially allow for payroll deduction deposits. After initial start up costs, the system should be virtually self-sustaining.

Such a plan could enhance retirement security for Pennsylvania's working families and encourage business competitiveness in Pennsylvania by providing small business owners with an attractive benefit that they may not otherwise be able to offer hard-working employees.

PA Recommendation. The legislature should provide authority and funding for the State Treasurer to create a state-run system of voluntary retirement accounts for employers with fewer than 100 employees. The Treasurer should identify and contract with a private-sector entity to administer the accounts. The Pennsylvania Treasury should administer the contract and market the program.

PA Implementation. This recommendation requires legislative authorization and appropriation. If enacted, the main stakeholder would be the Pennsylvania Treasury. Start-up costs are estimated at nearly $1 million but that the program should become self-sustaining without additional state appropriation. With aggressive development, the program could be in place in 2007.

4. Make Sure that Working Families Are Treated Fairly by Financial Institutions

Financial service providers are in a state of flux. Banks are gobbling up other banks. Neighborhood branches are closing. Growing numbers of check cashers, so-called "pay-day" lenders, and tax preparers/refund anticipation lenders are setting up shop. While many financial service providers work to meet their customers' needs with quality and integrity, an increasing number are interested only in their own bottom line.

By some accounts the "alternative financial sector" didn't even exist ten years ago. By 1998 it was estimated that the fledgling industry was making about $800 million nationwide. By 2002, that number had jumped to more than $45 *billion* across the country.[26] Now, though, the lines between financial sectors are blurring. It is not always easy to tell which companies are "alternative" and which are "mainstream." It used to be that a bank was a bank and an insurance company was an insurance company and an investment broker was an investment broker. Now many of these financial services are seamlessly integrated. The agencies that regulate these services and protect Pennsylvania's working families have not been able to adapt as quickly as the market has changed.

If providers are offering more services and filling a void left by more traditional institutions, then what is the problem? At least there are convenient financial services in all of our neighborhoods, right? Why does it matter to Pennsylvania's working families? Why should the Commonwealth intervene?

Consider this story:

[26] Barr (2004).

Imagine that Kimberly is a single mother of two, working as a secretary and earning Pennsylvania's typical wage of $13.30 an hour. She's getting by, paying day care and rent, groceries and utilities; but she lives paycheck to paycheck. The car she needs to get to work breaks down and needs a $200 repair. She does not have the money until she gets paid the week after next. In trying to make a responsible decision for her family, she visits a local pay-day lender. She provides some basic information and, in less than an hour, walks out with $200. She gets the car fixed and keeps her uninterrupted perfect attendance at work.

During the next six months, she pays $25 every two weeks – all that she can afford – and yet never begins to pay off the principal. She has already paid $300, but still owes the original $200.

How is this possible? Why would she choose this option over—for example—using a credit card? Even if Kimberly had a credit card on which to charge the car repair, the structure of many credit agreements is such that one missed payment can cause an otherwise typical interest rate to skyrocket to 20% or higher. Late payments also have detrimental implications for her credit rating. Thus, some options—which, from the outside, might appear more sensible—have long-term consequences that can be equally devastating.

Even reputable providers of financial services sometimes market questionable, if legal, products. Some specifically target young people, encouraging them to apply for credit with only vague information about the terms. Some target home buyers, taking advantage of their optimism and burying important details in the mountain of legal paperwork.

It is vital that the Commonwealth deal aggressively with such financial service providers and make sure that all financial service providers treat Pennsylvania's working families fairly.

To ensure that all financial service providers treat working families fairly, the Task Force recommends that the Commonwealth:

A. Provide a model to ensure responsible credit card marketing on college campuses for full implementation of Act 82.

According to a study by Nellie Mae, a national provider of higher education loans, 96% of students graduating from college had credit cards. On average, each student had more than *six* credit cards with an average total debt of $3,262.[27] Worse, nearly one-third of college seniors had balances between $3,000 and $7,000.[28]

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[27] Helm, Mark (nd). *Credit Card Debt Stalks College Students*. Hearst Newspapers. www.costeffectivecollege.com.
[28] Draut, Tamara and Javier Silva (2004). *Generation Broke: The Growth of Debt Among Young Americans*. Demos. www.demos-usa.org. New York, NY.

Credit card marketing on college campuses is pervasive. In addition to direct mail, credit card companies place tables outside the student unions and at the stadiums during sporting events, among other sales approaches. They offer tote bags, t-shirts and other premiums just for signing up. They pressure kids to simply fill out the form. . .forget reading the fine print. . .forget shopping around. A two-second decision to get a t-shirt can have devastating consequences for years to come as students amass debt, multiple cards, additional fees, and higher interest rates.

Before many young people even start working and building their family in Pennsylvania, they are already financially behind. In trying to strike a balance between allowing reputable companies to responsibly reach a profitable market and protecting young people from overly aggressive sales, the Pennsylvania legislature passed Act 82 in July 2004. The Act requires all institutions of higher education—both public and private—to develop and implement a policy regarding the marketing of credit cards on campus.

PA Recommendation. The Department of Education in cooperation with the Office of Financial Education should prepare a model policy to ensure that all students are provided with clear, up-front information about credit terms and potential long-term impacts as well as enough time to make reasonable and informed decisions. The Department of Education should ensure that every institution of higher education complies with the law.

PA Implementation. This recommendation can be achieved in 2005 if the Department of Education works with the Commonwealth's Office of Financial Education and other stakeholders to develop the model policy. No legislative or regulatory action is required.

B. Broker conversations between responsible financial service providers and our communities to outline what's fair, then make sure all providers comply.

Thousands of financial service providers in Pennsylvania operate with integrity, and they have clout. They do not want their reputations tarnished by the bad apples of their industry any more than we want the bad apples to take advantage of the Commonwealth's working families. The state is uniquely positioned to bring reputable providers together and encourage them to talk with community leaders to figure out how to curb unfair practices.

The challenge is complex, given that the rules that govern financial services are both federal and state, and that most parts of the alternative financial sector don't fall into typical "financial services" categories. A broad coalition could help bridge these divides and determine a set of principled operating standards and norms that could be codified by Pennsylvania law.

Even before a new law is in place, the Commonwealth can encourage financial service providers to voluntarily act to start helping working families. Financial service providers could, for example, agree to offer “basic banking” accounts to low-income working families, despite a family’s status in CheckSystems—a private clearinghouse that lists nearly 7 million households nationwide that have had an account closed for prior problems. They could identify certain topics and provide additional training for all of their customer-service staff. They could provide all customers with a one-page fact sheet, written in plain English, which describes all the individual terms in the financial agreement they are about to sign. The coalition could help educate consumers and publicize the practice through independent and co-operative marketing. Using its collective clout the coalition could encourage other vendors to use the same approach such as requiring the car dealers for whom they provide loans to adopt the same practice as well. The possibilities are endless.

A voluntary coalition could provide opportunities for officers of financial institutions to meet with peers and community representatives around the state. Collaboration would allow reputable financial service providers to realistically assess community needs, reduce duplication, and reach economies of scale in some activities such as supporting community-based financial education efforts.[29]

PA Recommendation. The Department of Banking should broker a conversation between responsible financial service providers, their associations, and community leaders to develop legislation to set forth reasonable norms and standards in the financial marketplace. (A common understanding and set of definitions about key activities should be outlined to set a threshold to determine what financial practices are unfair and abusive.) In tandem, the Commonwealth should establish a high-profile, widespread working group to develop and implement voluntary actions to support Pennsylvania’s working families.

PA Implementation. The Department of Banking should coordinate financial service providers, community leaders, and other stakeholders to develop legislative language. Of course, then, the legislature must debate and pass the measure. In other states, similar voluntary programs have been institutionalized, perpetuated, and financially supported by the participating financial service providers.

C. Promote programs to develop and re-establish relationships between working families and responsible financial service providers.

Too many of Pennsylvania’s working families do not have bank accounts. Some cannot meet minimum balance requirements or afford the potential costs of bouncing a check. Others have had past problems with a bank and are denied a new account because they appear in CheckSystems. Still others have no bank branches in their communities or are not aware of the benefits of responsible financial services compared to the multitude of check cashing and pay day lending organizations. And some people just do not like, trust, or feel welcome in banks.

[29] Massachusetts Community and Banking Council (2003). *Don’t Borrow Trouble: Frequently Asked Questions*. www.masscommunityandbanking.org. Newton, MA.

Whatever the cause, the dollars-and-cents costs of being unbanked are big. The most obvious costs are the significantly-higher fees for money orders in lieu of checks to pay bills, for example, or for charges to cash paychecks by alternative financial service providers. When working families are living paycheck-to-paycheck, these fees eat into the real income they need to support their families. Less obvious costs include the barriers that unbanked families face in trying to save money to build a financial buffer to withstand crisis or the increased difficulty in establishing credit or applying for a loan.[30]

Many banks are working to re-introduce themselves and re-establish relationships with unbanked working families. Across the nation, nearly 500 traditional financial institutions offer low-cost Electronic Transfer Accounts to nearly 98,000 people. These accounts can be used to direct deposit Social Security and other federal benefits, only cost $3.00 per month, and have no minimum balance requirements.[31]

There are also several innovative private-sector examples worth noting. Here in Pennsylvania, the *Consumer Credit Counseling Service of Delaware Valley* has implemented a "Get Checking" program that gives certificates to people who attend a banking education class. When they complete the class, participants can take the certificate to one of several participating financial institutions, who have agreed to help these folks get started with a positive banking relationship. In another instance, a bank is working with *Volunteer Income Tax Assistance* (VITA) programs so that working families can open bank accounts on the spot and thus direct deposit their tax refunds instead of awaiting a refund check. Another bank has created a debit product to move employees away from payroll checks and into bank accounts. The accounts require no minimum balances or monthly fees, and allow free ATM withdrawal from the bank's network. Yet another example includes a credit union that has begun a partnership with a local check casher. In order to encourage people to have longer-term banking relationships, credit union members can make free deposits and receive discounted check cashing at any Rite Check or Pay-O-Matic. Members can cash credit union checks for free and other checks at a discount equal to 1.01%. This creative arrangement is currently the subject of study.

Recommendation. The Department of Banking should seek out, document, and highlight programs that link unbanked working families to more responsible financial service providers. These programs and the benefits of being "banked" should be highlighted in any financial education or social marketing efforts. The Commonwealth should use its unique position to strongly encourage banks that operate within Pennsylvania to provide products, services, outreach, and convenient points of contact to unbanked working families. The Department of Banking, the Commonwealth's Attorney General, and others should aggressively investigate and enforce all existing consumer protections, with a special emphasis on policing the alternative financial sector. Violations should be widely publicized to better inform working families of the dangers associated with their financial choices.

[30] Barr (2004).
[31] Barr (2004).

Implementation. This recommendation can be achieved in 2005 within the plans and existing resources of the Department of Banking.

BLUEPRINT FOR ACTION

In order to fully implement the recommendations of the Governor's Task Force for Working Families:

The Governor should. . .

- Grant awards for excellence in financial education
- Provide leadership on the Governor's Task Force for Working Families' legislative agenda
- Encourage Governor's Task Force for Working Families recommended regulatory changes
- Establish an interagency Task Force to study the cost and accessibility of basic services in urban and rural areas compared to suburban areas. Including but not limited to the Departments of Transportation, Community and Economic Development, Welfare, Insurance, Banking, Labor and Industry
- Include representatives of working families in all discussions regarding realignment of investments in the Commonwealth's economy
- Ensure an on-going commitment and structure to implement the vision of the Governor's Task Force for Working Families

The Legislature should. . .

- Increase asset limits in the *Temporary Assistance for Needy Families* program
- Amend *Temporary Assistance for Needy Families* IDA program to more closely align with *Family Savings Account* program

- Modernize the *Family Savings Account* program to include more flexible eligibility measures, more realistic administrative and counseling costs, longer savings periods, lower deposits and the reassignment of unused match funds
- Appropriate and dedicate increased funding for *Family Savings Account* program
- Develop and enact legislation to create PennIRA
- Appropriate “start-up” funds for PennIRA
- Increase appropriations for *Community Development Financial Institutions* and the *Self-Employment Assistance Program*
- Establish a line-item to expand microenterprise services
- Allocate funding for a statewide federal *Earned Income Tax Credit* outreach program and volunteer tax preparation assistance

The Attorney General should. . .

- Collaborate with the Department of Banking to investigate and enforce all existing consumer protections, with a special emphasis on policing the alternative financial sector
- Work with the Department of Insurance to determine if there is an appropriate role for an office of financial consumer advocate

The Department of Banking should. . .

- Continue support of the Office of Financial Education and the statewide clearinghouse
- Investigate the offering of continuing education credits to financial professionals who volunteer to deliver quality financial education in their communities
- Broker dialogue between responsible financial service providers and their industry groups, consumer advocates, and community representatives to establish consensus about reasonable norms and standards in the financial marketplace
- Identify, document, and highlight programs and products that link unbanked working families to more responsible financial service providers
- Collaborate with the Attorney General to investigate and enforce all existing consumer protections with special emphasis on policing the alternative financial sector

The Department of Community and Economic Development should. . .

- Support the financial education clearinghouse—providing programmatic information and marketing the clearinghouse to their constituency
- Help the Office of Financial Education identify and promote financial education programs
- Modify the *Family Savings Account* program by: disregarding certain assets when determining eligibility, allowing for more than one withdrawal, allowing people to save for retirement, and offering longer contract terms for service providers
- Market the *Family Savings Account* program and link with state tuition assistance programs, federal *Earned Income Tax Credit* outreach, and other initiatives

- Collaborate with the Pennsylvania Housing Finance Agency to encourage expansion of Family Self-Sufficiency programming
- Link the *Family Savings Account* and Family Self-Sufficiency programs
- Increase staff at *Small Business Development Centers*
- Provide information on financial education, savings, asset building programs for inclusion in the clearinghouse, train staff on the availability and use of the clearinghouse, and aggressively market the clearinghouse to clients
- Market the federal *Earned Income Tax Credit* and educate families about how to use part of their refund to acquire assets through the *Family Savings Account* program
- Promote volunteer income tax preparation to working families

The Department of Education should. . .

- Partner with the Office of Financial Education to develop a comprehensive plan to increase financial education in Pennsylvania K-12 schools
- Incorporate financial education related questions into the PSSA's in mathematics, reading, and writing
- Establish a working group to address financial education needs of school teachers and students
- Offer professional development opportunities for educators to improve their knowledge of financial concepts and pedagogy
- Support school districts that implement a financial education requirement for graduation
- Create a model policy regarding marketing credit cards on college and university campuses
- Monitor the implementation of Act 82 regarding marketing credit cards on college and university campuses
- Provide information on financial education, savings, asset building programs for inclusion in the clearinghouse, train staff on the availability and use of the clearinghouse, and aggressively market the clearinghouse to clients

The Insurance Department should. . .

- Investigate the offering of continuing education credits to insurance professionals who volunteer to deliver quality financial education in their communities
- Provide information on financial education, savings, asset building programs for inclusion in the clearinghouse, train staff on the availability and use of the clearinghouse, and aggressively market the clearinghouse to clients

The Department of Labor and Industry should. . .

- Expand the *Self-Employment Assistance Program*
- Help the Office of Financial Education identify and promote replicable workplace models that promote financial education
- Incorporate financial education into workforce development programs
- Provide information on financial education, savings, asset building programs for inclusion in the clearinghouse, train staff on the availability and use of the clearinghouse, and aggressively market the clearinghouse to clients
- Market the federal *Earned Income Tax Credit*
- Promote volunteer tax preparation efforts to working families

The Department of Public Welfare should. . .

- Exempt savings in restricted savings/asset-building accounts when determining eligibility
- Ensure that Earned Income Tax Refunds can be saved and do not count against families
- Promote use of special allowance for employment and training
- Create a culture that encourages families to build assets by training caseworkers and promoting flexibility
- Ensure that self-employment is included as a realistic option for people transitioning from welfare to work
- Provide information on financial education, savings, asset building programs for inclusion in the clearinghouse, train staff on the availability and use of the clearinghouse, and aggressively market the clearinghouse to clients
- Link Individual Development Account programs with *Family Savings Account* and Family Self-Sufficiency programs
- Market federal *Earned Income Tax Credit*
- Support volunteer income tax preparation efforts for working families
- Dramatically expand the COMPASS website

The Department of State should. . .

- Investigate the offering of continuing education credits to financial professionals who volunteer to deliver quality financial education in their communities
- Help the Office of Financial Education identify and promote replicable workplace models that promote financial education

The Department of Treasury should. . .

- Develop parameters and identify a private sector entity to manage PennIRA
- Oversee contract and ensure quality of private sector delivery of PennIRA
- Aggressively market PennIRA to employers and potential retirement savers
- Help the Office of Financial Education identify and promote replicable workplace models that promote financial education

The Office of Financial Education should. . .

- Create a statewide clearinghouse with information about financial education, savings, and asset-building programs and ensure that the clearinghouse is available in print, online and over the phone
- Develop quality standards for programs included in the clearinghouse
- Take the lead in promoting the clearinghouse through mass media and public relations
- Link the clearinghouse with social marketing initiatives such as *Don't Borrow Trouble* and *Pennsylvania Saves*
- Help financial educators network and grow professionally by coordinating an annual summit
- Partner with the Department of Education to develop a comprehensive plan to increase financial education in Pennsylvania K-12 schools and in other educational settings
- Collaboratively develop a model community-based workshop series in financial education and train members of the community to deliver it
- Identify and promote replicable workplace financial education models

- Seek funding from outside sources to research and evaluate financial education
- Collaboratively develop guidelines for financial education research efforts
- Commission research to evaluate the effectiveness of financial education
- Assist Governor in recognizing excellence in financial education
- Help the Department of Education devise a model policy regarding marketing credit cards on college and university campuses
- Hire staff to provide additional training and technical assistance to volunteer income tax preparation sites, increase the number of sites, and run outreach campaigns

PA The Securities Commission should. . .

- Give continuing education credits to financial professionals who volunteer to deliver quality financial education in their communities
- Provide information on financial education, savings, asset building programs for inclusion in the clearinghouse, train staff on the availability and use of the clearinghouse, and aggressively market the clearinghouse to clients

PA The Pennsylvania Housing Finance Agency should. . .

- Encourage Public Housing Authorities to take part in Family Self-Sufficiency program
- Assist Public Housing Authorities in developing Family Self-Sufficiency programs
- Support Public Housing Authorities in their efforts to run Family Self-Sufficiency programs
- Collaborate with the Department of Community and Economic Development and others to aggressively link Family Self-Sufficiency, *Family Savings Account* , and Individual Development Account programs
- Coordinate a statewide counseling network to provide information and services to communities

PA Public Housing Authorities should. . .

- Support the financial education clearinghouse—providing programmatic information and marketing of the clearinghouse to their constituency
- Apply to the U.S. Department of Housing and Urban Development to provide Family Self-Sufficiency programming
- Link Family Self-Sufficiency programs with Individual Development Account and *Family Savings Account* programs
- Market the federal *Earned Income Tax Credit*
- Promote volunteer tax preparation efforts to working families

PA Colleges and Universities should. . .

- Craft, implement, and enforce policies to ensure responsible marketing of credit cards to students on college and university campuses
- Integrate financial education into training for new teachers

School Districts should. . .

- Support the financial education clearinghouse—providing programmatic information and marketing of the clearinghouse to their constituency
- Integrate financial education content in mathematics, reading, and writing instruction
- Implement a financial education requirement for graduation

Community Organizations should. . .

- Support the financial education clearinghouse—providing programmatic information and marketing of the clearinghouse to their constituency
- Deliver quality financial education—including extensive and targeted financial counseling—using resources provided by the Office of Financial Education, if necessary
- Engage in a dialogue brokered by the Department of Banking about reasonable norms and standards in the financial marketplace
- Market the federal *Earned Income Tax Credit*
- Provide volunteer income tax preparation for working families

Employers should. . .

- Support the financial education clearinghouse—providing programmatic information and marketing of the clearinghouse to their employees
- Assist the Office of Financial Education to identify and promote replicable workplace financial education models
- Establish financial education programs in the workplace
- Encourage other employers and use business associations to promote financial education
- Participate in annual Office of Financial Education coordinated summit
- Encourage business associations to work with the Office of Financial Education to help plan and deliver financial education through the workplace
- Provide and market PennIRA to employees
- Market the federal *Earned Income Tax Credit*
- Promote volunteer income tax preparation to employees

Responsible Financial Service Providers should. . .

- Support the financial education and the clearinghouse
- Engage in a dialogue brokered by the Department of Banking about reasonable norms and standards in the financial marketplace
- Offer flexible low- or no-cost transaction and savings products and market these products to working families
- Strengthen relationships in working communities, study perceptions and barriers that make it challenging for working families to access responsible financial services
- Actively market the federal *Earned Income Tax Credit*
- Promote volunteer income tax preparation efforts to working families

Financial Professionals should. . .

- Volunteer to deliver quality financial education
- Engage in a dialogue brokered by the Department of Banking about reasonable norms and standards in the financial marketplace

APPENDIX 1: RECOMMENDATIONS AT-A-GLANCE

The Task Force recommends that Pennsylvania should:

1. Connect working families to quality financial education
   a. Establish, maintain, and market a clearinghouse with information about financial education resources, income supports, and savings programs.
   b. Integrate financial education in the curriculum already taught in Pennsylvania's K-12 schools.
   c. Expand community-based financial education and counseling.
   d. Help employers provide financial education in the workplace.
   e. Encourage financial professionals to volunteer in financial education efforts.
   f. Conduct a long-term study to find out which financial education strategies are most effective.

2. Move working families beyond living "paycheck to paycheck"
   a. Market the federal *Earned Income Tax Credit* and help families claim it.
   b. Extend the scale, impact, and flexibility of the Commonwealth's *Family Savings Account* program.
   c. Expand use of the federal Family Self-Sufficiency program and make it work with the Commonwealth's *Family Savings Account* program.
   d. Increase asset limits for families that receive help through the *Temporary Assistance for Needy Families* program.
   e. Determine where market conditions are getting in the way as working families try to get ahead.

3. Help working families create their own jobs and security
   a. Bolster entrepreneurship and small business development.
   b. Create PennIRA so that small employers can facilitate retirement savings for working families.

4. Make sure that working families are treated fairly by financial institutions
   a. Provide a model to ensure responsible credit card marketing on college campuses for full implementation of Act 82.
   b. Broker conversations between responsible financial service providers and community advocates to outline what's fair, then make sure all providers comply.
   c. Promote programs to develop or re-establish relationships between working families and responsible financial service providers.

APPENDIX 2: NOTES ABOUT KEY RESOURCES FOR WORKING FAMILIES

The following list of programs is meant to provide background on some key resources to help Pennsylvania's working families. It is not intended to be an exhaustive listing. To obtain additional information regarding any of these programs call or visit the web address provided.

Campaign for Working Families (Philadelphia)

The Campaign for Working Families is managed by the Greater Philadelphia Urban Affairs Coalition. The Campaign is a partnership between organizations such as the Consumer Credit Counseling Service of Delaware Valley, the City of Philadelphia and the Mayor's Office of Consumer Affairs, The Free Library, the Internal Revenue Service. It promotes free filing of the federal Earned Income Tax Credit (EITC) and connects Philadelphia residents to other tax credits, public benefits and asset-building resources. The goal is to increase the number of people who receive free tax filing assistance and do not have to pay high fees to commercial tax preparers.

In 2003, the Campaign brought in more than $10 million in federal tax credits directly to Philadelphia families. The preparation of tax returns by Campaign volunteers resulted in a savings of $1.5 million for low-income working families. Volunteer tax preparers filed for the EITC on behalf of 2,708 individuals; and brought in a total of $3,924,622 EITC dollars. Also, 280 people received six hours of training on the basics of financial literacy and more than 3,000 people received information about food stamps, childcare and health benefits. Another similar program is available in Pittsburgh.

Greater Philadelphia Urban Affairs Coalition
215-851-0110
www.gpuac.org

Community Development Financial Institutions

Community Development Financial Institutions (CDFIs) are financial institutions that have community development as their primary mission. There are five CDFI types:

- Community Development Banks: Provide capital to rebuild economically distressed communities through targeted lending and investment;
- Community Development Credit Unions: Promote ownership of assets and savings and provide affordable credit and retail financial services to low-income people with special outreach to minority communities;

- Community Development Loan Funds: Aggregate capital from individual and institutional social investors at below-market rates and use funds to loan money primarily to nonprofit housing and business developers in economically distressed urban and rural communities
- Community Development Venture Capital Funds: Provide equity and debt with equity features for community real estate and medium-sized business projects;
- Micro Enterprise Development Loan Funds: Foster social and business development through loans and technical assistance to low-income people involved in very small businesses or are self-employed and unable to access conventional credit.

National Community Capitol Association
215-923-4754
www.communitycapital.org

Consumer Credit Counseling Service Agencies in Pennsylvania

Consumer Credit Counseling Service (CCCS) agencies set the national standards for quality credit counseling, debt reduction services, housing counseling and education for financial wellness throughout the state of Pennsylvania.

Professional, certified counselors assist consumers in determining the best options to provide a solution to current financial and/or housing problems. Jointly, a personalized plan is developed to help the consumer and prevent future difficulties.

In addition, CCCS agencies provide a range of educational programs, helping individuals of all ages, learn practical information on money management, credit, and asset building, so they can achieve their financial goals.

Consumer Credit Counseling Service of Delaware Valley
1515 Market Street, Suite 1325
Philadelphia, PA 19102
800-989-2227
Offices: Philadelphia, NE Philadelphia, Bristol, BlueBell, Jenkintown, Media, West Chester and Cherry Hill (NJ)

Consumer Credit Counseling Service of the Lehigh Valley
3671 Crescent Court East
Whitehall, PA 18052
610-821-4011
Offices: Quakertown, Pottstown, Reading, Pottsville, Tamaqua, Jim Thorpe, Pen Argyle, Easton and Whitehall

Consumer Credit Counseling Service of Western PA
River Park Commons
2403 Sidney Street, Suite 400
Pittsburgh, PA 15203
888-511-2227

Offices: Harrisburg, Erie, Meadville, Altoona, Beaver(Aliquippa), Butler, Greensburg, Johnstown, Uniontown, Washington, York

Consumer Credit Counseling Service of Northeastern PA
1400 Abington Executive Park, Suite 1
Clarks Summit, PA 18411
800-922-9537
Offices: Clarks Summit, Bloomsburg, Hazleton, Honesdale, Milford, State College, Stroudsburg, Sunbury, Wilkes Barre, Williamsport

Consumer Credit Counseling Service of Central PA
439 East King Street
Lancaster, PA 17602
800-788-5062
Offices: Lancaster, Lebanon

Consumer Federation of America

The Consumer Federation of America (CFA) is a national advocacy, research, education, and service organization that works to advance pro-consumer policy on a variety of issues before Congress, the White House, federal and state regulatory agencies, state legislatures, and the courts. The organization works with public officials to promote beneficial policies, to oppose harmful policies, and to ensure a balanced debate on important issues in which consumers have a stake. As a research organization, CFA investigates consumer issues, behavior, and attitudes using surveys, polling, focus groups, and literatures reviews. As an education organization, CFA disseminates information on consumer issues to the public and the media, as well as to policymakers and other public interest advocates. CFA provides support to national, state, and local organizations committed to consumer advocacy, research, and education.

Consumer Federation of America
202-387-6121
www.consumerfed.org

Federal Earned Income Tax Credit

In 1975 Congress created the Earned Income Tax Credit (EITC) to offset the burden of social security taxes and to provide an incentive for low-income wage earners to work. When the EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit. Eligibility is dependent on several factors such as an individuals filing status, income level, and the number of qualifying children an individual may have, if any.

Internal Revenue Service
800-829-1040
www.irs.gov

Federal Low Income Home Energy Assistance Program

The Low Income Home Energy Assistance Program (LIHEAP) is a federally-funded program administered by the Pennsylvania Department of Public Welfare that helps low-income households with their home energy bills. The federal government does not provide energy assistance directly to the public. Instead, LIHEAP operates in the 50 States, the District of Columbia, Indian tribes or tribal organizations, and the U.S. territories. Pennsylvania LIHEAP helps low-income residents of the Commonwealth pay their heating bills through energy assistance grants. Program participants can receive this assistance without being on welfare. Participants do not need to have an unpaid bill to receive energy assistance. If a person is eligible for LIHEAP, a payment will be sent directly to the utility/fuel dealer, and the payment will be credited to the person's bill. Additional money is available to individuals if they have an emergency situation and are in jeopardy of losing their heat.

Department of Public Welfare
800-692-7462
www.dpw.state.pa.us

Federal Reserve Bank of Philadelphia

The Federal Reserve System is the nation's central bank and is accountable to Congress. Twelve reserve banks serve financial institutions, businesses, consumers, investors, educators, and community groups in an effort to create the financial conditions that foster economic growth: stable prices, sound banking practices, and a reliable payments system.

The Philadelphia Fed promotes economic and financial literacy and an understanding of the Federal Reserve System. The bank provides teachers and students with resources to help them better understand important economic concepts. The Federal Reserve System also maintains a website dedicated to personal financial education.

Ten Independence Mall
Philadelphia, PA 19106
215-574-6000
www.phil.frb.org/education

National Endowment for Financial Education

The National Endowment for Financial Education (NEFE) is a nonprofit foundation dedicated to helping Americans acquire the information and gain the skills necessary to take control of their personal finances. NEFE partners with other organizations to provide financial education to members who assist underserved communities with financial education. In all of its partnerships, NEFE provides funding, logistical support and financial planning expertise needed to create personal finance programs and materials for the public. NEFE also underwrites grants, fellowships, and research projects; and it facilitates the research of innovative ideas in the field of personal financial planning by sponsoring events for professionals throughout the financial services industry.

National Endowment for Financial Education
303-741-6333
www.nefe.org

Pennsylvania’s Ben Franklin Technology Partners

Ben Franklin Technology Partners (BFTP) is an international model for innovation in technology-based economic development. It seeks to diversify and strengthen Pennsylvania's economy by focusing on entrepreneurial development and technological innovation. With a focus on the entrepreneur as the ultimate engine of growth, BFTP delivers crucial resources for technology-driven enterprises in sectors such as information technology, life sciences, communications, advanced manufacturing, advanced materials and environmental technology by: investing risk capital in emerging technology-based enterprises and established businesses; providing hands-on technical and business expertise to spur enterprise growth and accelerate commercialization activities; and, delivering customized solutions that draw on an extensive network of public and private resources, including universities, federal laboratories and research institutions.

200 North Third Street Suite 400
Harrisburg, PA 17101
717-234-1748

Pennsylvania Community Development Bank Program

The Pennsylvania Community Development (PCD) Bank Program is administered by the Pennsylvania Economic Development Financing Authority. The PCD Bank provides grant and loan assistance to Community Development Financial Institutions (CDFI) and other community-based organizations. The PCD Bank makes capital available for community and economic development in the form of loans and grants, to revitalize disadvantaged areas and provide economic opportunities for low-income people. The loans primarily offer debt financing for CDFIs. Twenty-five percent of the loan pool is public funds and the remaining 75 percent is matched with private sector funds. Capacity Building Grants are provided to community development organizations which are attempting to obtain Federal CDFI certification and PCD Bank accreditation.

Department of Community and Economic Development
Economic Development Financing Authority
800-847-4872

Pennsylvania's Family Savings Account Program

The Pennsylvania Family Savings Account (FSA) Program is administered by the Pennsylvania Department of Community and Economic Development (DCED). FSA provides grants to community based non-profit organizations to establish programs that assists individuals, whose income is at or below 200% of the federal poverty level, in building their personal financial strength by learning the value of saving money and developing a fundamental knowledge of financial opportunities. FSA's are matched savings programs that can be used to help finance the purchase of a new home, pay for education expenses, day care to enable job training, start a new business, or other activities with the approval of DCED. Agencies that receive the FSA grants must provide participants with technical assistance in financial management, mortgage counseling and micro-enterprise training services. FSA supports asset development and savings by promoting economic self-sufficiency. It also encourages local community institutions to increase investment and buying power in low-income areas.

Department of Community and Economic Development
717-720-7436
www.inventpa.com

Pennsylvania Fresh Food Financing Initiative

The Pennsylvania Fresh Food Financing Initiative is a partnership with The Reinvestment Fund (TRF), The Food Trust and the Greater Philadelphia Urban Affairs Coalition. The initiative was created in response to the rising concern over the lack of access to fresh foods in underserved communities. Their primary goal is to work to increase the number of supermarkets or other grocery stores in underserved communities across the Commonwealth. It meets the financing needs of supermarket operators that plan to operate in underserved communities where infrastructure costs and credit needs cannot be filled solely by conventional financial institutions. Fresh Food Financing provides financing resources from pre-development grants and loans, to land acquisition and equipment financing, to capital grants for project funding gaps and construction and permanent finance. The Fresh Food Financing Initiative will leverage the $10 million from the State with private funding and TRF's New Markets Tax Credit allocation, to form a $40 million multi-faceted pool for fresh food retailers in underserved communities across Pennsylvania.

The Reinvestment Fund
215-568-0830
www.trfund.org

Pennsylvania's Homeowners' Emergency Mortgage Assistance Program

In 1983, Governor Dick Thornburgh signed H.B. 500 into law (Act 91), creating the Homeowners' Emergency Mortgage Assistance Program (HEMAP). Act 91 was passed in the wake of consecutive recessions in the early 1980's that severely hit Pennsylvania with widespread layoffs in the steel industry and others. HEMAP is administered by the Pennsylvania Housing Finance Agency and funded by state appropriations and loan repayments and was created to protect families and individuals from losing their homes to mortgage or tax foreclosures as a result of circumstances beyond their control.

The program provides short-term, temporary funding to cure loan delinquencies by making mortgage payments to lenders on behalf of qualifying homeowners for up to 24 months. Recipients must meet eligibility guidelines and repayment of assistance is required. To be considered for a HEMAP loan, homeowners must have received an Act 91 Notice from their lender informing them of their delinquent status and advising them that help may be available through the program. Applicants must also be suffering financial hardship, at least 60 days delinquent on monthly mortgage payments, residents of Pennsylvania, occupants and owners of the home in foreclosure, and able to demonstrate reasonable prospects of being able to resume normal mortgage payments after assistance ends. Homeowners must also seek repayment and refinance options once they have established better credit and equity in their property.

Pennsylvania Housing Finance Agency
800-342-2397
www.phfa.org

PA Pennsylvania's INVEST Program

The INVEST Program is a family of highly rated investment pools designed specifically for Pennsylvania's local governments and nonprofit groups. INVEST is similar in concept to money market funds, offering four rated pools with short-term maturity as well as periodic custom investment opportunities for longer-term investment needs.

The INVEST Program was created by the Pennsylvania Treasury and is managed by Evergeen Investments, one of the premier fixed-income managers in the nation as ranked by independent ratings agencies. The program is monitored on a daily basis by the Pennsylvania Treasury's investment staff, which also oversees the investment and custody of nearly $80 billion in public funds.In addition to daily monitoring by Treasury, INVEST is monitored by and has earned the highest rating from two of the financial world's premier rating companies: Standard & Poor's and Fitch Ratings.

Pennsylvania Treasury Department
866-300-4603
INVEST@tre.state.pa.us

Pennsylvania Jump $tart Coalition

The Pennsylvania Jump$tart Coalition is an affiliate of the National Jump$tart Coalition for Personal Financial Literacy based in Washington, D.C. The Pennsylvania Jump$tart Coalition brings together businesses, government agencies, and educators to improve the personal financial literacy of the Commonwealth's youth. The Coalition accomplishes their goal by promoting the teaching of personal finance to students in kindergarten through twelfth grade. Their objectives are to increase financial literacy among the youth of Pennsylvania; enhance professional development in financial literacy; raise public awareness of need for financial literacy; create a clearinghouse of financial literacy educational resources; and assist other charitable and educational organizations in the conduct of financial literacy efforts.

Pennsylvania Jump $tart Coalition
www.pajumpstart.org

Pennsylvania's Self-Employment Assistance Program

Pennsylvania's Self-Employment Assistance (SEA) Program was established in 1997 and is funded by the Pennsylvania Department of Labor and Industry. SEA provides entrepreneurial assistance and training to enable qualified Unemployment Compensation claimants to consider self-employment as part of their reemployment plan. Through SEA, eligible individuals receive SEA benefits in lieu of Unemployment Compensation benefits at the same rate, interval, and duration while engaging in entrepreneurial training and assistance to create their own jobs through self-employment. This program provides the training and support for individuals to contribute to the building of communities resulting in enterprises that support the local economy; and, potentially, provide employment opportunities to others within the community.

Department of Labor and Industry
717-787-4326
www.dli.state.pa.us

Pennsylvania Small Business Development Center (SBDC)

The Pennsylvania SBDC is a state-wide network of sixteen colleges and universities providing education, information, and management development assistance to current and prospective small business owners. SBDCs offer one-stop assistance to individuals and small firms in the form of consulting, training, and management development with respect to feasibility analysis, accounting, finance and financial management, marketing, production, human resources, engineering, and organizational issues. Additional SBDC programs offer assistance in procurement, international business, environmental management and energy conservation, and product commercialization.

The Pennsylvania SBDCs are an economic development partnership funded by the U.S. Small Business Administration, the Commonwealth of Pennsylvania, the participating colleges and universities, local governments and development agencies, and the private sector.

Since 1990, the SBDCs have helped Pennsylvania entrepreneurs start more than 13,000 new businesses; obtain $1.3 billion in start-up and expansion funding; expand sales by $5.8 billion, including $1.5 billion in government contracts and $1 billion in export sales; create over 70,000 new jobs at an average cost of $926 per job; and generate nearly $500 million in new tax revenues.

Pennsylvania Small Business Development Centers
Wharton School, University of Pennsylvania
215- 898-1219
www.pasbdc.org

Pennsylvania's "Tax Back" Forgiveness Program

In 1974, the General Assembly determined that certain citizens in the Commonwealth, because of poverty, needed special tax provisions. The General Assembly decided that the imposition of the personal income tax on such persons would deprive them and their dependents of the basic necessities of life, and the legislature provided special tax provisions for eligible individuals to relieve their economic burden.

Depending on income and family size, taxpayers can receive a rebate of 10 to 100 percent on their state income taxes. Single parents with one child can receive a complete refund on their state income tax if they earn $15,500 or less. Married couples with one child can receive a complete refund if they earn $22,000 or less. For each additional dependent, the income limit rises by $9,000, so that a family of four earning $31,000 a year qualifies for 100 percent state income tax forgiveness. Individuals and families that earn slightly higher incomes can qualify for partial state income tax forgiveness.

Pennsylvania Department of Revenue
800-728-2937
www.revenue.state.pa.us

Pennsylvania Tuition Assistance Program

The Pennsylvania Tuition Assistance Program (TAP 529) is administered by the Pennsylvania Department of the Treasury. TAP 529 accounts can be used to pay for higher education at public and private colleges nationwide. The program offers two ways to invest. The Guaranteed Savings Plan guarantees that a participant's account value will grow with college tuition costs. The Investment Plan allows a participant to invest in one or more investment options based on the age of the child, the investor's risk tolerance, or socially responsible criteria. TAP 529 offers special benefits for Pennsylvania residents including state income and inheritance tax breaks, guaranteed tuition discounts at nearly 160 private colleges, better state financial aid treatment and protection from creditors. Qualified low-income families may be eligible for state matching funds. In addition, community and business organizations can establish TAP 529 scholarships.

Department of the Treasury
800-440-4000
www.treasury.state.pa.us

Pittsburgh Financial Education Consortium

The Financial Education Consortium is a coalition of financial institutions, nonprofit organizations and government agencies, gathered to exchange expertise about best practices and coalition-building efforts to promote financial literacy in Pittsburgh and throughout Western Pennsylvania. Since June 2003, the Federal Reserve Branch in Cleveland/Pittsburgh has been coordinating the Consortium with Hosanna House, Neighborhood Housing Services of Pittsburgh, Pittsburgh Community Reinvestment Group, the Urban League of Pittsburgh and others.

Federal Reserve Bank of Cleveland/Pittsburgh Branch
www.clevelandfed.org
412-261-7800

"Saves" Campaigns

America Saves is a nationwide campaign managed by the Consumer Federation of America. A coalition of nonprofit, corporate, and government groups that help individuals and families save and build wealth. They assist those who wish to pay down debt, build an emergency fund, save for a home, an education, or save for retirement.

Consumer Federation of America
202-387-6121
www.americasaves.org

Philadelphia Saves is a local campaign to encourage savings and wealth in low-moderate income households throughout the Greater Delaware Valley. The goal of Philadelphia Saves is to motivate individuals to save and build wealth for their future. The campaign is concerned about the lack of savings among low- and moderate-income area families, which contributes to issues such as their financial insecurity, lower worker productivity and overall neighborhood instability.

Philadelphia Saves
215- 563-7858
www.phillysaves.org

Faith Saves has received support from U.S. Senator Rick Santorum (R-PA), Countrywide Home Loans, Building United of Southwestern Pennsylvania, and Fannie Mae. The initiative, in association with participating churches, provides congregants who are prospective homeowners with the education and motivation to save for homeownership and wealth building and mortgage loans available under the initiative.

Consumer Federation of America
202-387-6121
www.americasaves.org

Temporary Assistance for Needy Families Program

Temporary Assistance for Needy Families (TANF) is a block grant program created to help move recipients into work and turn welfare into a program of temporary assistance. Under the welfare reform legislation of 1996, the Temporary Assistance for Needy Families program replaced the old welfare programs known as Aid to Families with Dependent Children (AFDC), the Job Opportunities and Basic Skills Training (JOBS) program and the Emergency Assistance (EA) program. The law ended federal entitlement to assistance and created a block grant that provides annual funds to states and tribes. The program is funded by federal and state dollars that cover benefits, administrative expenses, and services targeted to needy families.

Pennsylvania TANF offers cash assistance to any low-income person/family, based on rules and standards established by the Department of Public Welfare. To qualify for this benefit program, persons must be a resident of Pennsylvania, be either pregnant or responsible for a child under 19 years of age, a U.S. national, citizen, legal alien, or permanent resident, have low or very low income, and be either under-employed (working for very low wages), unemployed, or about to become unemployed. Receipt of TANF is limited to 60 months (five years) in a person's lifetime.

Pennsylvania Department of Public Welfare
1-800-692-7462
www.dpw.state.pa.us

Volunteer Income Tax Assistance

The Volunteer Income Tax Assistance (VITA) program is a 35-year-old federally funded program that offers free tax preparation services to low- to moderate-income (under $35,000) people who cannot prepare their own tax returns. Volunteers, sponsored by various organizations, receive training to help prepare basic tax returns in communities across the country. VITA sites are generally located in areas such as community and neighborhood centers, libraries, schools and shopping malls.

Internal Revenue Service
1-800-829-1040
www.irs.gov

APPENDIX 3: MEMBERS OF THE GOVERNOR'S TASK FORCE FOR WORKING FAMILIES

Irv Ackelsberg
Managing Attorney
Community Legal Services

Ines Almendarez
Philadelphia Territory Manager
Internal Revenue Service

John J. Amrhein
Chairman
Mortgage Bankers Association of Pennsylvania

Carmen A. Anderson
Program Officer
The Heinz Endowments

Francis V. Barnes
Secretary
Department of Education

Raymond Bell
Vice President
Creditors Interchange Receivable Management, LLC.

Cathy Faulcon Bowen
Associate Professor and Consumer Issues Specialist
The Pennsylvania State University/Cooperative Extension

Aggie Brose
Chairwomen
Anti-Predatory Lending Initiative
Pittsburgh Community Reinvestment Group

Esther L. Bush
President and CEO
Urban League of Pittsburgh

Donna Cooper
Secretary
Governor's Office of Policy and Planning

Susan Cornell
Member
Pennsylvania House of Representatives

Pedro A. Cortes
Secretary
Department of State

Cheryl Croxton
Managing Director
Fannie Mae

Don Cunningham
Secretary
Department of General Services

Lynne Cutler
President
Women's Opportunities Resource Center

Barry L. Denk
Executive Director
Center for Rural Pennsylvania

Daniel Desmond
Deputy Secretary
Department of Environmental Protection

Michael DiBerardinis
Secretary
Department of Conservation & Natural Resources

Nancy A. Dischinat
Executive Director
Lehigh Valley Workforce Investment Board, Inc.

Nora Dowd Eisenhower
Secretary
Department of Aging

Kathryn J. Engebretson
President
William Penn Foundation

Dwight Evans
Member
House of Representatives

Greg C. Fajt
Secretary
Department of Revenue

Karen Wolk Feinstein
President
Jewish Healthcare Foundation

Barbara J. Fortney
President/CEO
LANCO Federal Credit Union

Jeffrey E. Gatter
Vice President
Public Finance Service, Inc.

William A. George
President
Pennsylvania AFL-CIO

Mauree Gingrich
Member
Pennsylvania House of Representatives

Carol Goertzel
President & CEO
PathWaysPA

Barbara Hafer
Treasurer
Pennsylvania Treasury Department

Patricia Hasson
President
Consumer Credit Counseling Services of the Delaware Valley

Vicki Cervino Henn
Senior Vice President and
Managing Director
PNC Bank

Lydia Hernandez-Velez
Deputy Secretary
Department of Banking

Gregory L. Higgins
State Director
Pennsylvania Small Business
Development Centers

Brian A. Hudson
Executive Director
Pennsylvania Housing Finance
Agency

David R. Hunsicker
Chairman
Pennsylvania Association of
Community Bankers
President/CEO
The New Tripoli National Bank

Hilary L. Hunt
Director
Office of Financial Education

Calvin B. Johnson
Secretary
Department of Health

Shirley Kitchen
Member
Senate of Pennsylvania

M. Diane Koken
Commissioner
Pennsylvania Insurance
Department

Michael Masch
Secretary
Office of Budget and Administration

Sharmain Matlock-Turner
President/Executive Director
Greater Philadelphia Urban Affairs
Coalition

Thomas A. Michlovic
Commissioner
Pennsylvania Securities
Commission

Ernest C. Morris
President
Black Clergy of Philadelphia &
Vicinity

Phyllis Mundy
Member
Pennsylvania House of
Representatives

Jeremy Nowak
President and CEO
The Reinvestment Fund

Jane Orie
Member
Senate of Pennsylvania

John Rafferty
Member
Senate of Pennsylvania

Estelle Richman
Secretary
Department of Public Welfare

Anthony M. Santomero
President
Federal Reserve Bank of
Philadelphia

Carol R. Scheman
Vice President of Government,
Community, and Public Affairs
University of Pennsylvania

Bill Schenck
Secretary
Department of Banking

Stephen M. Schmerin
Secretary
Department of Labor & Industry

Kevin Shivers
Pennsylvania State Director
National Federation of Independent
Businesses

Stephen Steinour
Chairman and CEO
Citizens Bank of Pennsylvania

Sandra L. Strauss
Director of Public Advocacy
Pennsylvania Council of Churches

Rev. Joseph A. Tracy
Secretary for Catholic Human
Services, Archdiocese of
Philadelphia

Derenda S. Updegrave
Director of Government Affairs
Pennsylvania Association of
Realtors

Floyd Warner
President
Pennsylvania Chamber of Business
and Industry

Richard E. Willey
President & CEO
Pennsylvania Higher Education
Assistance Agency

Valerie J. Williams
Community Affairs Officer
Federal Deposit Insurance
Corporation

Michael A. Wishnow
Senior Vice President,
Communications & Marketing
Pennsylvania Credit Union
Association

John Wozniak
Member
Senate of Pennsylvania

Jessica L. Wright
Adjutant General
Department of Military and Veteran
Affairs

Dennis Yablonsky
Secretary
Department of Community &
Economic Development

Alternates

Michael Aumiller
Pennsylvania Department of State

Verona Blaine
Pennsylvania Higher Education Assistance Agency

Ronnie Bloom
William Penn Foundation

Robert Bobincheck
Pennsylvania Housing Finance Agency

Lee Burket
Department of Education

Ali Cleveland
Department of Labor & Industry

Joseph Conrad
Department of Military and Veteran Affairs

Christian Conroy
Pennsylvania Small Business Development Centers

Deborah Cooper
Consumer Credit Counseling Services of the Delaware Valley

Robert P. Coyne
Department of Revenue

Deanna Dare
Office of Representative Mauree Gingrich

Dennis Darling
Department of Community & Economic Development

Jim Daugherty
Internal Revenue Service

Marla Davis
Department of Health

Carl Dillinger
Pennsylvania AFL-CIO

Brian Ebersole
Department of Health

Susan Enfield
Department of Education

Susan Felker
Department of Conservation & Natural Resources

Ronald Gallagher
Pennsylvania Insurance Department

Jason Gerard
Office of Senator John Wozniak

Ira Goldstein
The Reinvestment Fund

Darin Hall
Office of Senator Shirley Kitchen

Gary Harke
Pennsylvania Council of Churches

Lydia Hess
Department of Education

Lee Hipps
Urban League of Pittsburgh

Carole Huberman-Talerico
Pennsylvania Treasury Department

Richard Irvin
Pennsylvania Higher Education Assistance Agency

Alan Jennings
Lehigh Valley Workforce Investment Board, Inc.

Jonathan Johnson
Center for Rural Pennsylvania

William Johnston-Walsh
Department of Aging

Donald Kelly
Greater Philadelphia Urban Affairs Coalition

Jennifer Kennedy
Pennsylvania Housing Finance Agency

Tina Kotsalos
Pennsylvania Securities Commission

David Kreider
Pennsylvania Chamber of Business and Industry

Marcia Leithauser
Women's Opportunities Resource Center

Nikki Lopez
Office of Representative Phyllis Mundy

Dawn Maglicco
University of Pennsylvania

Joanne McGreevy
Senator Jane Orie's Office

Cathy Neidgerberger
PNC Bank

Gedeon Mudacumura
Pennsylvania Treasury Department

Dede Myers
Federal Reserve Bank of Philadelphia

Michael Nardone
Department of Public Welfare

Cathy Niederberger
PNC Bank

Denis Payne
City Finance Company

Bettina Pearl
PathWaysPA

Frank Pinto
Pennsylvania Association of Community Bankers

Sally Proto
Citizens Bank of Pennsylvania

Vincent Racculia
Pennsylvania Higher Education Assistance Agency

Mary Ramirez
Department of Education

Keith Richardson
Pennsylvania Department of Revenue

Anne Rung
Department of General Services

Jennifer Shockley
Pennsylvania Association of Realtors

Greg Simmons
Pittsburgh Community Reinvestment Group

Edward Sinal
Mortgage Bankers Association of Pennsylvania

Margaret Taylor
Office for Community Development
Archdiocese of Philadelphia

Lori Tavana
Fannie Mae

Duane Tolson
Department of General Services

Rick Wargo
Pennsylvania Credit Union Association

Pamela Wayde
LANCO Federal Credit Union

Laura Yeiser
Pennsylvania Treasury Department

Renu Zaretysky
Jewish Healthcare Foundation

Jeffrey Zeiders
Department of Education

APPENDIX 4: COMMITTEES

Executive Committee

Co-Chairs: Dwight Evans and Bill Schenck

Members: Francis Barnes, Cathy Faulcon Bowen, Aggie Brose, Donna Cooper, Lynne Cutler, Michael DiBerardinis, Brian Hudson, Hilary Hunt, Michael Masch, Sharmain Matlock-Turner, and Lydia Hernandez-Velez

Building Assets Committee

Co-Chairs: Lynne Cutler and Brian Hudson

Members: Barry Denk, Jim Daugherty, Greg Fajt, Barbara Hafer, Brian Hudson, Kevin Shivers, Stephen Steinour, Valerie Williams, and Dennis Yablonsky

Improving Financial Education Committee

Co-Chairs: Cathy Faulcon Bowen and Hilary Hunt

Members: Ines Almendarez, Carmen Anderson, Francis Barnes, Raymond Bell, Barbara Fortney, Patricia Hasson, Vicki Cervino Henn, M. Diane Koken, Ernest Morris, Jane Orie, Anthony Santomero, Richard Willey, and Michael Wishnow

Increasing Incomes Committee

Co-Chairs: Michael DiBerardinis and Sharmain Matlock-Turner

Members: Donald Cunningham, Daniel Desmond, Nancy Dischinat, Kathryn Engebretson, Karen Wolk Feinstein, William George, Carol Goertzel, Gregory Higgins, Jr., Calvin Johnson, Shirley Kitchen, Phyllis Mundy, Jeremy Nowak, Estelle Richman, Carol Scheman, Sandra Strauss, Fr. Joseph Tracy, and Floyd Warner

Preventing Financial Abuse Committee

Co-Chairs: Aggie Brose and Lydia Hernandez-Velez

Members: Irv Ackelsberg, John Amrhein, Esther Bush, Susan Cornell, Pedro Cortes, Cheryl Croxton, Nora Dowd Eisenhower, Jeffrey Gatter, Mauree Gingrich, David Hunsicker, Thomas Michlovic, and Derenda Updegrave

APPENDIX 5: SNAP SHOT OF PUBLIC INPUT

SCHEDULE OF ROUNDTABLE DISCUSSIONS

Increasing Incomes	Building Assets	Improving Financial Literacy	Preventing Financial Abuse
Public Roundtable 1A July 22nd 6:30 p.m. – 8:30 p.m. Center City Philadelphia	Public Roundtable 1A June 29th 10:30 a.m. – 12:30p.m. Lancaster	Public Roundtable 1A June 2nd 6:30 p.m. – 8:30 p.m. Lewisburg – CSIU	Public Roundtable 1A July 20th 6:00 p.m. – 9:00 p.m. Pittsburgh
Public Roundtable 1B July 23rd 8:30 a.m. – 10:30 a.m. Center City Philadelphia	Public Roundtable 1B June 29th 5:30 p.m. – 7:30 p.m. Lancaster	Public Roundtable 1B June 3rd 8:30 a.m. – 10:30 a.m. Lewisburg – CSIU	Public Roundtable 1B July 21st 10:00 a.m. – 12:30 p.m. Pittsburgh
Public Roundtable 2A July 29th 10:30 a.m. – 12:30 p.m. Harrisburg	Public Roundtable 2A June 22nd 6:30 p.m. – 8:30 p.m. Philadelphia	Public Roundtable 2A June 24th 10:30 a.m. – 12:30 p.m. Westmoreland Co. Extension	Public Roundtable 2A July 27th 9:30 a.m. – 12:30 p.m. Erie
Public Roundtable 2B July 29th 3:00 p.m. – 6:00 p.m. Harrisburg	Public Roundtable 2B June 23rd 8:30 a.m. – 10:30 a.m. Philadelphia	Public Roundtable 2B June 24th 3:00 p.m. – 6:00 p.m. Westmoreland Co. Extension	Public Roundtable 2B July 27th 2:00 p.m. – 4:00 p.m. Erie
Public Roundtable 3A August 5th 1:00 p.m. – 4:30 p.m. Scranton/Wilkes-Barre	Public Roundtable 3A July 13th 2:00 p.m. – 4:00 p.m. State College	Public Roundtable 3A July 19th 1:00 p.m. – 4:30 p.m. Exton, Chester Co. Extension	Public Roundtable 3A August 4th 1:00 p.m. – 4:30 p.m. Lehigh Valley
Public Roundtable 3B August 5th 6:00 p.m. – 8:30 p.m. Scranton/Wilkes-Barre	Public Roundtable 3B July 13th 6:00 p.m. – 8:00 p.m. State College	Public Roundtable 3B July 19th 6:00 p.m. – 8:30 p.m. Exton, Chester Co. Extension	Public Roundtable 3B August 4th 6:00 p.m. – 8:30 p.m. Lehigh Valley

TOP 30 PROBLEMS

AS IDENTIFIED BY ROUNDTABLE PARTICIPANTS

		Committee Roundtables				
	Problems and Barriers	Abuse	Incomes	Assets	Literacy	Total
1	Lack of budgeting skills or resources to budget		3	10	10	*23*
2	Obscurity of resources available for working families (understanding federal Earned Income Tax Credit, state poverty exception and tax credits)	1	14	6	1	*22*
3	Lack of financial education and money management, especially at early age	1	2	4	13	*20*
4	Need for financial and market education (saving, insurance, budget and assets), need for financial literacy not recognized by working family	4	1	6	8	*19*
5	Credit issues and consequences (consumer and company)	7	1	5	4	*17*
6	No outward signs they have money other than spending habits; instant gratification	2		6	7	*15*
7	Consumerism and emotional issues tied to getting help with money management	1	1	1	12	*15*
8	Easy to obtain credit cards and the uncontrolled usage; company responds and abuses cardholders with high interest rates	6		2	5	*13*
9	Working family with minimal education and misinformation about higher education	1	2	3	6	*12*
10	Complexities of system and processes make accessing benefits difficult	5	2	2	3	*12*
11	Prevalence of predatory lending and the use of data mining in its perpetuation/lack of enforcement by federal government	8		2	1	*11*
12	Lack of trust in people, programs, financial institutions, and government		2	5	4	*11*
13	Limited employment, training and lending opportunities for low income and minorities	2	4	3	2	*11*
14	Lack of affordable housing (includes rentals, rent to own and homeowner issues)	2	1	7		*10*
15	Working families with no clear goal, vision or plan	1	2	6	1	*10*
16	Lack of motivation, hope, self-esteem, values, sense of being financially stuck	1	1	4	4	*10*
17	Fear or intimidation when dealing with financial institutions	4		6		*10*
18	Working family's need for privacy			1	9	*10*
19	Lack of affordable healthcare, mental health services, dental and dental plans (including those self employed), and spiraling cost of healthcare to the employer		4	2	4	*10*
20	Lack of knowledge and problem-solving skills	1	2	1	5	*9*
21	High cost of child care/Rearing and medical (includes lost time w/sick kids, and child support)		2	7		*9*
22	Lack of delineation between needs vs. wants and/or prioritization	1	1	4	3	*9*
23	The use of high pressure media marketing to encourage targeted groups to spend	5			4	*9*
24	Too much debt which results in the use of credit cards for basic needs	1		4	4	*9*
25	Prevalence of minimum wage/low income positions due to skill market demand	1	1	6		*8*
26	Disincentives to save: low interest rates on investments, savings are taxed, and the more saved the less benefit received			5	3	*8*
27	Entitlement mentality, temperament and attitudes of job seekers on state/public assistance		2	1	5	*8*
28	Unemployment /underemployment/effect of globalization further reducing wage potential	1	2	4	1	*8*
29	Government regulation makes it difficult for entrepreneurship and is viewed as consumer unfriendly in the sub prime market	5	2	1		*8*
30	Transportation and mobility issues		2	5		*7*

TOP 30 SOLUTIONS
AS IDENTIFIED BY ROUNDTABLE PARTICIPANTS

		Public Roundtables				
	Solution	Abuse	Incomes	Assets	Literacy	Total
1	Encourage or require school based financial education programs	5	4	3	6	*18*
2	Marketing initiative to promote financial education and wise money habits	3	3	3	4	*13*
3	Create & promote a statewide clearinghouse of programs to coordinate awareness	3	2	3	2	*10*
4	Promote or encourage workplace financial education programs (include tax prep)		3		3	*6*
5	Use individuals that have compelling success stories to serve as models			3	3	*6*
6	Increase the minimum wage		1	3	1	*5*
7	Fund school based financial literacy programs		1		4	*5*
8	Expand FSA program and parameters			4	1	*5*
9	Train teachers in financial literacy			1	3	*4*
10	Institute a financial help hotline - like 911, 311	1	1	1	1	*4*
11	Encourage use of sound credit counseling	1		2	1	*4*
12	Increase post-purchase counseling	1		2	1	*4*
13	Emphasize use of tax credits to support nonprofits and schools with regard to f.e.				3	*3*
14	Implement "Train the Trainer" programs for financial education programs				3	*3*
15	Provide incentive/reward for individuals completing financial education programs				3	*3*
16	Use faith communities to promote or provide financial education				3	*3*
17	Provide funding for a statewide EITC/tax credit PR campaign		2	1		*3*
18	Improve COMPASS and Benefit Bank		2	1		*3*
19	Decrease barriers to starting a business/Encourage new startups		2	1		*3*
20	Tighter regulatory control of predatory lending		1	1	1	*3*
21	Provide entrepreneurship training		2	1		*3*
22	Increase administrative money for FSA programs			2	1	*3*
23	Educate school district administrators about the value of financial education				2	*2*
24	Standardize K-12 financial literacy curricula				2	*2*
25	Financial institutions should start incentives for children to save (stickers, savings book)	1			1	*2*
26	Promote financial education programs available through Scouts and 4H				2	*2*
27	Get word out to non-profits about tax credits for which they may be eligible				2	*2*
28	Create a peer testimony/financial literacy speakers bureau				2	*2*
29	Fund collaborative, community based demonstration programs				2	*2*
30	Encourage partnerships between financial institutions and social service orgs	1			1	*2*

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Employment Growth: Short Term	Percentage change in annual average employment, by place of residence, from 2002- 2003.	U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics Office. www.bls.gov/lau. Washington, D.C.: 2004.
Unemployment Rate	Annual average unemployment rate, 2003.	U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics Office. www.bls.gov/lau. Washington, D.C.: 2004.
Mass Layoffs	Extended mass layoff events per business establishment, 2003.	U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics Office. www.bls.gov/lau. Washington, D.C.: 2004.
Poverty Rate	Percentage of population living in households with incomes below the poverty line, average 2001-2002.	U.S. Department of Commerce, Bureau of the Census, Poverty in the United States: 2002. Washington, D.C.: 2004.
Disparity of Rural and Urban Areas	Composite index score of six economic performance measures that compare absolute value differences between nonmentropolitan and metropolitan counties within a state. Measures include long-term employment growth (1999-2003), short-term employment growth (2002-2003), unemployment rate (2003), average earnings (2002), long-term average earnings growth (1998-2002), and short-term earnings growth (2001-2002).	CFED: "Disparity of Rural and Urban Areas Index." The 2004 Development Report Card for the States. Washington D.C.: 2004. Calculated from data provided by the Economic Research Service, U.S. Department of Agriculture.
Average Annual Pay	Average annual pay (in dollars) for all workers covered by unemployment insurance, by location of establishment, 2002.	U.S. Department of Labor, Bureau of Labor Statistics, Covered Employment and Wages Office, Washington, D.C.: 2004.
Change in Average Annual Pay	Percent change in average annual pay for all workers covered by unemployment insurance, by location of establishment, 2001-2002.	U.S. Department of Labor, Bureau of Labor Statistics, Covered Employment and Wages Office, Washington, D.C.: 2004.

Employer Health Coverage	Percent of non-elderly population covered by employer-based health plans, 2003.	Paul Fronstin. Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2003 Current Population Survey. Washington D.C.: Employee Benefit Research Institute, December 2003.
Working Poor	Percent of working parents earning 150% of the poverty line or below. 2000-2002.	U.S. Department of Commerce, Bureau of the Census. 2000-2002 March Current Population Survey Data. Calculations by the Center on Budget and Policy Priorities. Washington D.C.: 2001, 2002, and 2003.
Involuntary Part Time Employment	Percent of employees who work part-time for economic reasons, 2002.	U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics Office. www.bls.gov/lau. Washington, D.C.: 2004.
Net Migration	Net domestic migration rate, July 1, 2002- July 1, 2003.	U.S. Department of Commerce, Bureau of the Census. Current Population Survey: Demographic Components of Change. Washington, D.C.: 2004
Uninsured Low Income Children	Percent of children under 19 years of age at or below 200% of the poverty line without health insurance, three-year average 2000-2002.	U.S. Department of Commerce, Bureau of the Census. Current Population Survey: Health Insurance Statistics. Washington, D.C.: 2004.
Homeownership Rate	Homeownership rate, 2003.	U.S. Department of Commerce, Bureau of the Census. Housing Vacancy Survey Annual Statistics: 2003. Washington, D.C.: April 2004.
Business Closings	Percentage rate of firm terminations, 2003.	U.S. Small Business Administration, Office of Advocacy, Small Business Economic Indicators 2003, August 2004, from data provided by the U.S. Census Bureau and U.S. Department of Labor (ETA).
New Companies	Number of companies applying for new employment identification numbers per 1,000 workers in 2003.	U.S. Small Business Administration, Office of Advocacy. Small Business Economic Indicators 2003, August 2004, from data provided by the U.S. Department of Labor (ETA) and U.S. Census Bureau.
Change in New Companies	Percentage of change in companies applying for new employment identification numbers, from 2002 to 2003.	U.S. Small Business Administration, Office of Advocacy. Small Business Economic Indicators 2003, August 2004, from data provided by the U.S. Department of Labor (ETA) and U.S. Census Bureau.
Job Growth due to New Businesses	Number of jobs created by new establishments with fewer than 500 employees between 2000 and 2001.	Office of Advocacy, U.S. Small Business Administration. Dynamic Data, Births, Deaths, Growth, and Decline. Data provided by U.S. Census, Statistics of U.S. Businesses 2000-2001.

Basic Educational Skills Prof-Reading	Percent of 4th grade students proficient in reading, 2003.	U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics. The Nations Report Card: Reading Highlights 2003. NCES 2004452, by P. Donahue, M. Daane, and W. Grigg, Educational Testing Service. Washington, D.C.: November 2003.
Basic Educational Skills Prof- Math	Percent of 4th grade students proficient in math, 2003.	U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics. The Nation's Report Card: Mathematics Highlights 2003, NCES 2004451, by J. Braswell, M. Daane, and W. Grigg, Educational Testing Service. Washington, D.C.: November 2003.
Average Teacher Salary	Average teacher salary, adjusted by the 2001 ATF interstate cost of living index, 2001-2002.	American Federation of Teachers. Survey and Analysis of Salary Trends 2002. Washington, D.C.: 2003.
K-12 Educational Expenditures	Per pupil expenditures, adjusted by 2001 ATF interstate cost-of-living index, for preK-12 students, 2001-2002 school year.	U.S. Department of Education, National Center for Education Statistics. Washington, D.C.: 2003. Technical documentation for the AFT cost-of-living index is in F. Howard Nelson, "An Interstate Cost-of-Living Index," Educational Evaluation and Policy Analysis. Index values for Alaska, Hawaii, and Washington, D.C. come from American Chamber of Commerce Researchers Association, Intercity Cost-of-Living Index, Louisville, Kentucky: ACCRA
High School Completion	High school completion rate of 18-24 yr olds, October 1998-2000.	U.S. Department of Commerce, U.S. Census Bureau, Current Population Survey, October 1998, 1999, 2000.
Venture Capital Investments	Venture capital investments, dollars per worker, 2003.	VentureOne. 2004 Venture Capital Investment Report. San Francisco, CA.
SBIC Financing	Total SBIC financing in a state, per worker, 2003.	U.S. Small Business Administration, Investment Division. Financing to Small Businesses by State. Washington, D.C.: 2004.
Private Lending to Small Businesses	The dollar amount of loans under $1million made in 2002, per worker.	U.S. Small Business Administration, Office of Advocacy, Office of Economic Research, from 2000 CRA data. Washington, D.C.: 2003.
University R&D	Research and development expenditures at doctorate-granting institutions, dollars per capita, fiscal year 2002.	National Science Foundation, Division of Science Resource Statistics. Academic Research and Development Expenditures: Fiscal year 2001. NSF 03-316, Project Officer, M. Marge Machen (Arlington, VA: 2004).
Federal R&D	Federal obligations for research and development per capita, fiscal year 2001.	National Science Foundation, Division of Science Resource Statistics. Federal Funds for Research and Development: Fiscal Years 2001, 2002, and 2003. NSF 02-321, Project Officer, Ronald L. Meeks (Arlington, VA: 2002).
Private R&D	Amount of private R&D, in dollars, per worker. 2001.	National Science Foundation, Division of Science Resource Studies. 2000. Survey of Industrial Research and Development. Washington, D.C.: 2002.

SBIR Grants	SBIR grants awarded, in dollars, per worker, Fiscal Year 2002.	U.S. Small Business Administration, Office of Technology. Washington, D.C.: 2003.
Employer firms and Self-employment data		SBA Office of Advocacy: www.sba.gov/advo; Small Business Indicators

APPENDIX 7: ACKNOWLEDGEMENTS

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Attachment
Section 17

Financial Education Consortium Of Southwestern Pennsylvania

9 pages

Financial Education Consortium
of Southwestern Pennsylvania
Take control of your money!

Financial Education Consortium Mission
The Financial Education Consortium will serve as a primary catalyst to promote financial literacy.

What is the Financial Education Consortium?
The Financial Education Consortium is a coalition of diverse organizations committed to the coordination of financial literacy efforts in southwestern Pennsylvania. Participation in the Consortium is open and voluntary, and it includes financial institutions, nonprofit organizations, funders, and government agencies. The geographic scope of the Consortium is the seven-county Pittsburgh MSA; however, programs operating beyond this area are welcome to participate.

Why Form a Consortium?
The objective of this Consortium is to develop a common financial education agenda, share best practices, and coordinate efforts among financial education providers to improve efficiency, eliminate duplication, and enhance impact. The coalition-building process is designed to develop buy-in and trust among key financial education stakeholders and to build a sustainable structure that can function effectively to accomplish objectives that are set by the Coalition members.

Shared expectations are managed through the Consortium structure to enable decisions to be made effectively for the Consortium as a whole. Membership of this Consortium is voluntary and open to nonprofit organizations, for-profit companies, and government agencies who support the mission and objectives of the Consortium as a way to help consumers take control of their money and build wealth.

Partner Organizations
The Federal Reserve Bank of Cleveland's Pittsburgh Branch serves as the coordinating agency for this initiative. Membership is open to organizations which promote the objectives and mission of the Consortium, empower individual consumers to take control of their money, and adhere to ethical business practices. The Consortium's primary partners include the following organizations:

- Consumer Credit Counseling Service of Western Pennsylvania,
- Garfield Jubilee Association,
- Hill District Federal Credit Union,
- Home Ownership Preservation Project,
- Neighborhood Housing Services of Pittsburgh,

- Northside Leadership Conference,
- PNC Bank, and
- Urban League of Pittsburgh.
- ***Dan Holland,*** *Senior Advisor, Community Affairs, Federal Reserve Bank of Cleveland, Pittsburgh Branch,* ***Consortium Coordinator***

Objectives of the Consortium

- Educate consumers and providers;
- Disseminate best practices;
- Build partnerships;
- Target specific audience types;
- Improve the effectiveness of financial education efforts and develop measures for gauging impact over time; and
- Identify and develop resources for financial education.

Consortium Accomplishments

In the past year, the Consortium has accomplished the following:

- Created a network of financial education providers and developed strong bonds among various constituencies in SW PA;
- Adopted the Consortium's mission, slogan, and objectives;
- Established a decision-making structure;
- Outlined roles and responsibilities for participants in the Consortium;
- Signed a Partnership Agreement that reinforces commitment to the mission and objectives; and
- Developed a directory of financial education providers operating in the southwestern Pennsylvania region (to be released in March 2005).

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Roxanne	Nitti	Intake Coordinator	Neighborhood Housing Services of Pittsburgh	rnitti@nhswpa.org
LouAnn	Ross	Executive Director	Neighborhood Housing Services of Pittsburgh	lross@nhswpa.org
Linda	LeFever	Executive Director	Northside Community Development Fund	lefever@nscdfund.org
Sarah	Mansmann	Loan Officer	Northside Community Development Fund	kripp@nscdfund.org
Dennis L.	Freeland	Real Estate Marketing Manager	Northside Leadership Conference	Dennis@pittsburghnorthside.com
Ronald B.	Andzelik	Vice President, Compliance and CRA Officer	Northwest Bancorp, Inc.	randzelik@nwbcorp.com
Ola	Jackson	Owner	Onyx Woman Network	OnyxWomanmag@aol.com
Ellen	Kight	Regional Director, SW PA	PA DCED	ekight@state.pa.us
Mike	Wishnow	Chair	PA Jumpstart Coalition	michael.wishnow@pcua.coop
Tina	Kotsalos	Investor Education Coordinator	PA Securities Commission	ckotsalos@state.pa.us
Christopher	Conroy		Parkvale Bank	christopher.conroy@parkvale.com
Jason W.	Ross	VP, Director of Audit & Compliance	Parkvale Bank	Jason.Ross@parkvale.com
Thomas	Webb	VP, Lending	Parkvale Bank	tom.webb@parkvale.com
Greg	Simmons	Program Manager, Anti-Predatory Lending Initiative	PCRG	gsimmons@pcrg.org
Terri	Redmond		Pennsylvania Housing Finance Agency	tredmond@phfa.org
Brenda	Wells	Western Regional Manager	Pennsylvania Housing Finance Agency	bwells@phfa.org
Marcia	Hess Treece	Closing Officer, Pittsburgh Office	Pennsylvania Housing Finance Agency	mtreece@phfa.org
Holly	Winters	Housing Service Representative	Pennsylvania Housing Finance Agency	hwinters@phfa.org
Shad L.	Henderson	Student	Pitt Graduate School of Public and Int'l Affairs	hendersons@pghfdn.org
Leeretta	Payne		Pittsburgh Community Services	leerettap@pghcsi.org

Jane	Downing	Senior Program Officer	Pittsburgh Foundation	downingj@pghfdn.org
Emily	Davis	Supervisor	Pittsburgh Public Schools, Business Education	edavis1@pghboe.net
Mary Lou	Brkovich	Program Manager	PNC Bank	marylou.brkovich@pnc.com
Cathy	Niederberger	Vice President	PNC Bank	cathy.niederberger@pnc.com
Shemariah	Waggoner		PNC Bank	Shemariah.waggoner@pncbank.com
R. Dennis	McClelland	Executive Vice President	REALTORS Association of Metropolitan Pittsburgh	dennism@realtorspgh.com
Patrick	Litzinger	Professor of Economics	Robert Morris University/Economics Pennsylvania	litzinger@rmu.edu
Larry	Lemon	Northern Area Coordinator	Senator Jay Rockefeller	Larry_Lemon@rockefeller.senate.gov
Deborah	Tawney	AVP & Community Development Officer	Sky Bank	debbie.tawney@skyfi.com
Leslie	McKee	VP, Compliance, CRA & Privacy Officer	S&T Bank	leslie.mckee@stbank.net
Cathy Faulcon	Bowen	Associate Prof/Consumer Issues Specialist	The Pennsylvania State University	cfb4@psu.edu
McCrae	Holliday	Chief Operating Officer	Three Rivers Workforce Investment Board	mholliday@trwib.org
Ron	Painter	Chief Executive Officer	Three Rivers Workforce Investment Board	rpainter@trwib.org
Lee	Hipps	Executive Vice President and Chief Operating Officer	Urban League	lhipps@urbanleaguepgh.org
Maurie	Heidish		Ways to Work Program	heidishm@fswp.org
Gwen	Porter		Ways to Work Program	porterg@fswp.org
Lisa	Beall	CRA Mortgage Manager	Wesbanco	beall@wesbanco.com
Joe	Flynn	VP, Community Development	Wesbanco	flynn@wesbanco.com
John	Perdue		West Virginia State Treasurer's Office	john.perdue@wvsto.com
Stephe	MacIssac		Wireless Neighborhoods	macisaac@wireless-neighborhoods.org
Sarah	Bernardini	Director of Asset Development Programs	YWCA of Greater Pittsburgh	sbernardini@ywcapgh.org

Laura	Randolph	Senior Director of Asset Development and Equitable Housing	YWCA of Greater Pittsburgh	lrandolph@ywcapgh.org

Attachment
Section 18

Financial Education Consortium
Of Southwestern Pennsylvania
Directory of Financial Education Providers
Take Control of Your Money

17 pages

Directory of Financial Education Providers in Southwestern Pennsylvania

Take Control of Your Money

A Publication of the Financial Education Consortium of Southwestern Pennsylvania

Take control of your money

This financial education directory is for people who want to take control of their money and build their wealth. It is a resource guide for finding assistance with basic money management or resolving a difficult financial situation. Whether you have been a victim of a predatory lending scheme, are attempting to repair your credit, or are trying to manage your money, this directory will help. It will direct you to an organization that is right for your needs in a location that is convenient to your home or workplace.

Each organization listed here is part of the Financial Education Consortium, a coalition of financial literacy organizations committed to coordinating financial literacy efforts in southwestern Pennsylvania.

Most of the organizations cover one of the 10 counties in southwestern Pennsylvania, which include Allegheny, Armstrong, Beaver, Butler, Fayette, Greene, Indiana, Lawrence, Washington, and Westmoreland. A few cover all of western Pennsylvania, West Virginia, and parts of eastern Ohio.

Most of them do not charge for their services or charge a nominal fee. If you cannot find the right organization, contact the one closest to you, which will refer you to the most appropriate agency for your needs.

The organizations listed here are divided into four categories:

1. Housing Counseling and Assistance
2. Money Management and Credit Counseling
3. Savings Programs and Basic Banking
4. Other

1. Housing Counseling and Assistance programs provide help and information on

- $ predatory lending
- $ home foreclosure
- $ homeownership counseling
- $ rental assistance
- $ pre-purchase home counseling
- $ post-purchase home counseling and management
- $ first-time homebuyer basics
- $ closing cost and down payment assistance

2. Money Management and Credit Counseling programs provide help and information on

- $ bad credit
- $ struggling to pay credit card bills
- $ basic understanding of money (budgeting and saving)
- $ debt counseling and credit repair

3. Savings Programs and Basic Banking programs provide help and information on

- $ saving money
- $ opening a bank account
- $ setting up a family savings account (matching funds may be available)

4. Other programs provide help and information on

- $ paying taxes
- $ general financial education
- $ financial education for small businesses
- $ economic education for teachers

For instance, if you need help with purchasing a home or maintaining a home that you have already purchased, or if you feel that you have fallen victim to a loan scam, contact an agency listed in category 1, "Housing Counseling and Assistance."

If you are worried that you have too much debt or have fallen behind on some payments, contact an organization listed in category 2, "Money Management and Credit Counseling."

If you need help with saving your money or establishing a family savings account, find the right organization under category 3, "Savings Programs and Basic Banking."

If you want to find the best source for free tax preparation services, check in category 4, "Other," under the heading "Tax Education and Assistance with the Earned Income Tax Credit."

Some organizations are listed in more than one category because they offer several services.

Please note

The directory lists an organization's address, phone number, contact person and, in most cases, its e-mail and website, as of March 2005. However, people may change positions and organizations may change locations, so it is best to contact the organization to confirm the information or before making an on-site visit.

Financial Education Directory Listings by Category

4. Other

Tax Education and Assistance with the Earned Income Tax Credit

General Financial Education Services

Financial Education for Small Businesses

Economic Education for Teachers

ACTION-Housing, Inc.

425 Sixth Avenue, Suite 950
Pittsburgh, PA 15219

Phone: 412/281-2102
Fax: 412/391-4512
Web: *www.actionhousing.org*

Contact: **Ann Bailey,** *Family Savings Account Administrator*
annb@actionhousing.org

Programs:
The Family Savings Account Program is an individual development account program whereby participants save up to $2,000 over a period of up to two years and then receive a $2,000 match. The total must be applied toward the purchase of specific assets.

Target audience:
We serve individuals and families whose incomes are at 200 percent of the federal poverty guidelines.

Geography served:
Allegheny, Beaver, Butler, and Westmoreland counties.

Program effectiveness:
We have 165 active participants (open savings accounts), with 300 new slots to fill in the next two years.

Aliquippa Alliance for Unity and Development

524 Franklin Avenue
Aliquippa, PA 15001

Phone: 724/378-2882
Fax: 724/375-4811
Web: *www.aaud.org*

Contact: **Debbie Giglio,** *Workforce Development Coordinator*
dgiglio@aaud.org

Programs:
AAUD is a community development organization and a one-stop social service agency serving the Beaver County area with workforce development and supplemental education programs and providing rental space to social service agencies in the Beaver County area.

Target audience:
We serve low-income, unemployed, and underemployed individuals.

Geography served:
AAUD is located in Aliquippa (Beaver County) and serves individuals throughout the city and neighboring communities.

Program effectiveness:
AAUD serves 8,000–10,000 residents per year. During the first quarter of 2004, we were selected as a VITA (volunteer income tax assistance) site for earned income tax credits.

Allegheny County Housing Authority

Resident Services Department
625 Stanwix Street
Pittsburgh, PA 15222

Phone: 412/402-2609
Fax: 412/402-2654
Web: *www.achsng.com*

Contact: **Richard K. Crowley, Jr.,** *Community and Supportive Services Coordinator*
rcrowley@achsng.com

Programs:

The Family Self-Sufficiency Program provides counseling and supports referrals to families living in public and Section 8 housing. Through the work of support specialists, families can access a number of services and programs that can lead them to self-sufficiency and eliminate dependence on social programs. The program relies on the cooperation of and links to services including but not limited to job training, credit counseling, homeownership counseling, educational services, career development, and transportation assistance.

Target audience:

Low-income public housing residents and families participating in the Housing Choice Voucher Program (Section 8).

Geography served:

Allegheny County (excluding the City of Pittsburgh and the City of McKeesport).

Program effectiveness:

The program in Allegheny County is relatively new; however, there are 10 new homeowners in Allegheny County through the success of this program. Many residents enrolled in the program have completed or are currently receiving financial literacy training, credit counseling, credit repair counseling, homeownership counseling, job training, and educational programs, working their way toward their goal of self-sufficiency.

Association of Communities for Reform Now (ACORN) Financial Justice Center

5907 Penn Avenue, Suite 310
Pittsburgh, PA 15206

Phone: **412/441-6316**
Fax: **412/441-6317**

Contact: **Maryellen Hayden,** *Executive Director*
paacornpiho@acorn.org

Programs:

The 2005 goals of the Financial Justice Center are:

To increase the amount of EITC funds going into Pittsburgh's low-and moderate-income community.

To decrease the number of EITC families receiving RALS and RACS from unscrupulous tax preparers.

To provide free tax preparation to all Pittsburghers earning under $60,000 per year.

To provide financial literacy training to churches and community groups.

Target audience:

Low- and moderate-income adults.

Geography served:

Allegheny County.

Building United of Southwestern Pennsylvania

7328 Hamilton Avenue
Pittsburgh, PA 15208

Phone: **412/731-7180**
Fax: **412/731-7183**
Web: ***www.achsng.com***

Contact: **Reverend Samuel Ware,** *Executive Director*
revware@busp.org

Programs:

Building United of Southwestern Pennsylvania is a faith-based nonprofit organization with a principal focus on financial literacy training and providing affordable housing. Our ultimate goal is to increase homeownership in the region through the partnerships we have forged with leading corporations in the housing and finance industries.

Through the coordinated efforts of our partners, we offer our clients financial education, credit counseling, credit repair programs, and mortgage application assistance. Clients learn how to save, build their wealth, pay off their debt, and reach their financial goals.

Target audience:

Low- and moderate-income families.

Geography served:

Southwestern Pennsylvania.

Carnegie Library of Pittsburgh

612 Smithfield Street
Pittsburgh, PA 15222

Phone: **412/281-7141**
Fax: **412/471-1724**
Web ***www.carnegielibrary.org/locations/business***

Contact: **Roye Werner,** *Head, Business Department*
business@carnegielibrary.org

Programs:

The Carnegie Library supports financial literacy through its extensive collections—which can be borrowed for free—of books, audiotapes, and videos on investing, money management, entrepreneurship, job searching, retirement, and taxation. We offer weekly free noontime lectures on all of these subjects at our downtown location. In addition, we work with the IRS Stakeholder Partnerships, Education, and Communication Office to offer special help for taxpayers, and with SCORE to provide entrepreneurs with business planning assistance.

Target audience:

Anyone who lives, works, or owns a business in Allegheny County.

Geography served:

Allegheny County.

Program effectiveness:

19,565 items checked out of the business library; 99,886 questions answered at the business library; 2,488 attendees at business library programs; 1,524 people helped with tax preparation; 125 entrepreneurs counseled at our location (through SCORE); 90,419 visits to the business library Web site.

Community Homebuyer Investment Program (CHIP)

P.O. Box 6102
Wheeling, WV 26003

Phone: 304/234-9221
Fax: 304/231-1217
Web: *www.chipeducation.org*

Contact: **Lisa Beall,** *Vice President*
beall@wesbanco.com

Programs:

We are completely operated by volunteers with no paid staff. We provide homeownership counseling. CHIP also coordinates a regional affordable housing seminar biennially at Wheeling Jesuit University.

Target audience:

While we focus on low- to moderate-income individuals and families, anyone is welcome to attend our classroom sessions free of charge. We are announcing an online counseling program that will focus on college students as well.

Geography served:

We currently serve the northern panhandle of West Virginia and eastern Ohio, including Hancock, Brooke, Ohio, Marshall, Belmont, and Jefferson counties. Our strategic plan calls for expansion into Monroe County, Ohio, Wetzel County, West Virginia, and Washington County, Pennsylvania. We are also in the process of creating a CHIP affiliate in the Parkersburg, West Virginia, region.

Program effectiveness:

We have a committee of approximately 30 people who conduct follow-up surveys by mail with each client. This is done quarterly.

Consumer Credit Counseling Service of Western Pennsylvania

2403 Sidney Street, Suite 400
Pittsburgh, PA 15203

Phone: 412/390-1300
888/511-2227
Fax: 412/390-1336
Web: *www.cccspa.org*

Contact: **Caryn Bilotta,** *Director of Education and Marketing*
cbilotta@cccspa.org

Programs:

CCCS helps people take control of their financial health by providing personalized credit and budget counseling sessions. If appropriate, counselors may suggest our Debt Management Program to help you get out of debt. Under this arrangement you send a monthly payment to the agency, which then disburses the funds to creditors in agreed-upon amounts. Immediate telephone counseling is available. In addition, the agency also offers in-person and telephone counseling by appointment. The agency is authorized by the Pennsylvania Housing and Finance Agency to assist homeowners applying for the Homeowners' Emergency Mortgage Assistance Program (Act 91–HEMAP). The agency also provides housing counseling: pre-purchase, post-purchase, reverse mortgage, early delinquency prevention, rental, and predatory lending. CCCS provides a wide range of educational workshops at its South Side location and in the community.

Target audience:

No income or debt criteria. Counseling is for any consumer who is overburdened with unsecured debt (credit cards, finance company loans, etc.) or who wants to get in control of his or her finances.

Geography served:

In-person counseling is available at local offices located in Pittsburgh, Beaver, Butler, Greensburg, and Washington. Telephone counseling is available for any consumer.

Program effectiveness:

In 2004, CCCS provided 150 community education presentations to a total audience of 3,681 consumers. The agency conducted almost 8,000 debt management counseling sessions, either by phone or in person at one of our 10 locations. In 2004, more than 2,000 clients entered into a formal debt management program with the agency.

Dollar Bank

Three Gateway Center
401 Liberty Avenue
Pittsburgh, PA 15222

Phone: 412/261-7564
Fax: 412/261-8273
Web: *www.dollarbank.com*

Contact: **Judith Mason,** *Community Development Officer*
jmason@dollarbank.com

Programs:

Dollar Bank provides credit counseling and restoration services for families and individuals. Services under the Credit Enhancement Program include budgeting and savings planning, homeownership training, and guidance through the home purchase process. All services are provided free of charge.

Target audience:

Low- and moderate-income families and individuals.

Geography served:

Allegheny (including the City of Pittsburgh), Butler, Washington, and Westmoreland counties in Pennsylvania; Cuyahoga (including the City of Cleveland), Lake, and Lorain counties in Ohio.

Program effectiveness:

Approximately 350 clients enter the program each year, with many staying in the credit counseling and restoration program for more than a year. Most clients open savings accounts and may be matched with Dollar Bank grant funds. Between 60 and 75 new homeowners graduate from the program each year; for many it is a last and best chance at homeownership.

Dwelling House Savings and Loan Association

501 Herron Avenue
Pittsburgh, PA 15219

Phone: 412/683-5116
Fax: 412/683-5104
Web: *www.dwellinghouse.com*

Contact: **Samuel Milliner,** *Assistant Treasurer*
Smilliner@dwellinghouse.com

Programs:

We are a mutual savings and loan offering mortgages, home improvement loans, and home equity loans. We also have savings accounts and IRAs. We participate in the Federal Home Loan Bank's Homebuyer Equity Program.

Target audience:

The general public, especially first-time and low- to moderate-income homebuyers.

Geography served:

Allegheny County and the contiguous areas.

ESB Bank

600 Lawrence Avenue
Ellwood City, PA 16117

Phone: 724/758-5584
Fax: 724/758-0576
Web: www. esbbank.com

Contact: **Carol E. Poleno,** *Neighborhood Development Associate*
cpoleno@esbbank.com

Programs:

ESB Bank's Home Ownership Mortgage and Home Rehabilitation Mortgage are first-mortgage programs for owner occupants who purchase or refinance one- to four-unit dwellings and meet income criteria. Interest rates are lower than ESB Bank's other mortgages, with zero points, and the debt ratios are 33% for housing and 41% total debt.

Down payment/closing cost assistance is provided through the Federal Home Loan Bank of Pittsburgh's Homebuyer Equity Fund Grant, Housing Opportunities of Beaver County's First-Time Home Buyers Assistance (half loan and half grant), and Neighborhood Housing Services, Inc.'s Closing Cost Assistance Loan Program.

Target Audience:

Borrowers' incomes may not exceed 80% of the median income when MI is lender paid. Property must be in a census tract where the average income meets that criterion or in a PCRG census tract.

Exico, Inc.

241 Fourth Avenue
Pittsburgh, PA 15222

Phone: 412/261-3073
Fax: 412/261-0626
Web: www.exicoinc.com

Contact: **Eustace O. Uku,** *President*
exicoinc@aol.com

Programs:

Exico, Inc. is a management consulting firm specializing in small business development and financing, affordable housing development, financial education, and capacity building for faith-based organizations.

Target audience:

Small businesses, government agencies, faith-based organizations, and real estate developers.

Geography served:

Northeastern United States.

Program effectiveness:

Served over 400 clients, provided financial education to over 200 public housing residents, raised more than $150 million in capital, and facilitated minority/women business enterprise participation in excess of $1.5 billion of publicly funded construction projects.

Family Services of Western Pennsylvania

6401 Penn Avenue
Pittsburgh, PA 15206

Phone: 412/661-1670, ext. 649
or 866/965-5929
Fax: 412/665-8730
Web: www.fswp.org

Contact: **Sue Kerr,** *Program Liaison*
kerrs@fswp.org

Programs:

We offer three low-interest loan programs to help working families maintain economic stability. The Ways to Work Transportation Loan programs help working families access funds for automobile purchases or repairs to enrich employment and/or educational opportunities. The Family Loan Program is for the purchase of household items required for ongoing household needs. We also offer a range of financial literacy classes using the FDIC Money Smart curriculum. Classes are tailored to the specific needs of participants but can include budgeting, banking, credit, borrowing, and home ownership.

Target audience:

All loan programs are geared toward low- to moderate-income individuals and families. Ways to Work serves residents in Allegheny, Fayette, Greene, Washington, and Westermoreland counties. The Transportation and Family Loan Programs target employees of participating nonprofit agencies within Allegheny County. Financial literacy classes are open to anyone.

Geography served:

Allegheny, Fayette, Greene, Washington, and Westmoreland counties. Some loan programs have specific geographic restrictions. Financial literacy classes are available to all.

Fayette County Community Action Agency

140 North Beeson Avenue
Uniontown, PA 15401

Phone: 724/430-3011
Fax: 724/437-4418
Web: www.fccaa.org

Contact: **James M. Stark,** *Chief Executive Officer*
jstark@charter.net

Programs:

Through FCCAA's various programs, resources, and partnerships, we are able to provide budget counseling, financial literacy, homebuyer education, and promote asset development.

Target audience:

Low- and moderate-income persons, the elderly, and disadvantaged residents of Fayette County.

Geography served:

Fayette County.

Federal Deposit Insurance Corporation

20 Exchange Place
Room 6036
New York, NY 10005

Phone: 917/320-2621
Fax: 917/320-2916
Web: www.fdic.gov

Contact: **Valerie J. Williams,** *Community Affairs Officer*
vwilliams@fdic.gov

Programs:

One-day Money Smart Train-the-Trainer workshops for organizations that are interested in bringing the Money Smart program to their communities. The Money Smart curriculum is a set of 10 instructor-led training modules covering basic financial topics, available free of charge.

Federal Deposit Insurance Corporation continued...

Target audience:
Adults outside the financial mainstream. The program also has been successfully used to teach youth.

Geography served:
Pennsylvania, New York, New Jersey, Delaware, Maryland, District of Columbia, Puerto Rico, and the Virgin Islands.

Fifth Third Bank

600 Superior Avenue East
Fourth Floor
Cleveland, OH 44114

Phone: 216/274-5096
Fax: 216/274-5476
Web: *www.53.com*

Contact: **Scenario Adebesin,** *Community Development Officer*
scenario.adebesin@53.com

Programs:
Fifth Third Bank offers a variety of products and services as well as financial education resources. Some of those no-cost financial education opportunities are two seminars for first-time homebuyers, "How to Improve Your Personal Credit" and "A Guide to Residential Home Buying." Our products include personalized first-time homebuyer counseling in conjunction with a no-money-down, below-market rate, an online "Check 21 Introduction" course, and in-school banking education programs for youth.

Target audience:
The general public, students, first-time homebuyers, and low- to moderate-income individuals.

Geography served:
Cities in the following nine counties: Allegheny (Pennsylvania) and Cuyahoga, Geauga, Lake, Lorain, Medina, Portage, Stark, and Summit (Ohio).

Program effectiveness:
Each year, thousands of individuals use the products and services offered by Fifth Third Bank. The most popular is the Good Neighbor Mortgage Loan, which offers below-market interest rates, no money down or monthly private mortgage insurance, and reduced closing costs.

Gannon University

109 University Square
Erie, PA 16541

Phone: 814/871-7585
Fax: 814/871-7210
Web: *www.gannon.edu/stock*

Contact: **Charles A. Bennett, Director,** *Center for Economic Education and Professor of Economics and Finance*
bennett@gannon.edu

Programs:
Economic and financial education for students and teachers in grades K–12 and at the university level. Active for more than 25 years in economic, financial, and entrepreneurial education. Affiliated with EconomicsPennsylvania and the National Council on Economic Education.

Target audience:
General public, adults, students, K–12 educators and students, university students, pre-service teachers and employees.

Geography served:
Primary focus is northwestern Pennsylvania in Erie, Crawford, and Warren counties (referred to as the "Gannon University region"), regional audience, statewide, and national through various programs of our affiliates.

Program effectiveness:
More than 25 years of activity, tens of thousands of students have been affected.

Garfield Jubilee Association

5138 Penn Avenue
Pittsburgh, PA 15224

Phone 412/665-5204
Fax: 412/665-5205

Contact: **Joann Monroe,** *Executive Director*
chico86137@aol.com

Programs:
GJA provides homeownership education, counseling, and economic and financial literacy through our Family Savings Account Program, an individual development account.

Target audience:
Low- and moderate-income families and first-time homebuyers.

Geography served:
Pittsburgh and Allegheny County.

Program effectiveness:
There were 183 clients enrolled in the homeownership program: 115 clients were able to purchase their homes, 51 clients are in the credit repair program, and 15 clients are mortgage ready. The Family Savings Account Program has graduated 34 families since December 2003.

Goodwill Industries of Pittsburgh

2600 East Carson Street
Pittsburgh, PA 15203

Phone: 412/390-2203
Fax: 412/481-0187
Web: *www.goodwillpitt.org*

Contact: **Daryl Jackson,** *Educational Counselor*
jackson@goodwillpitt.org

Programs:
Goodwill assists noncustodial and custodial parents in understanding financial literacy as it affects their ability to pay child support and/or manage their household budget and the rearing of their children.

Target audience:
Allegheny county residents with child support orders for children under 18 years of age.

Geography served:
Allegheny County.

Hill District Federal Credit Union

2021 Centre Avenue
Pittsburgh, PA 15219

Phone: 412/281-0822
Fax: 412/281-2034
Web: www.hilldistrictfcu.org

Contact: **Richard Witherspoon,** *Treasurer/Manager*
rspoon@hilldistrictfcu.org

Programs:
We are a financial service provider serving low- to moderate-income individuals.

Target audience:
We serve people who live in the Hill District neighborhood of the City of Pittsburgh.

Geography served:
Same as above.

Program effectiveness:
We have approximately 2,000 members. We will be celebrating our 35th year of service to this community in 2005. In those years, we have seen many people improve their financial health with our assistance.

Hill House Association

1835 Centre Avenue
Pittsburgh, PA 15219

Phone: 412/392-4400, ext. 4406
Fax: 412/392-4462
Web: *www.hillhouse.org*

Contact: **Marvin B. Prentice,** *Associate Director*
mprentice@hillhouse.org

Programs:
The Hill House Association is a multifaceted social service agency that provides one-stop shopping opportunities. Our programs include child care services, educational services, adult care, and outreach services to the community.

Target audience:
Hill House Association provides services from infants to seniors through the various programs offered by our agency and tenants.

Geography served:
Our primary focus is the Hill District and South Oakland, but our programs span the greater Pittsburgh area and Allegheny County.

Program effectiveness:
Hill House serves more than 27,000 people of different ages and service needs. Effective outcome evaluations require sub-analysis of each area, which the agency performs on a consistent basis.

Holy Family Institute

1789 South Braddock Avenue
Suite 585
Pittsburgh, PA 15218

Phone: 412/244-8010
Fax: 412/244-8090

Contact: **Michael Selep,** *Supervisor*
mselep@duqlight.com

Programs:
We help to manage the Universal Services Program for Duquesne Light and serve as a screening agency for the Dollar Energy Fund. We work with low-income families to help them maintain energy at an affordable price.

Target audience:
Families at 150 percent of the federal income guidelines who are struggling to maintain utility service.

Geography served:
We have offices in Swissvale, McKees Rocks, East Liberty, and Catholic Charities Downtown. We work with families in Allegheny and Beaver counties. We have CARES reps who will visit families in their homes.

Program effectiveness:
Currently, Universal Services has more than 17,000 active families. We determine success by the retention rate and the amount billed each month compared to the amount paid (we are over 90 percent each month). We also measure the amount of grants received and grant money received for families.

Home Ownership Preservation Project (HOPP)

Regional Enterprise Tower
425 Sixth Avenue, Suite 980
Pittsburgh, PA 15219

Home: 412/434-6004
Fax: 412/201-4304

Contact: **Irene McLaughlin,** *Project Manager*
irene@rhls.org

Programs:
HOPP directly serves lower-income homeowners by advocating affordable payment plans on property liens (unpaid property taxes and other municipal charges) in lieu of tax sale, that is, foreclosure. HOPP provides free transactional legal services to convey title to equitable owner-current owner/occupant who is not the owner of record but has a claim to title.

Target audience:
Lower-income homeowners, whether or not the property is in the name of the current owner/occupant (legal and equitable owners).

Geography served:
Priority to City of Pittsburgh residents.

Program effectiveness:
Since its inception in August 2003, HOPP has handled hundreds of informational calls, served roughly 200 homeowners, secured 125 affordable payment plans and lien payoffs, and avoided 40 tax sales. HOPP's ongoing advocacy helps to assure the availability of affordable payment plans by the City of Pittsburgh and its assignee, Capital Asset Research Corporation, according to the Foley Settlement Agreement and the Pollice–Houck Settlement Agreement, respectively.

Housing Opportunities of Beaver County

650 Corporation Street
Suite 207
Beaver, PA 15009

Home: **724/728-7511**
Fax: **724/728-7202**
Web: ***www.hobcinfo.org***

Contact: **Frank Wilson,** *Executive Director*
frankwilson.hobc@verizon.net

Programs:

Provides down payment and closing-cost assistance for first-time homebuyers. Provide HEMAP (Homeowners Emergency Mortgage Assistance Program) and budget counseling. Provides credit correction counseling. Assists low- to moderate-income families and first-time homebuyers with down payment and closing cost assistance up to $6,000. We also provide credit repair counseling in order that these families will qualify for financing.

Target audience:

Low- to moderate-income individuals, from 60 percent to 100 percent of median income.

Geography served:

Beaver County.

Program effectiveness:

21 clients became first-time homebuyers in FY 2002–03; more than 35 clients were approved for Act 91 assistance; and households were stabilized.

Internal Revenue Service, Taxpayer Advocate Service

1000 Liberty Avenue
Room 1602
Pittsburgh, PA 15222

Phone: **412/395-5987**
Fax: **412/395-4769**
Web: ***www.irs.gov***

Contact: **A.C. Mettlen,** *Taxpayer Advocate*
Andrew.C.Mettlen@irs.gov

Programs:

The Taxpayer Advocate Service is an independent part of the Internal Revenue Service. We can help individuals or businesses try to resolve ongoing tax problems.

Target audience:

All taxpayers, both individuals and businesses.

Geography served:

Western Pennsylvania.

Junior Achievement of Southwestern Pennsylvania

120 Marshall Drive
Warrendale, PA 15086

Phone: **724/772-5900**
800/522-6957, ext. 124
Fax: **724/772-0256**
Web: ***www.pittsburgh.ja.org***

Contact: **Christine V. Kemp,** *Program Manager*
ckemp@jaswpa.org

Programs:

Junior Achievement educates and inspires young people to value free enterprise, business, and economics to improve the quality of their lives.

Target audience:

School students K–12 in school classrooms, after school, and summer programs.

Geography served:

Junior Achievement serves nearly 6 million students worldwide. JASWPA serves nearly 80,000 students in more than 100 school districts in 32 counties of western Pennsylvania and the northern panhandle of West Virginia.

Program effectiveness:

A 1994–95 study by the Western Institute of Research found JA elementary school students had far greater comprehension of economic principles than a control group, and participating sixth graders scored 27 percent higher than nonparticipants.

Just Harvest

16 Terminal Way
Pittsburgh, PA 15219

Phone: **412/431-8960**
Fax: **412/431-8966**
Web: ***www.justharvest.org***

Contact: **Kristie Weiland,** *Campaign Outreach Coordinator*
kristiew@justharvest.org

Programs:

Give Paychecks a Boost Campaign: education and outreach about tax credits for low- and moderate-income workers; free tax preparation during tax season; advocacy to reduce barriers to filing tax returns.

Target audience:

Low- and moderate-income workers.

Geography served:

Allegheny County.

Program effectiveness:

For the 2004 tax season, distributed more than 35,000 pieces of literature about the Earned Income Tax Credit and Tax Back through a network of 300 community organizations, employers, unions, public agencies, and churches; gave educational presentations at community meetings to 750 people; prepared more than 2,000 tax returns for 790 clients, who received refunds totaling $972,000; helped four additional agencies set up free tax preparation sites; and, as part of a national advocacy movement, helped to reduce the barriers to filing for the earned income tax credit.

Mon Valley Initiative

303–305 East Eighth Avenue
Homestead, PA 15120

Phone: **412/464-4000**
Web: ***www.monvalleyinitiative.com***

Contact: **Jefferson Brooks,** *Director of Workforce Development*
jbrooks@monvalleyinitiative.com

Programs:

The program focuses on helping area residents attain the skills and connections needed to acquire living wage jobs and begin productive, healthy careers.

Target audience:

Mon Valley–area employees and employers.

Geography served:

Mon Valley.

Mt. Nazareth Center, Inc.

285 Bellevue Road
Pittsburgh, PA 15229

Phone: 412/931-3510
Fax: 412/931-7255
Web: *www.mtnazarethcenter.org*

Contact: **William Vandivier,** *Director of Housing Services*
bvandivier@mtnazarethcenter.org

Programs:

Financial assistance and counseling regarding housing problems for low-income homeowners; education and counseling to first-time homebuyers.

Target audience:

Low-income homeowners, first-time homebuyers, low-income renters with housing-related problems, senior citizens with housing problems.

Geography served:

Allegheny County, primarily northern suburbs, Mt. Oliver area, Wilkinsburg, and the City of Pittsburgh.

Program effectiveness:

More than 400 clients served per year; more than 125 home repairs funded through loans or grants; at least six homebuyer education seminars presented.

National City Bank

20 Stanwix Street
Pittsburgh, PA 15222

Phone: 412/644-7648
Fax: 412/644-7645
Web: *www.nationalcity.com*

Contact: **George M. Fausold,** *Vice President and CRA Officer*
george.fausold@nationalcity.com

Programs:

National City provides a presentation that includes an 18-minute tape discussing various predatory lending situations to first-time homebuyers, the elderly, and minorities. This is an awareness session that directs people to not just sign on the dotted line, but to talk with people they can trust in order to stay away from predatory situations. Subject matter and content vary according to audience.

Target audience:

Audience may include first-time homebuyers, the elderly, faith-based groups, minority, clubs, etc.

Geography served:

Western Pennsylvania.

Program effectiveness:

Based on the general nature of the program, specific measurements are very difficult to obtain.

National Foundation for Teaching Entrepreneurship (NFTE)

307 Fourth Avenue
Suite 500
Pittsburgh, PA 15222

Phone: 412/456-4169
Fax: 412/456-2932
Web: *www.nfte.com*

Contact: **Jerry M. Cozewith,** *Executive Director, NFTE Greater Pittsburgh*
Jerryc@nfte.com

Programs:

NFTE teaches entrepreneurship to young people from low-income communities to improve their academic performance and economic productivity. We train teachers and youth professionals to teach our Entrepreneurship Curriculum and we support business start-ups by youth.

Target audience:

Youth, 7th to 12th grades, primarily from low-income communities.

Geography served:

Allegheny County and southwestern Pennsylvania.

Program effectiveness:

Youth provide pre- and post-course information about their aspirations, knowledge, and attitude toward school completion (graduation), continuing education, and the possibility of business ownership.

Neighborhood Housing Services of Pittsburgh

355 Fifth Avenue, Suite 1022
Pittsburgh, PA 15222

Phone: 412/281-9773
Fax: 412/281-9987
Web: **www.nhswpa.org**

Contact: **LouAnn Ross,** *Executive Director*
info@nhswpa.org

Programs:

Promote strong and vital neighborhoods by working to provide opportunities for, eliminate barriers to and preserve homeownership. This is accomplished through financial fitness and homebuyer education, credit counseling and restoration, post-purchase education, and default and delinquency counseling. In addition, Neighborhood Housing Services offers down payment and closing cost assistance, home improvement, first mortgage, rehabilitation, and refinance loans.

Target audience:

Anyone is welcome to participate in our programs; however, our closing cost and down payment assistance program is available only to low- and moderate-income individuals and families.

Geography served:

Southwest Pennsylvania, with an emphasis on Allegheny County.

Program effectiveness:

In 2003, Neighborhood Housing Services provided information and referrals to more than 1,000 individuals and families. More than 400 people attended our financial fitness and homebuyer education and an additional 400 people were in receiving one-on-one credit repair counseling. As a result, over 280 people moved into a home of their own.

Neighborhood Housing Services of Pittsburgh—My Money, My Life Program

355 Fifth Avenue, Suite 1022
Pittsburgh, PA 15222

Phone: 412/281-9773
Fax: 412/281-9987

Contact: LouAnn Ross, *Executive Director*
info@nhswpa.org

Program:

My Money, My Life: Financial Fitness for Young Adults in Allegheny County is a free five-year program aimed at educating young adults in low-to moderate-income neighborhoods about financial literacy issues important to them throughout their lives. Targeting youth ages 16-19 years of age, the programs aims to avoid credit abuse among at least 1,000 young adults. The program will be administered by Neighborhood Housing Services, Inc., who will conduct financial literacy clubs in at least 10 target neighborhoods in the footprint of the partner banks per year.

Using the National Endowment for Financial Education curriculum, NHS will provide 12 hours of instruction. Topics include: Setting financial goals, budgeting, understanding credit, appreciating risk, saving, investing, consumer spending, managing debt, selecting insurance. Instructional techniques will include lecture, videos, games, audience participation, handouts, and worksheets. At the end of each series of sessions, there will be a graduation party where parents and other family members will be invited to celebrate completion. All teen participants who completed the program at a 90% or greater rate of attendance will receive $100 in a fee free bank account. Additionally, all family members in attendance at the graduation party will receive a certificate for free Homebuyer Education or Credit Counseling at Neighborhood Housing Services, Inc.

Northside Community Development Fund

922 Middle Street
Pittsburgh, PA 15212

Phone: 412/322-0290
Fax: 412/322-0656
Web: *www.northsidecommercialhub.com*

Contact: Linda LaFever, *Executive Director*
lefever@nscdfund.org

Programs:

NSCDF provides commercial loan products to businesses located on Pittsburgh's North Side, with loan amounts that vary from $500 to $100,000. We also offer a variety of technical assistance, credit review, and business planning referrals.

Target audience:

NSCDF targets all business owners and potential business owners located on or locating to Pittsburgh's North Side. This includes start-ups as well as existing businesses.

Geography served:

The North Side of Pittsburgh includes the 15212, 15214, and 15233 ZIP codes and makes up nearly one-third of the City of Pittsburgh.

Program effectiveness:

Since its inception in 2000, NSCDF has made 26 loans to 30 businesses totaling over $1 million, resulting in the stabilization of 10 troubled businesses, the start-up of eight local businesses, and the expansion of eight businesses. The fund maintains a default rate under 3 percent, and its clients have created more than 175 jobs, 130 of which have been filled by eligible low-income residents.

Northside Leadership Conference

415 East Ohio Street
Suite 300
Pittsburgh, PA 15212

Phone: 412/231-4714 x 34
Fax: 412/231-5306
Web *www.pittsburghnorthside.com*

Contact: Dennis L. Freeland, *Real Estate Marketing Manager/Project Manager, Department of Residential Development*
Dennis@pittsburghnorthside.com

Programs:

The Northside Leadership Conference (NSLC) is a nonprofit community development corporation engaged in residential, business, and economic and workforce development, as well as neighborhood planning and advocacy. The NSLC is a coalition of 13 diverse communities on the North Side of Pittsburgh.

Target audience:

Our constituency is comprised of the almost 50,000 residents who call the North Side home. All demographic groups are served in some capacity, whether it be assistance in finding employment, guidance in finding, qualifying, and buying a home, or community youth outreach in the health and life sciences through our partnerships with Allegheny General Hospital and Heinz, USA.

Geography served:

All 13 of the residential communities of the North Side of Pittsburgh.

Program effectiveness:

Since the inception of the Department of Residential Development, we have constructed or rehabbed over 175 homes for mostly first-time, low- to moderate-income homebuyers. Our Business and Economic Development Department has assisted eight business districts in streetface and façade improvement programs and revitalized these areas by procuring and enhancing 50 businesses. Our Workforce Career Center counsels and places an average of 150 clients a month.

Parkvale Savings Bank

4220 William Penn Highway
Monroeville, PA 15146-2734

Phone: 412/373-4806
Fax: 412/373-2469
Web: www.parkvale.com

Contact: Thomas A. Webb, *Vice President, Retail Lending*
tom.webb@parkvale.com

Programs:

The Parkvale Bank School Savers Program is an educational program presented to 5th grade students from participating schools in the southwestern Pennsylvania region. In conjunction with completing the school savers training, students receive a $10 voucher to open a savings account at their local Parkvale Bank branch.

Target audience:

Fifth grade students from participating schools in the southwestern Pennsylvania region.

Geography served:

Metropolitan Pittsburgh.

Program effectiveness:

This program has historically reached more than 200 students representing 15 to 20 schools per year.

Pennsylvania Housing Finance Agency

211 N. Front Street
Harrisburg PA 17036

Phone: 717-780-3907
Fax: 717-780-1865
Web: *www.phfa.org*

Contact: **Terri L. Redmond,** *Counseling and Education Representative*
tredmond@phfa.org

Programs:

Our Comprehensive Housing Counseling Initiative is designed to improve communities by addressing specific housing priorities such as expanding homeownership opportunities, increasing minority homeownership, fighting predatory lending practices, helping homeowners save their homes from foreclosure, and increasing housing opportunities for the elderly and the disabled. Through a network of participating agencies, counselors provide guidance and advice to help families and individuals improve their housing conditions and meet the responsibilities of tenancy and homeownership. Clients may also be referred to other programs or providers for financial resources and additional social services.

Target audience:

Low- to moderate-income homebuyers.

Geography served:

Commonwealth of Pennsylvania.

Program effectiveness:

More than 32,000 families have had their homes saved from foreclosure by utilizing the HEMAP Program.

Pennsylvania Securities Commission

300 Liberty Avenue
806 State Office Building
Pittsburgh, PA 15222

Phone: 1-800-600-0007
Web: *www.psc.state.pa.us*

Contact: **Christina Kotsalos,** *Investor Education Coordinator*
ckotsalos@state.pa.us

Programs:

The Pennsylvania Securities Commission protects Pennsylvania investors from fraudulent and abusive practices in the offer and sale of securities in the Commonwealth and fosters legitimate capital formation activities to grow Pennsylvania businesses. The Commission's Investor Education program is focused on helping investors actively look after their money and their financial future by making informed judgments and increasing their financial literacy.

Geography served:

Commonwealth of Pennsylvania

Pittsburgh Community Reinvestment Group

P.O. Box 53009
1901–15 Centre Avenue
Suite 200
Pittsburgh, PA 15219

Phone: 412/391-6732
Fax: 412/391-6737
Web: *www.pcrg.org*

Contact: **Gregg Simmons,** *Program Manager, Anti-Predatory Lending Initiative*
gsimmons@pcrg.org

Programs:

The Anti-Predatory Lending Initiative seeks to reduce the effects of predatory mortgage lending in Allegheny County. The program provides direct assistance to homeowners by negotiating with lenders and by providing legal referrals and refinance opportunities. The program also works on a larger advocacy agenda to reduce the incidence of predatory lending in the area by educating homeowners about the dangers of poor-quality mortgage products.

Target audience:

The Anti-Predatory Lending Initiative will work with any homeowner in Allegheny County who has been affected by predatory lending.

Geography served:

Allegheny County, Pennsylvania.

Program effectiveness:

Since its official launch in June 2003, the initiative has provided service or resolutions to more than 250 area homeowners. We have negotiated better mortgage terms on behalf of area homeowners and have also helped individuals avoid foreclosure. The program regularly distributes informational literature and has taught classes to more than 600 area residents in an ongoing effort to warn borrowers of potential mortgage trouble.

Pittsburgh Community Services, Inc.

1835 Centre Avenue
Pittsburgh, PA 15219

Phone: 412/392-4430
Fax: 412/392-4466
Web: *www.pghcsi.org*

Contact: **Leeretta Payne,** *Technology Coordinator*
leerettap@pghcsi.org** or **barbarad@pghcsi.org

Programs:

Pittsburgh Community Services, Inc. (PCSI) is the community action agency for the City of Pittsburgh. PCSI strives to reduce the effect of poverty and commit its resources to residents and individuals who are at risk.

Target audience:

Eligibility for participation is set at 125 percent of the federal poverty level.

Geography served:

City of Pittsburgh.

Program effectiveness:

PCSI assists approximately 40,000 Pittsburgh individuals attain self-sufficiency.

Pittsburgh Partnership for Neighborhood Development

425 Sixth Avenue
Suite 1740
Pittsburgh, PA 15219

Phone: 412/471-3727
Fax: 412/471-3746
Web: *www.ppnd.org*

Contact: **Sarah Dieleman Perry,** *Program Officer*
sarah@ppnd.org

Programs:

We are a community development funding intermediary that provides support to neighborhood-based community development corporations (CDCs) in the areas of real estate development, workforce development, business district revitalization, and community organizing. We don't have a financial literacy program, but support the CDCs in workforce development in various ways: continuous improvement information sessions, trainings and conferences, technical assistance funding, as well as operating support.

Target audience:

Direct audience: CDCs in the city of Pittsburgh, defined as neighborhood groups that conduct either one of the four program areas listed above. Indirect audience: residents, business owners, property owners, and unemployed in the neighborhoods we support.

Geography served:

City of Pittsburgh.

PNC Bank, N.A.

One PNC Plaza, 7th Floor
Pittsburgh, PA 15222

Phone: **412/762-0132**
Fax: **412/762-4749**
Web: ***www.pnc.com***

Contact: **Jon Newell,** *Community Consultant*
jon.newell@pncbank.com

Programs:

PNC offers banking products and services that meet a wide variety of needs. Practical education includes classes on such topics as basic banking information, how to be a smart borrower, teaching your children to be smart about money, small business cash flow, and many other relevant topics. We also offer complimentary banking products including free checking, the state-matched family savings program, budget savings, affordable mortgage products with closing cost assistance, and a large variety of consumer and business loans.

New in 2005: Foundations of Money Management program provides an opportunity for those who have been turned down for bank accounts to re-enter the banking system and a better financial future. Programs are delivered at the PNC branches.

Target audience:

PNC is a full-service bank, providing community and banking services to all segments of the community. Our community development banking focus is on low-income to high-net-worth individuals and businesses working or living in low- and moderate-income communities.

Geography served:

Pennsylvania, Delaware, New Jersey, parts of Ohio, Kentucky, Indiana, Washington, DC, and Northern Virginia.

Program effectiveness:

PNC's financial education has provided new opportunities for participants. Families save more, first-time homebuyers take advantage of our financial and educational tools to prepare themselves for homeownership, and small businesses are strengthened by the information we share. The outreach for financial literacy at PNC has caused positive financial outcomes for thousands of consumer and business customers in the communities we serve.

Sky Bank

336 Fourth Avenue
Pittsburgh, PA 15222

Phone: **412/227-4828**
Fax: **412/227-4861**
Web: ***www.skyfi.com***

Contact: **Debbie Tawney,** *Assistant Vice President and Community Development Officer*
debbie.tawney@skyfi.com

Programs:

Money Smart by FDIC curriculum is used for budgeting, homebuyer and checking account 101 classes. I work with Action Housing, community development corporations, and faith-based organizations to present this financial literacy information.

Target audience:

The general public, targeting first-time and low- to moderate-income homebuyers.

Geography served:

Allegheny County, some of Washington County, and some of Westmoreland County (Pittsburgh MSA).

U.S. Department of Housing and Urban Development

Pittsburgh Field Office
339 Sixth Avenue
Pittsburgh, PA 15241

Phone: **412/644-6596**
Fax: **412/644-4240**
Web: ***www.hud.gov***

Contact: **Cheryle E. Campbell,** *Field Office Director*
cheryle_e._campbell@hud.gov

Programs:

HUD certifies housing counseling agencies, which are then eligible to apply for housing counseling grants from HUD. HUD oversees the Federal Housing Administration's mortgage insurance program, the Community Development Block Grant program, as well as 38 public housing authorities in western Pennsylvania and about 600 assisted housing properties. HUD is also responsible for administering the Fair Housing Act to ensure the opportunity for fair housing choice.

Target audience:

Low- and moderate-income individuals.

Geography served:

29 counties in western Pennsylvania.

Program effectiveness:

Expand national homeownership opportunities; increase minority homeownership; fight practices that permit predatory lending; help HUD-assisted renters become homeowners; expand access to affordable housing; increase housing opportunities for the elderly and persons with disabilities; help HUD-assisted renters make progress toward self-sufficiency; eliminate chronic homelessness; promote public awareness of fair housing laws; improve housing accessibility for persons with disabilities; and expand the technical ability of faith-based organizations to become successful grant applicants; as well as advance community and economic development opportunities.

University of Pittsburgh, Center for Economic Education

240 Mervis Hall
Pittsburgh, PA 15260

Fax: 412/648-1724
Phone: 412/833-5598
Web: *www.economicspa.org*

Contact: **Lora T. Spence,** *Field Consultant, EconomicsPennsylvania*
agrape@nb.net

Programs:

The Center for Economic Education serves public and private school classroom teachers, K–12, who teach and administer economics, financial literacy, and related subjects. This is done by providing to them with a yearly schedule of timely workshops and demonstrations, publications and updated curriculum materials and media. Three newsletters per school term are also published and Act 48 credit hours may be earned by professionals through confirmed attendance and participation in these activities.

Target audience:

Target populations are classroom teachers, administrators, and policymakers who teach economics and financial literacy, K–12. All classifications of student populations may be involved, from the gifted and talented to academic underachievers. Special components of curriculum programs target parents and engage them in cooperative educational activities. For teachers who may not be able to attend workshops, the staff provides on-site services.

Geography served:

The Center's services operate, in cooperation with Robert Morris University's Center for Economic Education, among the Pittsburgh City Schools and in schools belonging to Intermediate Units 1, 3 and 27. These include public and private schools in Allegheny, Fayette, Greene, Washington, and Butler counties.

Program effectiveness:

Measured year to year through a count of teachers participating, students and parents effected, public and private schools using the programs and materials, and through individual workshop session evaluations, which are reported to the Pennsylvania Department of Education. In the 2003–04 school year, 81 school districts participated in Center sessions (sent teachers and administrators or asked for sessions on-site); four intermediate units (1, 2, 3, 27) participated or cooperated in delivering teacher sessions; 8,000–10,000 students were affected; 30 students from 30 school districts completed the sessions and assignments of the Katz Business Apprenticeship Program (62 are signed up for the 2004–05 program); and 100 percent of workshop session evaluations earned approval from the Pennsylvania Department of Education for Act 48 credits.

Urban League of Pittsburgh

1 Smithfield Street
Pittsburgh, PA 15222-2222

Phone: 412/227-4802
Fax: 412/227-4162
Web: *www.ulpgh.org*

Contact: **Lee Hipps,** *Executive Vice President & COO*
lhipps@ulpgh.org

Programs:

Housing Services

A HUD-certified comprehensive housing counseling program is offered to families and individuals living in Allegheny County. Counselors review housing situations, educate families concerning financial management and home maintenance, and give referrals to area service providers. We provide in-depth counseling, location services, referrals, and one-time grants to the landlord on behalf of homeless and near-homeless families and individuals in Allegheny County. We also offer a comprehensive homebuyer education program with an emphasis on financial management and provide a home equity loan program for homeowners with damaged credit who seek refinancing to pay off existing predatory loans, cash out equity, make repairs, etc.

Hunger Services

The Urban League operates an emergency food assistance hotline to connect individuals and families with a neighborhood pantry. We also provide food, formula, and diapers to pregnant women, mothers, and children up to age five who are not receiving WIC benefits; we help families apply for the food stamp program.

Employment Services

Life skills, basic education skills including GED preparation, and work experience are offered. In addition, services are provided to individuals who are seeking employment assistance, including job development, counseling, referral/placement, and job-readiness seminars and training.

Family Support Services

Provides services to families with children from birth to five years: skills enhancement, financial education, goal planning, and early literacy enrichment.

Education

Program offers educational enhancement to increase young people's chances of graduating from high school and continuing into college. Services include college preparation, academic awards recognition, test-taking strategies, technology programs, and financial counseling.

Target audience:

Low- to moderate-income individuals and families.

Geography served:

All programs serve the City of Pittsburgh and Allegheny County. The Food Stamp Outreach and Enrollment Program also serves Washington, Westmoreland, Butler, and Greene counties; the Homebuyer Education Program serves all of southwestern Pennsylvania.

Program effectiveness:

In fiscal year 2003–04, we provided services to over 34,579 clients. The Housing Department alone served 17,599 clients, 5,487 of whom were new, unduplicated clients. Since its inception in 1996, more than 1,000 participants have enrolled in the Operation Home Program; of those, we have documented 133 who have become homeowners. Our Emergency Food Assistance Hotline fields 200 calls daily and refers clients to food pantries throughout Allegheny County. On average, we prescreen and/or enroll 20–30 clients a month in Allegheny County alone.

YWCA of Greater Pittsburgh

305 Wood Street
Pittsburgh, PA 15222

Phone: 412/371-2712
Fax: 412/371-3759
Web: www.ywcapgh.org

Contact: **Sarah Bernardini,** *Director of Asset Development*
sbernardini@ywcapgh.org

Programs:

The YWCA operates a range of asset development programs, including a family savings account program, financial empowerment classes, referrals for credit counseling, homeownership programs, and microenterprise
and small business development. We are developing an entrepreneurial training program for women, to be operational in late 2005.

Target audience:

Our specific target group is low- to moderate-income women and families; however, most of our programs are open to the community.

Geography served:

Allegheny County.

The Financial Education Consortium

Our Mission

The Financial Education Consortium will serve as a primary catalyst to promote financial literacy.

What is the Financial Education Consortium?

The Consortium is a coalition of organizations seeking to coordinate financial literacy efforts in southwestern Pennsylvania. Participation is open and voluntary; it includes financial institutions, nonprofit organizations, and government agencies. Our geographic scope is the seven-county Pittsburgh MSA, but programs operating outside this area are welcome to participate.

Objectives of the Consortium

- $ Develop a common financial education agenda
- $ Educate consumers and providers
- $ Disseminate best practices
- $ Build partnerships
- $ Target specific audiences
- $ Identify and develop resources for financial education.

Federal Reserve Bank of Cleveland
Community Affairs Department
P.O. Box 6387
Cleveland, OH 44101
clevelandfed.org/CommAffairs

Federal Reserve Bank of Cleveland
clevelandfed.org/CommAffairs

Attachment
Section 19

Getting Our Money's Worth:
Exploring State Strategies for
Investing in Financial Literacy Education

37 pages

Getting Our Money's Worth: Exploring State Strategies for

Investing in Financial Literacy Education

June 2007

Updated May 2008

By

Dana Twight, CFP®

In partial fulfillment of the requirements for a Master's Degree

in Educational Leadership and Policy Studies (EDLPS)

Mark Johnson, the first FLPPP coordinator, initially supported this project. My advisor

at the UW College of Education was Professor Michael Knapp.

Executive Summary/Abstract

Many studies have been done in the last ten years about the problem of financial illiteracy among our nation's youth and indeed many adults. This report will highlight how different states, including Washington, are considering the issue of how to provide financial literacy education in a K-12 environment. Key observations from this research are that students and adults desire more knowledge, skills, and tools in this area than they have currently; providing financial education is different than providing financial information and data to students; ongoing professional development and alignment of the material to a set of standards is one way to ensure a sustainable program.

Curricular or graduation mandates might work, but the results take time to manifest themselves. Collaboration with non-governmental entities helps to leverage scarce resources yet cannot be the only path to funding or implementation. Government can play a variety of roles; mostly through grants, proclamations, grants to support partnerships and educator training and legislation encouraging or requiring teaching of the subject.

Recent global economic events have brought this issue to the doorsteps and wallets of many Washingtonians, more so than in early 2007, when this project was conceived. There are successful educational models in other states, which could help Washington State choose a way to go forward either with or without a legislative mandate to require financial education in the K-12 schools.

Introduction: Financial Literacy as an Emerging Educational Concern

The purpose of this paper is to take a snapshot of how financial literacy education is perceived and how it can be addressed in Washington State and around the country. Additionally, the paper serves to (1) synthesize information on which to base policy and decisions about future Financial Literacy education in the state of Washington; (2) build an academic information base of related efforts by other states); and (3) assess constituent interests in Washington State concerning this subject area. Also included are some key ideas from literature and results of several surveys of students and young adults conducted by non-profit groups. I will begin by offering two definitions of financial literacy and illustrate how financial decision-making has become more complex in two areas.

What is financial literacy? For many of us the terms consumer education or personal finance might provide a glimmer of understanding. Personal finance has become "more personal" to many individuals in recent years. As the saying goes, this is not our parents' financial landscape. Increases in inflation, housing costs, post-secondary education expenses, the cost of health care and insurance, and 180-degree changes in the pension system have contributed to a situation in which individuals must take a hard, close look at their own personal finances and make strategic decisions based on what they see. Reductions in government subsidies for student loans, other educational benefits and the decline in real wages for many families are contributing factors as well.

Look first at retirement planning and the use of credit for illustrative purposes. If you worked for certain employers 40 years ago, they provided you with a defined benefit pension and they were responsible for the investment risk. That meant that you would receive a predictable monthly check when you retired for the rest of your life. The employer had the opportunity and the burden of choosing the pension investments. That same employer paid wages that could support a family and had other fringe benefits. Employees, on the other hand, did not need to have any investment knowledge or expertise to manage their retirement plan (if they had one); nor were they expected to have the tools and skills to evaluate and compare the plan and multiple investment possibilities.

Over the last 40 years, a shift has occurred, stimulated in part by changes in the tax code, to the current state of affairs, in which employees have assumed additional responsibility and investment risk for their own retirement savings. Now, the most commonly used form of retirement plan is the "defined contribution plan", in which employees are for the most part encouraged to save their own money, invest it over time, and accumulate a sum for an uncertain benefit at retirement. To do so presumes some knowledge of investments, along with recognition of the effects of compound interest and inflation and of appropriate risk taking. Many employees do not comprehend the shift in the assumption of risk that these plan changes entail

Credit is now widely available and is a frequently used financial tool for many people. It is now normal to use and have access to credit—even for teenagers and college students. Contrast this with the 1960's, when Bank of America introduced the "BankAmericard", marketed all across California. It was the first card to offer its cardholders *payment options*, where they could pay the debt in full or they could make monthly payments while the banks charged interest on the remaining balances. The "BankAmericard" was unusual and the parents and grandparents who had lived through the Great Depression were wary of using credit; so not everyone had one, especially not teenagers and college students. Those parents probably passed on such values as "pay cash", "save for a rainy day", and "you can't always get what you want."

Fast forward several decades into a new century and the situation is fundamentally different on both the micro (personal) and the macro (national or global) levels. As the chairman of Epoch Investment Partners, William Priest said to the New York Times in 2006, ""In the last few years, there's been an acceleration of consumption relative to income," he said. "It's essentially come from the home A.T.M. machine." [1] Personal borrowing has skyrocketed in the last 25 years for Americans in general, but especially has increased for college students and their families. According to the US Dept. of Education, in 2005, "the average student borrower now graduates with $27,600 of debt, almost three and a half times what it was a decade ago". Here too, enhanced knowledge of financial literacy concepts might inform this often reckless or uninformed borrowing, and have an effect on this pattern of escalating debt.

Americans are not good at saving money any more either. The average amount in a retirement account is $49,944, but the median (midpoint) amount is only $2,000.

[1] http://www.nytimes.com/2006/10/01/business/yourmoney/01profit.html?ref=yourmoney

(Source www.bls.gov). [2] But we used to save! "From 1980 through 1994, the US savings rate averaged 8%" (Federal Reserve Economic Letter, 2002). Nowadays, that figure seems incredible! (How many of us defer 8% of our income into a retirement plan for example?)

In 2005, the aggregate national savings rate turned negative for the first full year since the Great Depression and has continued to be negative through the first quarter of 2008, according to the US Bureau of Economic Analysis.[3] Another way to express this is that we are consistently spending more than we make, as individuals and as a country.

These developments—concerning retirement, the use of credit, and savings—are just some of the issues that underscore a need for better financial literacy, starting early in life, so that people develop a healthier, more proactive relationship to their financial lives and circumstances. This needs sets the stage for states to consider what "financial literacy education" might entail and what actions they could take to deepen this literacy in the state's population. States may also want to define the populations they wish to reach, including but not limited to the following: K-12 students, 18-24 year old unemployed youth, families with little to no financial asset accumulation, any unemployed person, or military veterans.

Context for the Action to Improve "Financial Literacy"

[2] See www.bls.gov
[3] See www.bea.gov

In Washington State

Financial Literacy is the term commonly used to describe a body of knowledge in the area of consumer finance, savings, investing and managing credit. Various definitions are used. Nationally it has been defined as the following:

> *Personal financial literacy is the ability to read, analyze, manage, and communicate about the personal financial conditions that affect material well-being. It includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future, and respond competently to life events that affect everyday financial decisions, including events in the general economy.* (Lee, *2005)*

In Washington State, a legislatively designated body called the Financial Literacy Public Private Partnership (FLPPP) created the following definition for their work:

> *Financial literacy is defined as the achievement of skills and knowledge necessary to make informed judgments and effective decisions regarding earning, spending, and the management of money and credit. [FLPPP Interim Report, June 2007, page 5)*

As Washington's Basic Education Act states, "The goal of the Basic Education Act for the schools of the state of Washington set forth in this chapter shall be to provide students with the opportunity to become responsible citizens, *to contribute to their own economic well-being and to that of their families and communities*, and to enjoy productive and satisfying lives…" [Emphasis added]. [4]

[4] http://dfi.wa.gov/flppp/pdf/2006_report.pdf

The FLPPP appears to be a unique partnership in the country, with stakeholders representing state government (the department of education, department of financial institutions, and the legislature), financial services providers, classroom teachers and non-profit providers of financial literacy materials and training.

Many members of the FLPPP have an interest in furthering financial education goals. The Boeing Employees Credit Union and other non-profits want to offer services to their employee-members and all Washingtonians. Banks and other for-profit companies might see better educated consumers as a way to retain customers, gain market share, and simplify their customer's lives by meeting multiple needs of their customers in one institution. Professional groups such as the Washington State Society of CPAs have other goals: "The Financial Literacy program supports one of the key elements of the strategic plan: We engage members in initiatives benefiting the public." (WSCPA website)[5] Other public and private institutions are interested in financial literacy at the state level as a matter of equity.

Many citizens of Washington state do not receive any kind of financial education at home; (some are able to leverage their resources by using financial professionals) but moreover, with solely 'on the job training', many people learn valuable lessons, but do not receive any of the benefits of this education. Their 'credits' are from 'the school of hard knocks'. This education or lack thereof has implications for the rest of their lives. They may be 'unbanked', they may have no

[5] https://www.wscpa.org/wscpa/wscpa.cfm

savings, or they may have bad credit. As one national financial organization says, "Your credit past is your credit future".

Many things are now considered within the purview of the public schools; however, even within the public schools we do not reach all students. High school cannot be the sole source of this information, due to the dropout rate, graduation requirements and other resource challenges. Therefore, approaches that include all grades and an integrative approach for infusing the curriculum into required subjects are to be considered and recommended. All the students--the private and public school graduates and the school dropouts--will enter the workforce, pursue post-secondary education and training opportunities, and raise families in our state, or elsewhere in the country.

Their collective financial literacy and knowledge of economics will allow them to make wise choices [or not] that will bring both costs and benefits to other citizens of Washington. As State Representative Sharon Tomiko Santos, the chair of the FLPPP, stated in a 2007 interview, "This is the only time the people of Washington are required to do anything for a period of time—they are a compulsory audience while in public school."

Key Ideas from Existing Literature

Four important articles located for this project shed light on the underlying need and possible focus of efforts to promote financial literacy. Each one involves the use of a survey or a questionnaire. They cover the United States and several other developed countries.

First, a review of high school financial curriculum mandates from 1957 through 1985 sheds light on the potential effects of this curriculum on students' knowledge and behavior (Bernheim, Garrett, & Maki, 2001). This research led to two interesting conclusions. The first one was that mandates "have raised both exposure to financial curricula and subsequent asset accumulation once exposed students reached adulthood. " (Bernheim et al., 2001, p. 462) In other words, mandates helped, but the results came years later. This paper might lend support to those who favor mandated financial literacy curriculum rather than optional studies. In addition, this study might lend ammunition to the idea of financial education in school as an equity issue, as the authors also find support for …"the view that financial education at school is a close substitute for financial education at home" (Bernheim et al., page 460).

A second study, based on a 2001 survey of consumers ages 18-97, found a correlation between "financial knowledge and behavior, although the direction of the causality is unclear" (Hilgert, Hogarth, & Beverly, 2003, p. 311). Knowledge and experience did contribute to positive behaviors, but public policy also played a positive role. An example cited was providing an incentive to save for retirement (as in tax deferred or tax-free savings). One of their concluding points is that "there is a difference between providing information and providing education" (Hilgert et al., 2003, p 321).

The same study continues, "The distinction between information and education is an especially important point for policymakers and program leaders making decisions about the allocation of resources" (Hilgert et al., p. 321). Information is readily available, but just providing information to students [or adults, for that matter] may not result in behavior changes. Rather, the challenge concerns *curriculum*—the purposeful design of structured learning opportunities—and *instruction*—the engagement of learners in the curriculum. What kind of curriculum will yield the desired outcomes for our students and society? What do Washington citizens need to know in order "*to contribute to their own* economic *well-being and to that of their families and communities"* (Washington Basic Education Act, 1993) and how can they be helped to know it?

A third, more recent study, from early 2007, restates the harsh conclusion that while "nearly all US adults believe that it is important to have a good understanding of economics", in fact, most adults and students are "sorely deficient" in this area (Lusardi & Mitchell, 2007). These researchers investigated financial illiteracy in the U.S. and several other countries, including Japan, New Zealand, and the U.K. A dire example from the U.S. is reflected in patterns of responses to four questions posed to Baby Boomers (ages 51-56) in their survey from 2006. The first two questions were:

1. If the chance of getting a disease is 10 per cent, how many people out of 1,000 would be expected to get the disease?

2. If 5 people all have the winning number in the lottery and the prize is $2,000,000, how much will each of them get?

Over 80% answered the first question correctly; only about half could do simple division to answer the second question correctly. If a person answered either #1 or #2 correctly, they qualified for the next two questions, the first on compound interest and the second to determine "political literacy" (by naming the current President and Vice President).

3. You have $200 in a savings account, which earns 10% interest in a year. How much is in the account at the end of two years?
4. Can you name the current President and Vice President?

Only 18% answered #3 correctly, 43% of the people who failed to give the correct answer performed only the simple interest calculation. Lastly, 20% of the sample could not name the current President or Vice President. The relatively high rate of failure in responding to these simple questions suggests that the need for this education and its' application of information to life circumstances is very high.

The conclusion of this article is the same for U.S. residents and those of other developed nations: "that consumers are poorly informed about financial products and practices". In addition, it is stated, "Rather, it is important to give consumers the *tools to change their behaviors, rather than simply delivering financial education"* (Lusardi & Mitchell, p 8). (Emphasis added) This conclusion builds on a conclusion from the Hilgert, et al study referenced above. Information, education, and training along with the tools to change behaviors to obtain specified outcomes might be a way for states to go forward.

One national organization, the Jump$tart Coalition for Personal Financial Literacy is an important curriculum resource for states. The Coalition's goal is stated on their website, "The Coalition´s direct objective is to encourage curriculum enrichment to ensure that basic personal financial management skills are attained during the K-12 educational experience. The wheels of education do not need to be reinvented, they simply require balance." (footnote) Every other year, the Coalition conducts an assessment of high school students across the country. The chief researcher of the Jump$tart biennial high school survey reminds us that the Jump$tart data has found that "financial education and experience do *not* appear to be related to financial literacy" (Mandell, PAGE #). This could be disheartening to educators who wish to standardize, mandate and test financial education (Mandell, 2005). Mandell also analyzed the same data and concluded; "We just find no connection between education and financial literacy, measured, in most cases, within a year after taking such a course " (Mandell, 2006). However, he did find that students who are confident in their financial skills are thriftier than others and that students who took a one-semester course in personal finance are thriftier than others. As the national savings rate is negative right now, states and other organizations could determine that one purpose of financial education would be to improve the savings habits of their students and by extension, their citizens.

How State Legislatures Are Approaching Financial Literacy

In a review of legislation already on the books and recently adopted, there are few examples with funding attached. As described previously, a few states pass proclamations each year about National Financial Literacy Month in April. This does serve the purpose of getting the word out about financial literacy in various communities, garners press coverage, and may even stimulate further research in the states that pass these resolutions or proclamations. These proclamations are an important first step in gathering together a coalition of educators, parents and community members to support financial education in the state or local jurisdiction. Many of them involve the National Jump$tart Coalition for Personal Financial Literacy, first convened in 1995.

Jump$tart is a national group with 48 state organizations working more closely with state government, financial services providers and members of the state's education family. Their mission is to "[provide] advocacy, research, standards and educational resources". Their vision is that "personal finance is included in the education of all students. Jump$tart provides the collaboration needed to ensure this education".[6] Members of Jump$tart Washington's board have been closely involved with urging Governor Gregoire of Washington to support this education of our youth (see photos from 2005 and proclamation from 2007 in Appendix).

The National Jump$tart has also developed a set of national standards for personal finance, recently updated for the third time (see Appendix). Standards are an important part of this mission to provide financial education for our students. Aligning with current state standards in subjects like math, social studies, or economics can be

[6] http://www.jumpstart.org/

one way to support the integration of financial literacy concepts throughout the curriculum.

A common theme of many pieces of state legislation is that it is important to teach young people about how to manage their money but that, conversely, it shouldn't cost anything. Common verbs seen in the legislation are urge, encourage, consider, recognize; not fund, distribute, or allocate. The funding that is allocated ranges from $15,000 in the state of Maine to $100,000 over a biennium in Washington State. Bills from New Hampshire or New Jersey will provide grants from the Commissioner of Education to create a pilot program in selected school districts and offer a personal financial literacy course. No dollar amount was attached to the legislation in these states. Actions in other states echo this reluctance to commit substantial resources to this purpose:

- *Idaho* passed a bill in 2007 to urge their State Board of Education to integrate the principles of basic personal finance into the public school curricula in Idaho. In their passed Resolution #10, it is requested that the SBE "explore ways to include…and to review existing …programs…with the aim of formalizing personal financial management as a requirement for graduation." The section under fiscal impact states, "*Costs should be minimal". [Emphasis added]*

- *Maine* held one statewide seminar, which was to cost no more than $15,000. *[Emphasis added]* It will be funded in a novel way-by using "available funds from the Unclaimed Property Fund." Continuing education credits will be provided. (123rd Maine Legislature, passed 2007)

- *Oklahoma*, which passed a bill in the spring of 2007 known as the Passport to Financial Literacy Act, provides this statement in their fiscal analysis, "the State Dept of Education has determined that most of the costs associated with the bill to be minimal; *[Emphasis added]*…the Oklahoma Council on Economic Education will work in conjunction with the agency to provide resources….and once all

> guidelines are in place, teachers will still require the professional development. In communication with the Council, the agency has estimated the cost of this component at $150,000 per year." (HB 1476, passed May 18, 2007)

Two other states, Minnesota and Pennsylvania, are taking a more aggressive approach to promoting financial literacy that may offer models for others states interested in addressing this educational need.

Minnesota: Investing in Teachers and Professional Learning

Minnesota is working closely with the National Council on Economic Education (NCEE), from whom they received a grant for teacher training. The National Council is a "nationwide network that leads in promoting economic literacy with students and their teachers. Since 1949, NCEE has taken action, establishing comprehensive programs that equip teachers with tools to get economics and personal finance into the classroom, and to help students apply in their lives what they learn in school".[7]

Minnesota has an extensive professional development schedule. The Minnesota Council on Economic Education (MCEE) produces both one day and multi day workshops for educators, all over the state. In 05-06 they trained over 600 teachers in 26 different districts covering 48% of Minnesota school districts. Jo Prouty, administrative coordinator of the MCEE, stated in a telephone interview that it takes about $5000 to train 30 teachers or about $166 per teacher in her program. Her

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[7] www.ncee.net)

recommendation was to ask the financial service providers for the training funds. One significant funder has been Wells Fargo Bank. The MCEE has been successful in obtaining funds from the private sector, as well as receiving a grant from the NCEE in 2001.

One learning experience Ms. Prouty passed along was that they have stopped doing training during the school week. The districts were running out of professional development funds, partially due to paying for release time, she said, …so the state shifted to Saturdays. MCEE is located on the campus of the University of Minnesota. They frequently offer continuing education (CE) credits, for a nominal fee.

Ms. Prouty suggested two key words for their success in Minnesota; training and integration. They have been providing training since 2001 and the training is built around integrating financial literacy and personal finance into existing curriculum, as noted previously in this report. As a unique example, their training includes a session called "Using Children's Literature to Teach Economics and Personal Finance." Two book titles used are *If you Give a Mouse a Cookie* by Laura Joffe Numeroff and *The Lorax* by Dr. Seuss [Theodore Geisel]. In the summer of 2008, a workshop will be available to educators using these literature materials. Funds for this workshop will be from the Federal Improving Teacher Quality title of No Child Left Behind. [8]

In 2007 in Minnesota, a bill was introduced to train current teachers as Master Teachers in the area of Economics, so they can train other educators. The MCEE's version of the bill asked for $200,000 per year to accomplish this task. Although the

[8] http://www.mcee.umn.edu/documents/SP08-news.pdf

bill did not pass in 2007, it will be resubmitted, perhaps as part of the state department of education budget, rather than as a stand-alone item. The MCEE sees securing sustainable funding as an iterative process and will try again.

Pennsylvania "Your Moneys Best Friend"

In the State of Pennsylvania, a cartoonish dog named Buck will fetch your financial literacy information for you on the website http://www.moneysbestfriend.com/. Pennsylvania has an extensive list of services that it provides to its citizens from Buck, the resource dog, to educational seminars. Annual training for educators is sponsored by the Governor; the Office of Financial Education has a staff and supports the website. The Office of Financial Education is housed in the Pennsylvania Department of Banking and is funded by the assessments, fees, and fines paid by Pennsylvania's regulated financial community. This funding arrangement is similar to the funding distributed by Washington's Department of Financial Institutions for financial literacy programs in Washington State. Pennsylvania has 5 full-time staff, including liaisons to the community, the workplace, and the schools. According to an email from Heather Tyler, the Communications Director for the Banking Department, integration of financial literacy is an ongoing process. "Think of it this way," she wrote, "…A middle school teacher is already teaching percentages, why not use a savings account or credit card statement to calculate interest?"

The state is able to try to promote this idea through regularly available professional development, as Tyler explains: "…Teachers are invited to train at in-service days and, once a year, the Office of Financial Education joins with the Department of Education to offer Pennsylvania's Governor's Institute on Financial Education, a week long residential program for school district teams". Since the Institute is residential, the days are devoted to lesson plans and integrating Financial Literacy into various subjects with colleagues. In the evening, the teams increase their own financial knowledge. Tyler volunteered further, "Some have asked us why, given the commonwealth's significant commitment to financial education, the state has not implemented a graduation requirement. Frankly, in our state there are 501 school districts, each empowered to set their own curricula and graduation requirements. It was simply impractical to put our eggs in a graduation basket." (Tyler, email communication from 6/19/2007)

Role of Government in Promoting and Supporting Financial Literacy

These examples of state legislation and practice hint at the role that states and even the federal government can play in bolstering the contribution that the public education system can make to this emerging societal need. Current federal reform policy, for example, sets the stage for a consequential governmental role. Organizations such as the FLPPP, Washington Jump$tart and its' members, and the Office of the Superintendent of Public Instruction (OSPI), the Community and Technical College Board and the State Board of Education are in a position to collaborate with each other to recommend the best outcomes for students and ultimately their fellow citizens. States such as Washington are in a position to take policy action that will address this matter far more directly and effectively than in the past.

Federal Government's Role in Financial literacy

The *No Child Left Behind* legislation has a title that allows funding to be used by the states, if desired, for financial education projects. *Title V, Part A, Section 5131, #11 Innovation Funds* can be used for activities to promote consumer, economic, and personal finance education. These include disseminating information on and encouraging use of, the best practices for teaching the basic principles of economics and promoting the concept of achieving financial literacy through the teaching of personal financial management skills (including the basic principles involved with earning, spending, saving, and investing). The U.S. Treasury Office of Financial Institutions through its' Financial Education Office, has worked with the Department of Education to develop this connection.

These Innovation funds are distributed to the states, which then determine how best to use these funds. There are obviously many choices. According to an email communication from Barbara Quick of OSPI, the top three uses in 2007 in WA for NCLB Innovation Funds are:

#1 Library, media, and computer related activities.

#2 Professional development in the core curriculum areas.

#3 Support for the highly capable (gifted) program, or struggling student in the form of additional materials, training for staff or additional staff support.

Thus, at present, these innovation funds have not been tapped to any great degree for the purpose of promoting financial literacy, but they might represent a potential resource for this purpose. As stated previously, Minnesota has chosen to use a portion of the Improving Teacher Quality NCLB title (Title II) for teacher training in financial literacy. In addition to providing potential funding for financial literacy, the federal government can also be a source of useful data and a strategic idea source.

The National Assessment of Educational Progress (NAEP), for example, is positioning itself to track financially related educational matters. According to the NAEP economics framework developed by the National Assessment Governing Board, economic literacy is defined as the ability to identify, analyze, and evaluate the consequences of individual decisions and public policy. The first NAEP economics assessment was administered throughout the country to students in grade 12 from January to March 2006. [9]

The U.S. Treasury Office of Financial Institutions is also taking a particular interest in the educational dimensions of financial literacy. This office, now five years old, coordinates the Financial Literacy Education Commission, which is composed of 20 federal agencies and is chaired by the Secretary of the Treasury; the Commission was

[9] http://nationsreportcard.gov/economics_2006/

created by the Fair and Accurate Credit Transactions (FACT) Act of 2003 and charged with improving the level of financial education in the United States. Many of us know the FACT legislation on a more personal level as the act allowing and encouraging citizens to obtain multiple free copies of one's credit report each year. [10]

In addition, this Commission released a white paper, called *Taking Ownership of the Future: the National Strategy for Financial Literacy* in April 2006. According to their website, "the national strategy, covering 13 areas of financial education and containing 32 calls to action, is a comprehensive blueprint for improving financial literacy in America through public-private partnerships." [11] Many people may be surprised that there is a national strategy around financial literacy!

Dan Iannicola, Jr., the Deputy Assistant Secretary for Financial Education, has testified about both the issue of mandating financial literacy education and whether the subject should be taught as a separate class or integrated into other subjects. At a Congressional hearing in October of 2003, Mr. Iannicola gave his perspective; "Speaking as a former school board president, I can tell you that a federal demand for a new stand-alone class is a demand that few school districts could easily meet," said Iannicola:

> "While some of these concerns from the state and local level may seem mundane in the face of a national financial literacy problem, we should nevertheless listen closely to these local issues. My experience

[10] www.annualcreditreport.com)
[11] www.MyMoney.gov)

tells me that local educators are frequently aware of critical details that distant policy makers sometimes overlook."

While this sentiment is not unfamiliar to those same 'local policymakers', four years later, there are 7 states that require Personal Finance as a graduation requirement; and 9 states that have mandated the teaching of Personal Finance in school. There are also 17 states which require students to take an Economics course in order to graduate, although only 22 states require the testing of student knowledge in economics (Survey of the States, June 2007, page 1). In addition, the Jump$tart Coalition national site has a map of the country, which also indicates at a glance the status of financial literacy education today.[12]

Emerging Role for Government in Washington State

Whatever the national strategy and federal-level resources, states are still the locus of leadership and action to promote financial literacy. Washington State has the potential to create a significant policy initiative for improving financial literacy in the state. First of all, a number of state-level agencies and actors are supportive. In addition to the FLPPP, several other agencies in Washington State are interested in, supportive of, and able to provide funding for financial literacy knowledge acquisition and behavior changes within the state. These agencies include the Office of the Superintendent of Public Instruction (OSPI); The Office of Community, Trade, and Economic Development (CTED); the Department of Financial Institutions (DFI);

[12] http://www.jumpstart.org/state_legislation/index.cfm

WorkFirst; and the Attorney General's office. Our current Governor also supports additional knowledge and investment in this area (See 2005, *2007, 2008 Proclamations* in Appendix).

Given this array of potential players, a strategy must still be found that is politically viable, appealing to most or all constituents, potentially impactful at the ground level and affordable, given numerous other demands on state resources. So the fundamental question has yet to be answered: where can the most effect be made for the fewest dollars? In other words, where can we find the right entry point for creating sustainable behavior changes based on financial education and knowledge?

Washington State: Recent Activities

Washington State has the opportunity to go forward with another level of planning during the next biennium, now that the FLPPP's existence has been extended through June 30, 2009. The initial charge of the FLPPP, to define financial literacy, evaluate curriculum, align a set of national standards to our Essential Academic Learning Requirements (EALR's) and Grade Level Expectations (GLE's) has begun. For example, the Mathematics staff at OSPI has evaluated the national standards set by the Jump$tart Coalition to check for alignment with the EALRs and the GLEs for Math. One GLE has been established in the 7th grade for financial literacy under Social Studies/Economics. [13]

[13] http://www.k12.wa.us/CurriculumInstruct/SocStudies/pubdocs/SocialStudiesGLEs.pdf page 24 of 92

When standards are chosen, then there is a benchmark with which to evaluate the various curricula. Washington State has made the decision not to put itself in the position of choosing "the best financial education curriculum", according to FLPPP chair Rep. Santos. Many quality products exist in the marketplace and this would go against the states' long standing tradition of local control. When asked, Rep. Santos offered that the state (in the form of the FLPPP) would be willing to provide a list of curricula and how they match up to state standards. A draft template has been written to begin this process. [14]

In view of where other states are placing their funding dollars, Washington might consider training <u>additional</u> teachers beyond those who have already been exposed via the professional development sponsored by OSPI and FLPPP members. The purpose of this training is to extend the desired knowledge and skills out to a wider audience. In the spring of 2007, 130 teachers received training under the auspices of the FLPPP. This training was sponsored by the FLPPP and provided by the Washington were the National Council on Economic Education and Junior Achievement. The results of the trainings, called "Real World 101" were shared at a spring 2007 FLPPP meeting. Key highlights were that participants gave the materials/curriculum high marks (4.79 out of a possible 5); the trainings were oversubscribed by 20%; and within 3 months of the training, 76% of the participants had begun to use the materials. According to the presenters, Melanie Hess of Junior Achievement and Pamela Whalley of the Washington Council on Economic Education

[14] http://www.dfi.wa.gov/FLPPP/pdf/executive/march_10/draft_curriculum.pdf

(WCEE), the "primary complaint about the workshops was that they were too short" (Report to FLPPP, page 6).

Comprehensive data exists for these three training sessions; albeit only at the educator level. The survey, conducted with the participants three months after training yielded some output information. The data shows that two other goals were met: (a) the teachers became more comfortable with personal finance educational materials in general, and (b) a majority agreed with the statement "It is easy for me to integrate personal finance into my classes" (Report to FLPPP, page 6). This means that the material used allows or helps educators to include the curriculum into existing classes. This could imply for policymakers the viability of stressing integration rather than separate classes going forward.

One result of note is that while educators had a positive response to the statement "It is important that my students understand personal finance" (3.86 out of a possible 5); the number did not change materially after the workshop. The good news is that despite coming from subject areas as varied as Business, various Special Education classes, Social Studies, Senior Life Skills, Family and Consumer Science, Communications, Humanities, Mathematics and Language Arts, the educators that attended were very positive about how the material could be adapted to fit into their classrooms. Perhaps the next wave of training will attract the educators who are more skeptical about the need for this type of education for our Washington citizens.

To be sure, this kind of training arrangement does not yet represent a comprehensive solution to the need to integrate financial literacy into the states' school programs. The number of participants in FLPPP trainings (130) is a small percentage of Washington's teachers; however, that number does not count training that occurred at each of three OSPI Summer Institute locations in summer 2006; three sessions sponsored by the Washington Jump$tart Coalition in the fall of 2006 and other workshops put on by Pamela Whalley, previously identified. For several years previous, the Washington Jump$tart Coalition sponsored teacher training focused particularly on Family and Consumer Science educators.

These steps indicate that the state is on its way to ongoing professional development, but is currently operating without a central plan for funding it or a strategic plan for implementation. This may continue to be the case; however the FLPPP may wish to consider the pace of professional development and the potential impact of increasing the knowledge base of educators in certain selected subjects. For example, these subjects may include Social Studies, stand-alone Economics classes, Family and Consumer Science, Academy of Finance programs, Mathematics, and Life Skills.

Rep. Santos of the FLPPP, in an interview, stated that keeping professional development as an ongoing component was a priority. She asked what seems to be on everyone's mind, "Where is the best place for us to start?" In addition to that question, I would add a companion question: how to fund and create a sustainable program of integrating financial education into the public schools?

What Might Washington's Next Steps Be?

This leads us to a list of options that Washington might consider as the FLPPP and others move ahead in the 2007-2009 biennium. Learning from other states, the categories of decisions might include the following: attracting partners and building partnerships; framing legislation; focusing on training and integration; setting goals for what students should know and be able to do.

(1) *Attracting partners and building partnerships*. Let us begin with partners. The FLPPP includes representatives from state government, the private sector, and educators. An assessment could be made as to whether additional partners might be advisable and what they would provide. For example, could more educators and administrators be included? In the private sector, the FLPPP membership has good representation from providers of financial education and literacy materials.

Could additional membership categories be added to the statutory members of the FLPPP or encouraged to join either FLPPP or Jump$tart in order to provide tangible and intangible support for legislative allocations in future legislative sessions? What about student representation and/or input? What about the role of parents? In the research discovered for this project, there were very few references to the role of parents, except as those who were operating with a lack of knowledge and might also need additional financial literacy information. Many policymakers look to the public schools to remedy the deficits (perceived or real) in the family home. There are real public benefits to doing this, though in a state with limited resources, this solution can easily be challenged as "too expensive". [For an analysis of some of the future public goods derived from increased education, please see "Social Returns to Human Capital" and other work by Enrico Moretti of UC Berkeley.][15] This is where legislation can be written to provide incentives, rather than mandates to change the behavior of educators, parents or the business community. Other institutions, such as the Washington Asset Building Coalition, Career and Technical Education (CTE) organizations, parent-teacher groups such as the PTA, United Ways across the state and organizations such as Solid Ground (formerly the Fremont Public Association) could be helpful partners for extending this content and policy "reach" beyond the public schools.

A recent addition to this arena is the Washington Financial Literacy Work Group. This working group was "created in Governor-sponsored legislation to assess financial literacy in Washington State…presented in Senate Bill 6272 Chapter 3, Laws of 2008,… signed by Governor Gregoire on February 11, 2008." [16] This group is charged with expanding financial literacy through education and counseling to promote homeownership security, but their mission is much broader. The mission is to "Define the status of financial literacy in Washington State and determine what action is necessary to increase financial literacy at all age levels." [17]

(2) *Framing legislation.* In Washington, there are several possibilities ahead for legislation. One bill might be modeled after Minnesota's initiative to train the trainers by providing funding to train 'Master Teachers'. This may have limited appeal in this

[15] http://www.nber.org/reporter/spring05/moretti.html
[16] http://dfi.wa.gov/work-group/
[17] http://dfi.wa.gov/work-group/

state, due to the other conversations going on around education finance, skills, subject and merit based pay. However, it could be integrated into the education finance commission report and new graduation requirements being acted upon during the latter half of 2008. The introduction of legislation around a mandate for a course or assessment in either personal finance, economics or financial literacy appeals to some stakeholders but requires additional clarification for legislators as to what the desired outcomes would be. As a first step, using existing funds, the legislature could encourage or direct OSPI to use certain titles of NCLB differently.

(3) *Focusing on training and integration*. Integration of the subject or infusion across many subjects may be a smoother way to proceed in the next biennium, in particular. There are other states using this model - also endorsed by the Financial Literacy Commission at the federal level.[18] One might conclude that a mandate is possible, but clear expectations need to go with it for what students will be expected to know and do differently as a result, both now and ten years from now. Resources would also need to be set aside on an ongoing basis, or for at least two biennia as a pilot period to implement, monitor and evaluate the mandate across the K-12 population. (Two biennia is also equal to four years of high school).

Before the passage of Governor-requested legislation (SB 6272) and the elevation of this issue to the executive level; significant resource allocation to this issue was probably unrealistic.

[18] http://www.mymoney.gov/pdfs/ownership.pdf

Minnesota and Pennsylvania have models for this integration strategy, as do other states such as, Louisiana, and Mississippi, Ohio, and Wisconsin. Oklahoma will also bear watching, as they implement their law from 2007.[19] They ended up outside of the scope of this report. Lesson plans in literature, mathematics and economics to integrate examples from personal finance and economics already exist and some even meet or include national standards. Through trainings that have already taken place in Washington and detailed previously, there is widespread support within this pool of educators for integration, once they have a chance to try it.

(4) *Setting goals for what students should know and be able to do.* Setting objective standards for what students should know and be able to do is not new in Washington State. National standards do exist for economics and personal finance. The results of the NAEP assessment on economics released in the fall of 2007 may assist in answering some questions about the best way to go forward. This will be an important assessment due to its' sample size of students (11,900) currently in school. Once those results become widely available, they may also support the next steps that the FLPPP or the Governor's work group chooses to take. Results from approximately 11,000 students in about 600 schools were released in the fall of 2007. Five key findings from the assessment are as follows:

- Boys on average slightly outscored girls.
- White and Asian and Pacific Islander (API) students scored on average, higher than other ethnic groups.

[19] http://www.jumpstart.org/state_legislation/index.cfm?stnm=Oklahoma#stateinfo

- Students from large city schools had lower average scores than students in other locations.
- Students whose parents had higher levels of education exhibited higher performance in economics.
- Most students study some economics in high school.

While several of these conclusions mirror results seen on other large-scale assessments in terms of students' economic status; it remains to be seen how these data will be used in the future. What amount of exposure to "the dismal science" is enough in these "subprime" times?

In conclusion, there are three things to keep in mind about financial education in the state of Washington: 1) For the people who desire a mandate, a requirement to include it in our young citizen's education can be inferred from the Basic Education Act, 2) Research exists that can substantiate the need for current tools, ongoing training and integrated curriculum, not just information and "drive-by" seminars and 3) the increased complexity in the financial world coupled with the gradual, nearly secretive transfer of investment risk to individuals [and its' unanticipated consequences] in the last 40 years illustrates the need to teach Washingtonians to make the most of the education, resources and monetary assets they have.

Above all, we must act; we must go beyond dialogue about this important and heretofore overlooked feature of our state's attempts to prepare the next generation for the economic challenges they will face. A unified coalition must provide information and recommendations on policy, training and fiscal goals to the 2009 Legislature. If our students [and others] receive additional financial education, it will yield valuable, long-term benefits for our state; if we don't act now and coordinate our efforts to provide curriculum, instruction and training for financial education in these difficult economic times, there will be private and public costs to bear for all of us, not just Washington's million-plus students in the public schools.

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Attachment
Section 20

WA Sen. Patty Murray
Proposed Financial Literacy Legislation

11 pages

Financial Literacy Improvement Act of 2008
Senator Patty Murray

1. **<u>Financial Literacy Education Grants (addition to Title V of ESEA)</u>**

- **Purpose:** To improve financial literacy education in K-12 education and enhance student knowledge of consumer, economic, and personal finance concepts.

- Formula Grants to State Education Agencies or an eligible partnership for financial literacy

- <u>Eligible state partnership must include:</u>
  - A state education agency
  - A non-profit organization with experience and a proven quality track record in financial literacy or personal finance education programs

- 25% of formula funds go to the State:

  - <u>Required State Activities:</u>
    - development of financial literacy standards in at least 3 grade levels: at least one grade level in elementary school, at least one in middle school, and at least one in high school
    - appropriate assessments in these grade levels that are valid, reliable, and comparable across the state and district, and
    - teacher professional development programs to embed financial literacy or personal finance education into core academic subjects
    - an evaluation of the impact on financial literacy or personal finance education on students' understanding of financial literacy concepts

- 75% competitive subgrants to Local education agencies or local eligible partnerships based on such criteria as the state may require.
  - Required non-federal match (cash or in kind) of 25 % of federal funds

- Eligible local Partnership must include a local education agency, and at least one of the following:
  - A non-profit organization with experience and a proven track record in quality financial literacy or personal finance education programs
  - An Education service agency
  - A recipient of the Excellence in Economic Education grants in ESEA Title V
  - An institution of higher education (public, or private non-profit)
  - A community organization
  - A representative of local business

  - <u>Required Local Activities:</u>
    - implement teacher training programs to embed financial literacy and personal finance education into core academic subjects
    - administer financial literacy assessments on at least an annual basis in, at a minimum, the grade levels selected by the State education agency

- Implement financial literacy activities and sequences of study within core academic subjects.

- Allowable uses:
  - The implementation of school-based activities, which may include afterschool activities, to enhance student understanding and experiential learning with consumer, economic, and personal finance concepts

- Report: Local education agency will include results of financial literacy assessments established above in their Annual Report Card to the Secretary.

- **Authorization level: $125 million for FY 09, and for each of the succeeding 5 years.**

2. Grants to Promote Postsecondary Financial Literacy

- **Purpose:** To provide and enhance consumer, economic, and personal financial literacy education for college-age students, adults, and seniors through colleges, universities, and community colleges.

- Competitive grants to institutions of higher education or eligible partnerships to assist postsecondary institutions in providing financial literacy courses or course components to postsecondary students.

- Eligible partnerships must include an institution of higher education plus a non-profit organization with experience and a proven track record in quality financial literacy or personal finance education programs

- Required uses:
  - To develop and implement financial literacy education, activities, student organizations, or counseling that increase student knowledge in consumer, economic, and personal financial concepts.

- **Authorization level: $125 million for FY 09 and for each of the succeeding 5 years.**
- **Minimum grant amount: $500,000**

110TH CONGRESS
2D SESSION

S. 2671

To provide grants to promote financial literacy.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 27, 2008

Mrs. MURRAY introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To provide grants to promote financial literacy.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Financial Literacy Improvement Act of 2008".

SEC. 2. FINANCIAL LITERACY EDUCATION GRANTS.

(a) IN GENERAL.—Part D of title V of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7241 et seq.) is amended by inserting after section 5537 the following:

"Subpart 13A—Financial Literacy Education

"SEC. 5538. FINANCIAL LITERACY EDUCATION GRANTS.

"(a) AUTHORIZATION.—The Secretary shall award grants to eligible entities to enable such entities—

"(1) to award subgrants to local entities to provide financial literacy education; and

"(2) to carry out activities designed to promote financial literacy education.

"(b) ELIGIBLE ENTITIES.—In this section, the term 'eligible entity' means—

"(1) a State educational agency; or

"(2) a State partnership consisting of—

"(A) a State educational agency; and

"(B) a nonprofit organization with experience and a proven quality track record in financial literacy or personal finance education programs.

"(c) APPLICATION.—An eligible entity that desires to receive a grant under this section shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may require.

"(d) FORMULA.—From the total amount appropriated under subsection (g) for a fiscal year, the Secretary shall allot to each State for such fiscal year an amount that bears the same relation to such total amount as the amount such State received under part A of title I for such fiscal year bears to the total amount received by all States under part A of title I for such fiscal year.

"(e) USE OF FUNDS.—

"(1) SUBGRANTS TO ELIGIBLE LOCAL ENTITIES.—

"(A) ELIGIBLE LOCAL ENTITY.—In this section, the term 'eligible local entity' means—

"(i) a local educational agency; or

"(ii) a local partnership consisting of—

"(I) a local educational agency; and

"(II) not less than 1 of the following:

"(aa) A nonprofit organization with experience and a proven track record in quality financial literacy or personal finance education programs.

"(bb) An educational service agency.

"(cc) A recipient of an Excellence in Economic Education grant under subpart 13.

"(dd) An institution of higher education.

"(ee) A community organization.

"(ff) A representative of local business.

"(B) AUTHORIZATION OF SUBGRANTS.—An eligible entity that receives a grant under this section shall use 75 percent of such grant funds to award subgrants to eligible local entities.

"(C) APPLICATIONS.—

"(i) IN GENERAL.—An eligible local entity that desires to receive a subgrant under this paragraph shall submit an application to the eligible entity at such time, in such manner, and accompanied by such information as the eligible entity may require.

"(ii) REVIEW OF APPLICATIONS.—The eligible entity shall review applications submitted under clause (i) in the same manner as applications are reviewed under section 5534(b).

"(D) USE OF FUNDS.—An eligible local entity that receives a subgrant under this paragraph—

"(i) shall use the subgrant funds to—

"(I) implement teacher training programs to embed financial literacy and personal finance education into core academic subjects;

"(II) administer financial literacy assessments on not less than an annual basis in, at a minimum, the grade levels selected by the State pursuant to paragraph (2)(A); and

"(III) implement financial literacy activities and sequences of study within core academic subjects; and

"(ii) may use the subgrant funds to implement school-based activities, including after school activities, to enhance student understanding and experiential learning with consumer, economic, and personal finance concepts.

"(E) REPORT.—An eligible local entity that receives a subgrant under this paragraph shall include in the annual report card under section 1111(h)(2) the same information on student achievement on the financial literacy assessments, administered pursuant to subparagraph (D), as required, pursuant to section 1111(h)(2), of the other State academic assessments described in section 1111(b)(3).

"(2) STATE ACTIVITIES.—An eligible entity that receives a grant under this section shall use 25 percent of such grant funds to carry out the following:

"(A) The development of financial literacy standards in not less than 3 grade levels, including not less than 1 grade level in elementary school, not less than 1 grade level in middle school, and not less than 1 grade level in high school.

"(B) The development of appropriate financial literacy assessments in the grade levels determined under subparagraph (A) that are valid, reliable, and comparable across the State.

"(C) Teacher professional development programs to embed financial literacy or personal finance education into core academic subjects.

''(D) An evaluation of the impact of financial literacy or personal finance education on students' understanding of financial literacy concepts.

''(f) MATCHING FUNDS.—An eligible entity that receives a grant under this section shall provide, from non-Federal sources, an amount equal to 25 percent of the amount of the grant award to carry out activities required under this section.

''(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $125,000,000 for each of fiscal years 2009 through 2014.''.

(b) TABLE OF CONTENTS.—The table of contents in section 2 of the Elementary and Secondary Education Act of 1965 is amended by inserting after the item relating to section 5537 the following:

''Subpart 13A—Financial Literacy Education

''Sec. 5538. Financial literacy education grants.''.

SEC. 3. GRANTS TO PROMOTE POSTSECONDARY FINANCIAL LITERACY.

Part A of title III of the Higher Education Act of 1965 (20 U.S.C. 1057 et seq.) is amended by adding at the end the following:

"SEC. 318. GRANTS TO PROMOTE POSTSECONDARY FINANCIAL LITERACY.

"(a) AUTHORIZATION OF GRANT AWARDS.—The Secretary shall award grants, on a competitive basis, to eligible entities to enable such entities to provide financial literacy courses or course components to students.

"(b) DEFINITION OF ELIGIBLE ENTITY.—In this section, the term 'eligible entity' means—

"(1) an institution of higher education; or

"(2) a partnership consisting of—

"(A) an institution of higher education; and

"(B) a nonprofit organization with experience and a proven track record in quality financial literacy or personal finance education programs.

"(c) APPLICATION.—An eligible entity that desires to receive a grant under this section shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may require.

"(d) MINIMUM GRANT AMOUNT.—The Secretary shall award grants under this section in amounts of not less than $500,000.

"(e) USE OF FUNDS.—An eligible entity that receives a grant under this section shall use the grant funds to develop and implement financial literacy education, activities, student organizations, or counseling that increase student knowledge in consumer, economic, and personal financial concepts.

"(f) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $125,000,000 for each of the fiscal years 2009 through 2014.".

○

Attachment
Section 21

WA Financial Literacy Work Group
Survey Response Summaries

27 pages

Survey Results for Washington Non Profit Organizations

View Complete Survey Results Online

1. Your Non-Profit Organization's Name		
		Response Count
	view	84
	answered question	**84**
	skipped question	**1**

2. Do you provide financial literacy training and/or services that fit within the definition above?			
		Response Percent	Response Count
Yes		**91.7%**	77
No		8.3%	7
	answered question		**84**
	skipped question		**1**

3. What financial topics does your program(s) address? Please check all that apply.

	Response Percent	Response Count
Banking	68.3%	56
Budgeting	**96.3%**	79
Credit	80.5%	66
Debt	76.8%	63
Fraud & Scams	58.5%	48
Homeownership	64.6%	53
Investing	29.3%	24
Retirement Planning	26.8%	22
Saving	70.7%	58
Taxes	42.7%	35
Others (please specify)	view	36
	answered question	**82**
	skipped question	**3**

4. How does your organization primarily deliver financial education?

	Response Percent	Response Count
Classroom	**51.2%**	43
One-On-One	32.1%	27
Online	2.4%	2
Other	14.3%	12
Other (please specify)	view	39
	answered question	**84**
	skipped question	**1**

5. How are your financial literacy instructors trained?		
		Response Count
	view	78
	answered question	**78**
	skipped question	**7**

6. Do You Charge A Fee For Your Financial Literacy Services/Training			
		Response Percent	Response Count
Yes		11.1%	9
No		**88.9%**	72
	Comments view		28
	answered question		**81**
	skipped question		**4**

7. How satisfied are you with your current curriculum(s)?			
		Response Percent	Response Count
1 (Completely Dissatisfied)		7.4%	6
2		12.3%	10
3 (Neutral)		**34.6%**	28
4		28.4%	23
5 (Completely Satisfied)		17.3%	14
	Comments view		33
	answered question		**81**
	skipped question		**4**

8. What type of additional training would be beneficial to your instructors?		
		Response Count
	view	57
	answered question	**57**
	skipped question	**28**

9. Who is your target population? Please check all that apply.			
		Response Percent	Response Count
Pre K		4.9%	4
Elementary		13.4%	11
Middle School		19.5%	16
High School		42.7%	35
College		32.9%	27
Adult		78.0%	64
Seniors		30.5%	25
Low Income (below 50% of County median income)		**87.8%**	72
Moderate Income (50 % to 80 % of County median income)		52.4%	43
Military and Families		15.9%	13
Disabled		37.8%	31
Veterans		23.2%	19
Inmates/Ex-Offenders		23.2%	19
Immigrants		26.8%	22
Native American		28.0%	23
	Other (please specify) view		22
	answered question		**82**
	skipped question		**3**

10. In what languages do you offer your program(s)? Please check all that apply.

	Response Percent	Response Count
English	**100.0%**	82
Spanish	26.8%	22
French	0.0%	0
Russian	4.9%	4
Chinese	0.0%	0
Japanese	1.2%	1
Korean	0.0%	0
Vietnamese	1.2%	1
Arabic	1.2%	1
Somali	1.2%	1
Other (please specify) view		15
	answered question	**82**
	skipped question	**3**

11. In the last two calendar years, have you received state funding for the financial education training and/or services you offer?

	Response Percent	Response Count
Yes	30.6%	26
No	**69.4%**	59
Comments view		16
	answered question	**85**
	skipped question	**0**

12. What other sources of funding support your financial literacy program?

Please check all that apply.

	Response Percent	Response Count
Local	22.4%	15
Federal	**34.3%**	23
State	14.9%	10
Private Fundraising	**34.3%**	23
County	10.4%	7
Banking Institution	32.8%	22
Foundations	**34.3%**	23
United Way	23.9%	16
Other	17.9%	12
Comments view		24
answered question		**67**
skipped question		**18**

Survey Results for Washington's Private Sector

View Complete Survey Results Online

1. Your Organization's Name:

	Response Count
view	157
answered question	**157**
skipped question	**0**

2. Does your organization use a financial literacy curriculum to teach financial literacy?

	Response Percent	Response Count
Yes	42.0%	66
No	**58.0%**	91
If your answer to the question is "Yes" which curriculum do you use (e.g., your own, NEFE, etc.)? view		71
answered question		**157**
skipped question		**0**

3. Who is the target population of your financial literacy program? Please check all that apply.

	Response Percent	Response Count
Elementary	48.1%	37
Middle	48.1%	37
High School	**63.6%**	49
Community College / University	27.3%	21
Senior Citizens	14.3%	11
Homebuyers	23.4%	18
Distressed homeowners	13.0%	10
Consumers in general.	37.7%	29
Financially stressed consumers	29.9%	23
Other	32.5%	25
Other (please specify) view		30
answered question		**77**
skipped question		**80**

4. What is the geographic reach of your financial literacy curriculum (e.g., Seattle inner city schools, association members, entire state, etc.)?

	Response Count
view	77
answered question	**77**
skipped question	**80**

5. How is your financial literacy curriculum delivered? Please check all that apply.

	Response Percent	Response Count
Directly to consumers: Single class session 1 - 5 hours.	44.7%	34
Directly to consumers: Series of classes 1- 5 hours.	30.3%	23
Through a partnership with another organization	47.4%	36
Through our web site	28.9%	22
Through schools	**57.9%**	44
Through our organization's members	26.3%	20
Other	22.4%	17
Other (please specify) view		30
	answered question	**76**
	skipped question	**81**

6. Do you have any measurables associated with your program? If so, what are they?

	Response Count
view	66
answered question	**66**
skipped question	**91**

7. Do you receive state funding for financial literacy?

	Response Percent	Response Count
Yes	4.2%	4
No	**95.8%**	92
Comments view		18
	answered question	**96**
	skipped question	**61**

Survey Results for Washington State Agencies

View Complete Survey Results Online

1. Agency Name	
	Response Count
view	59
answered question	**59**
skipped question	**0**

2. Your Name	
	Response Count
view	58
answered question	**58**
skipped question	**1**

3. Do you provide financial literacy training and/or services (as defined above) to Washington State constituents?		
	Response Percent	Response Count
Yes	32.8%	19
No	**67.2%**	39
answered question		**58**
skipped question		**1**

4. Do you provide financial literacy training and/or services (as defined above) to your employees?		
	Response Percent	Response Count
Yes	22.0%	13
No	**78.0%**	46
answered question		**59**
skipped question		**0**

5. If you answered yes to question 3 or 4, do you provide direct services or indirect services (e.g. grants to non-profits or community partners for service delivery, etc.)

	Response Percent	Response Count
Direct Services to Constituents	28.6%	6
Indirect Services (please list community partners)	28.6%	6
Both	**42.9%**	9
Community partners for Indirect Services (view)		19
answered question		**21**
skipped question		**38**

6. If you do not currently provide financial literacy education for constituents or employees would you like to?

	Response Percent	Response Count
Yes (please explain)	35.9%	14
No	**64.1%**	25
Please explain if you answered "Yes" (view)		21
answered question		**39**
skipped question		**20**

7. In what areas of financial education does your agency provide constituent services? (Please check all that apply)

	Response Percent	Response Count
Banking	24.0%	6
Budgeting	32.0%	8
Business Development	28.0%	7
Credit	20.0%	5
Collections	8.0%	2
Debt	16.0%	4
Financing	16.0%	4
Fraud & Scams	36.0%	9
Homeownership	20.0%	5
Investing	8.0%	2
Retirement Planning	8.0%	2
Savings	24.0%	6
Taxes	16.0%	4
Other (please specify)	**56.0%**	14
Other (please specify) (view)		23
answered question		**25**
skipped question		**34**

8. In what areas of financial education does your agency provide employee services? (Please check all that apply)

	Response Percent	Response Count
Banking	12.5%	2
Budgeting	6.3%	1
Business Development	0.0%	0
Credit	12.5%	2
Collections	0.0%	0
Debt	6.3%	1
Financing	0.0%	0
Fraud & Scams	43.8%	7
Homeownership	12.5%	2
Investing	25.0%	4
Retirement Planning	**50.0%**	8
Savings	31.3%	5
Taxes	18.8%	3
Other (please specify)	31.3%	5
	Other (please specify) view	13
	answered question	**16**
	skipped question	**43**

9. In which ways does your agency provide financial education? (Please check all that apply)

	Response Percent	Response Count
Classroom instruction	57.1%	16
Educational material distribution	**64.3%**	18
One on one instruction and/or counseling	50.0%	14
Public speakers for private or community events	53.6%	15
Web information/online instruction	60.7%	17
Other (please specify)	28.6%	8
	Other (please specify) view	17
	answered question	**28**
	skipped question	**31**

10. How does your agency advertise the availability of financial literacy resources? (Please check all that apply)

	Response Percent	Response Count
Direct client communication	73.1%	19
Website resources	**80.8%**	21
Paid advertising	15.4%	4
Other (please explain)	34.6%	9
Other (please specify) view		17
answered question		**26**
skipped question		**33**

11. Does your agency charge a fee for financial literacy counseling and/or training?

	Response Percent	Response Count
Yes	2.9%	1
No	**97.1%**	33
If yes, please provide details including fee schedule view		6
answered question		**34**
skipped question		**25**

12. If applicable, how are your financial literacy instructors trained (please explain)

	Response Count
view	19
answered question	**19**
skipped question	**40**

13. Which demographics do you target with your financial literacy services? (Please pick all that apply)

	Response Percent	Response Count
K-12	23.1%	6
College or University students	15.4%	4
Employees	**42.3%**	11
Adult	38.5%	10
Seniors	26.9%	7
Low Income	34.6%	9
Moderate Income	23.1%	6
Business	23.1%	6
Military and Families	11.5%	3
Disabled	15.4%	4
Veterans	11.5%	3
Inmates/Ex-offenders	7.7%	2
Immigrants	23.1%	6
Native American	15.4%	4
Other (please specify)	23.1%	6
	Other (please specify) view	16
	answered question	26
	skipped question	33

14. In which languages do you offer training, counseling, and/or educational materials, including web translation. (Please check all that apply)

	Response Percent	Response Count
English	**88.5%**	23
Spanish	34.6%	9
Chinese	7.7%	2
Russian	7.7%	2
French	3.8%	1
Japanese	3.8%	1
Korean	7.7%	2
Vietnamese	7.7%	2
Arabic	0.0%	0
Somali	3.8%	1
Other (please specify)	19.2%	5
	Other (please specify) view	14
	answered question	26
	skipped question	33

15. Do you mandate any financial literacy classes for constituents?

	Response Percent	Response Count
Yes (please explain)	6.7%	3
No	**93.3%**	42
If yes, please explain (view)		5
answered question		**45**
skipped question		**14**

16. Do you mandate financial literacy classes for employees?

	Response Percent	Response Count
Yes	0.0%	0
No	**100.0%**	44
If yes, please explain (view)		4
answered question		**44**
skipped question		**15**

17. Do you offer grants to community and/or non-profit partners to deliver financial literacy services to your constituents?

	Response Percent	Response Count
Yes	17.8%	8
No	**82.2%**	37
If yes, please explain (view)		10
answered question		**45**
skipped question		**14**

18. How do you currently fund your direct financial literacy programs? (Please check all that apply)

	Response Percent	Response Count
General Fund	**33.3%**	11
Special Revenue Funds (please list)	0.0%	0
Enterprise Funds	12.1%	4
Internal Service Funds	3.0%	1
Agency Funds	21.2%	7
Component Units	0.0%	0
Other (please explain)	24.2%	8
Other (please specify) (view)		15
answered question		**33**
skipped question		**26**

19. Does your agency budget contain a line item for financial literacy education (as described in the opening paragraph of this survey)?

	Response Percent	Response Count
Yes	4.1%	2
No	**95.9%**	47
If yes, please identify under which division budget the program exists	view	5
	answered question	**49**
	skipped question	**10**

20. In your opinion, is the state funding financial literacy at an adequate level?

	Response Percent	Response Count
Yes	37.0%	10
No	**63.0%**	17
If no, please explain	view	22
	answered question	**27**
	skipped question	**32**

21. Would your agency be in favor of centralizing financial literacy services in state government?

	Response Percent	Response Count
Yes	**55.3%**	21
No	44.7%	17
If no, please list concerns	view	18
	answered question	**38**
	skipped question	**21**

22. What ideas would you like to share for improving current Washington State financial literacy education efforts and/or resources? (please explain)

	Response Count
view	21
answered question	**21**
skipped question	**38**

23. What observations would you like to put on record regarding the current Washington State financial literacy resources? (please explain)

	Response Count
view	16
answered question	**16**
skipped question	**43**

Survey Results for Washington K-12 Educators

View Complete Survey Results Online

1. School Name		
		Response Count
	view	277
	answered question	**277**
	skipped question	**0**

2. District		
		Response Count
	view	277
	answered question	**277**
	skipped question	**0**

3. Grade Level (Check all that apply)	Response Percent	Response Count
Kindergarten	7.6%	21
1st	8.7%	24
2nd	12.6%	35
3rd	8.3%	23
4th	11.2%	31
5th	9.4%	26
6th	7.9%	22
7th	11.2%	31
8th	11.6%	32
9th	47.7%	132
10th	55.2%	153
11th	58.8%	163
12th	**61.4%**	170
College	2.5%	7
	answered question	**277**
	skipped question	**0**

4. Do you provide financial education at your school?	Response Percent	Response Count
Yes	**72.6%**	201
No	27.4%	76
	answered question	**277**
	skipped question	**0**

Those Who Responded They Do Not Provide Financial Education

1. You indicated that you do not currently provide financial education. Why not? (Check all that apply)

	Response Percent	Response Count
Not funded	51.9%	28
Lack of district support	33.3%	18
Lack of school administration support	13.0%	7
Lack of time	59.3%	32
Lack of resources	**61.1%**	33
Other (please specify)	27.8%	15
Other (please specify) view		23
	answered question	54
	skipped question	223

2. What kind of help would you need to get a program started? (Check all that apply)

	Response Percent	Response Count
Financial support	59.3%	32
Speakers / Facilitators	50.0%	27
Training	63.0%	34
Curriculum resources	**85.2%**	46
Teacher incentives (i.e. continued education credit, board certification credit, etc.)	40.7%	22
Other (please specify)	14.8%	8
Other (please specify) view		15
	answered question	54
	skipped question	223

3. In your opinion, what is the most important thing the state could do to promote and ensure financial education for everyone?		
		Response Count
	view	41
	answered question	**41**
	skipped question	236

Those Who Responded They Do Provide Financial Education

1. You indicated that you provide financial education at your school. How is it provided? (Check all that apply)			
		Response Percent	Response Count
One-on-One		12.2%	20
Single session		9.1%	15
Series of sessions		**63.4%**	104
On-line		6.7%	11
Other (please specify)		41.5%	68
	Other (please specify) view		104
	answered question		**164**
	skipped question		**113**

2. Are there any assessments attached to your curriculum?		
		Response Count
	view	162
	answered question	**162**
	skipped question	**115**

3. How are your programs delivered? (Check all that apply)

	Response Percent	Response Count
Educational material distribution	50.3%	87
On-line / Web information	31.2%	54
Public speakers	48.6%	84
Classroom lessons	**94.8%**	164
Other (please specify)	13.3%	23
Other (please specify) view		38
answered question		**173**
skipped question		**104**

4. Where do you get your resources?

	Response Percent	Response Count
Published curriculums	**76.3%**	132
Private partnerships (i.e. provided by a credit union, financial planner, bank, etc.)	52.6%	91
Self-developed materials	66.5%	115
Other (please specify)	17.3%	30
Other (please specify) view		40
answered question		**173**
skipped question		**104**

5. Are your resources,	Response Percent	Response Count
Purchased by school or district?	**41.4%**	67
Provided by governmental agency at no cost to school?	25.9%	42
Donated – If so, by whom?	25.9%	42
Don't know	6.8%	11
Comments	view	82
answered question		**162**
skipped question		**115**

6. In what languages do you offer your financial education programs? (Check all that apply)	Response Percent	Response Count
English	**100.0%**	177
Spanish	5.6%	10
Chinese	0.0%	0
Russian	0.0%	0
French	0.0%	0
Japanese	0.0%	0
Korean	0.0%	0
Vietnamese	0.0%	0
Arabic	0.0%	0
Somali	0.0%	0
Other (please specify)	1.1%	2
Other (please specify)	view	8
answered question		**177**
skipped question		**100**

7. What topics are offered? (Check all that apply)

	Response Percent	Response Count
Banking	83.9%	146
Budgeting	**87.9%**	153
Business Development	37.4%	65
Credit	78.2%	136
Collections	25.3%	44
Debt	70.1%	122
Financing	57.5%	100
Fraud & Scams	52.3%	91
Home ownership	40.8%	71
Investing	64.4%	112
Retirement Planning	36.2%	63
Savings	78.2%	136
Taxes	62.6%	109
Financial Planning	49.4%	86
Other (please specify)	13.8%	24
Other (please specify) view		40
	answered question	**174**
	skipped question	**103**

Survey Results for Washington Community & Technical Colleges

[View Complete Survey Results Online]

1. College Name		
		Response Count
	view	163
	answered question	**163**
	skipped question	**0**

2. Primary Role		
	Response Percent	Response Count
Administrator	33.1%	54
Classroom instructor	**44.2%**	72
Student Services provider	22.7%	37
	answered question	**163**
	skipped question	**0**

3. Student Populations (check all that apply)		
	Response Percent	Response Count
Adult Basic Education	**88.3%**	143
Professional-Technical Education	51.9%	84
Academic Transfer Education	29.6%	48
Contract Education	21.6%	35
	answered question	**162**
	skipped question	**1**

4. Do you provide financial education instruction or resources?		
	Response Percent	Response Count
Yes	**65.6%**	107
No	34.4%	56
	answered question	**163**
	skipped question	**0**

Those Who Responded They Do Not Provide Financial Education

1. You indicated that you do not currently provide financial education. Why not? (Check all that apply)

	Response Percent	Response Count
Not funded	34.1%	15
Lack of program support	15.9%	7
Lack of administrative support	6.8%	3
Lack of time	43.2%	19
Lack of resources	**45.5%**	20
Other (please specify)	34.1%	15
Other (please specify) view		22
answered question		**44**
skipped question		**119**

2. What kind of help would you need to get a program started? (Check all that apply)

	Response Percent	Response Count
Not funded	31.7%	13
Speakers/Facilitators	29.3%	12
Training	46.3%	19
Curriculum resources	**70.7%**	29
Other (please specify)	17.1%	7
Other (please specify) view		15
answered question		**41**
skipped question		**122**

3. In your opinion, what is the most important thing the state could do to promote and ensure financial education for everyone?

	Response Count
view	34
answered question	**34**
skipped question	**129**

Those Who Responded They <u>Do</u> Provide Financial Education

1. You indicated that you provide financial education at your school. How is it provided? (Check all that apply)

	Response Percent	Response Count
One-on-One	46.5%	40
Single session	24.4%	21
Series of sessions	32.6%	28
On-line	8.1%	7
Integrated with other curriculum/activities (Please specify)	**58.1%**	50
Other (please specify)	15.1%	13
Other (please specify) view		44
answered question		**86**
skipped question		**77**

2. Are there any assessments attached to your financial education efforts?

	Response Count
view	69
answered question	**69**
skipped question	**94**

3. How are your programs delivered? (Check all that apply)

	Response Percent	Response Count
Educational material distribution	56.6%	47
On-line / Web information	20.5%	17
Public speakers	32.5%	27
Classroom lessons	**75.9%**	63
Other (please specify)	12.0%	10
Other (please specify) view		11
answered question		**83**
skipped question		**80**

4. Where do you get your resources?

	Response Percent	Response Count
Published curriculums	55.7%	44
Private partnerships (i.e. provided by a credit union, financial planner, bank, etc.)	40.5%	32
Self-developed materials	**77.2%**	61
Other (please specify)	13.9%	11
	Other (please specify) view	15
	answered question	**79**
	skipped question	**84**

5. Are your resources,

	Response Percent	Response Count
Purchased by the college?	**36.5%**	27
Provided	28.4%	21
Donated	14.9%	11
Don't know	20.3%	15
	Comments view	25
	answered question	**74**
	skipped question	**89**

6. Do your programs include bi-lingual options and/or materials? In what languages?(Check all that apply)

	Response Percent	Response Count
English	**93.3%**	56
Spanish	35.0%	21
Chinese	1.7%	1
Russian	5.0%	3
French	1.7%	1
Japanese	1.7%	1
Korean	1.7%	1
Vietnamese	1.7%	1
Arabic	1.7%	1
Somali	1.7%	1
Other (please specify)	5.0%	3
	Other (please specify) view	10
	answered question	**60**
	skipped question	**103**

7. What topics are offered? (Check all that apply)

	Response Percent	Response Count
Banking	68.4%	54
Budgeting	**86.1%**	68
Business Development	7.6%	6
Credit	64.6%	51
Collections	15.2%	12
Debt	57.0%	45
Financing	29.1%	23
Fraud & Scams	25.3%	20
Home ownership	25.3%	20
Investing	15.2%	12
Retirement Planning	8.9%	7
Savings	43.0%	34
Taxes	41.8%	33
Financial Planning	24.1%	19
Other (please specify)	13.9%	11
Other (please specify) view		16
answered question		**79**
skipped question		**84**