

STATEMENT OF CHAIRMAN DANIEL K. AKAKA

Financial Literacy: Empowering Americans to Make Informed Financial Decisions

Hearing
Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia,
Senate Committee on Homeland Security and Governmental Affairs

Aloha and good afternoon. I want to welcome our witnesses to today's hearing: *Financial Literacy: Empowering Americans to Make Informed Financial Decisions*. This April is Financial Literacy Month, which is our opportunity to showcase the importance of financial literacy in America.

My first lessons in financial literacy date back to my childhood. My fourth grade teacher required us to have a piggy bank to teach us about money. We learned that money saved a little at a time can grow into a large amount, enough to buy things that would have been impossible without savings. My piggy bank taught me important lessons about money management that I never forgot.

Growing up, my family did not have a bank account where we could save money securely and earn interest. I grew up in a large family, and you could say we were poor. We budgeted by putting our money in a box that was divided into sections. If the food compartment was empty, we did not eat – even if there was money in the clothing compartment.

I know personally the challenges that families face when they are unable to save or to borrow money for unexpected expenses. My parents made difficult choices to provide better opportunities for their children. I understand now how much worse off we would have been if my parents had not worked so hard to understand difficult financial decisions and to make careful choices, or if they had fallen prey to the types of predatory practices we have seen flourish in recent years. All of this led to a better life for me and gave me an appreciation for the importance of financial literacy.

Too many Americans do not have the financial knowledge they need to effectively manage their finances, use credit, and plan for retirement. Improving our Nation's level of financial literacy has been a top priority for me during my time in the Senate. I have worked to educate, protect, and empower Americans through financial literacy.

Through financial education, we can provide individuals with the knowledge and skills they need to make better choices about finances. Through consumer protection, we can safeguard individuals against harmful practices and bad information that lead to poor financial choices. Accomplishing these two goals will result in economic empowerment for all Americans.

Just ten years ago, Congress made its first serious commitment to financial literacy, when we enacted my Excellence in Economic Education Act as part of the No Child Left Behind Act. My bill authorized a range of activities to promote economic and financial literacy in our schools.

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Then, in 2003, we created the Financial Literacy and Education Commission. The Commission is tasked with coordinating and improving the effectiveness and efficiency of Federal financial literacy efforts.

I am proud of my efforts – with the help of many of my colleagues – to educate, protect, and empower Americans. For example, credit card statements are now required to contain information about the costs of making minimum payments. More meaningful information will be available for consumers purchasing investment products or sending remittances to family members abroad. Additionally, the Department of the Treasury is implementing my provisions to provide financial education to prospective homeowners and financial access to the unbanked and underbanked. Still, there is more work to be done.

The Federal Reserve estimates that household debt in America totals \$13.4 trillion. Most Americans do not have a budget and do not save for retirement, and many are unable to pay their bills on time. We are still in the midst of record mortgage defaults and home foreclosures. One in three homeowners say their mortgages are not what they expected.

It is when people lose jobs and wages fall, when home values decline and foreclosures rise, and when retirement account values plummet that the true cost of financial illiteracy becomes apparent. Financial literacy is more important than ever and the Federal government has a vital role in promoting financial literacy throughout the country.

Today, we will examine that role, as well as the progress of Federal financial literacy initiatives and the Financial Literacy and Education Commission.

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