



DEPARTMENT OF THE TREASURY OFFICE OF PUBLIC AFFAIRS

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**Hearing Testimony
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On the
Federal Government's Role in Empowering Americans to Make Informed Financial
Decisions
Before the
Subcommittee on Financial Management, the Budget, and International Security
United States Senate
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Chairman Fitzgerald, Ranking Member Akaka, and distinguished members of the Subcommittee, I welcome the opportunity to testify today on the Treasury Department's role in ensuring that Americans have access to financial education programs that help them obtain the knowledge to make informed financial choices throughout their lives.

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

The Need

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

Sarah is a typical high school student. Sarah and her teenage peers spent \$175 billion in 2003¹, yet only 26% of 13 to 21 year olds report that their parents actively taught them how to manage money². Sarah is among the one in three teenagers who carries his or her own credit

¹ Teenage Research Unlimited, 2004

² American Savings Education Council

card. Yet only 21% of students like Sarah, between the ages of 16 and 22, say they have taken a personal finance course in school³.

Next let's move on to Maria. Recently, Maria legally immigrated to America and speaks English as a second language. She comes to this country from a place where access to consumer financial services is not common, where checking accounts, credit cards and credit reports are virtually unknown, and where a bank has not always been seen as a safe place to put one's money. Moreover, Maria is among the estimated 10 million individuals in the United States who do not have a relationship with a financial institution⁴. Without a bank account, Maria is more vulnerable to financial scams at worst, and, at best, her choices appear to her to be limited to higher-cost financial services.

Now consider Tom. Tom is nearing retirement. He is among the one fourth of all workers 45 or older who plan to delay retirement for financial reasons. He could be among the 16% of all workers who say they are "not at all confident" about having enough money to retire comfortably⁵. Tom might wind up counting on his Social Security check as his primary source of income, like one in three retirees.⁶

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

The Department of Treasury's Office of Financial Education

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

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

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

³ American Savings Education Council

⁴ Chicago Fed Letter, 2003

⁵ Employee Benefit Retirement Research Institute, 2003

⁶ Social Security Administration

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

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

Financial Literacy and Education Commission

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

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

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

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

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

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

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

