



NATIONAL ENDOWMENT FOR  
FINANCIAL EDUCATION

*Partnering for Financial Well-Being*

**Testimony of**

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**Before**

**The Committee on Financial Services  
Subcommittee on Financial Institutions and Consumer Credit  
of the  
United States House of Representatives**

**Hearing on**

**“Improving Consumer Financial Literacy under the New Regulatory System”**

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I am Brent Neiser, Director of Strategic Programs and Alliances for the National Endowment for Financial Education® (NEFE®), located near Denver, Colorado. We at NEFE would like to thank Chairman Luis V. Gutierrez, Ranking Member Jeb Hensarling, and Members of the Subcommittee for scheduling this hearing and providing members of the financial literacy community the opportunity to explore ways to improve consumer financial literacy under the new regulatory framework for the financial system that Congress is now considering.

### **Background on the National Endowment for Financial Education**

The National Endowment for Financial Education is the only national, privately operating foundation wholly dedicated to improving the financial well-being of all Americans. NEFE is an independent, nonprofit, noncommercial, and nonpartisan foundation committed to educating Americans on a broad range of financial topics and empowering them to make positive and sound decisions to reach their financial goals. For more than 30 years, NEFE has been providing funding, logistical support, and personal finance expertise to develop a variety of materials and programs, including the award-winning NEFE High School Financial Planning Program® (reaching more than 600,000 students annually), the CashCourse® college program (currently used in more than 260 U.S. colleges and universities), and the consumer-oriented Smart About Money public awareness Web site, [smartaboutmoney.org](http://smartaboutmoney.org). NEFE funds research and awards research-based development grants that advance innovative thinking and contribute to our understanding of financial behavior. NEFE also serves segments of the American public in need of specialized financial information through partnerships with numerous organizations, including the National Council of La Raza and the National Urban League.

### **Increasing Financial Capability**

We believe that financial literacy is a critical component of consumer protection and embrace the concept that, with the proper knowledge, tools, and encouragement, all Americans are capable of successfully managing their financial lives. Financial markets and products change rapidly; that's why informed decision making is crucial and consumers should be equipped to consistently make intelligent choices in the face of those changes. This capability leads to critical awareness of the consequences of financial behaviors, both positive and negative. When individual Americans are increasing their financial well-being in the aggregate, America as a whole will become economically strengthened and more competitive.

Individual financial literacy is not the whole solution, however. Financial product regulations and product disclosure can protect and inform Americans as they contemplate financial options open to them. In this case, regulation is more than a protection from abuse and excess—it is a practical and sensible way to complement existing financial literacy by helping consumers understand basic financial products and terminology.

Furthermore, we have the opportunity to create a nationally-recognized set of standards for basic financial literacy for the entire population. The President's Advisory Council on Financial Literacy, on which NEFE President and CEO Ted Beck serves, already has identified some concepts and definitions for a proposed body of knowledge in its first annual report in January.

Americans need to clearly understand the consequences of engaging in either positive or negative financial behavior. We want to empower Americans to make their own decisions about which products and behaviors will maximize their financial well-being, while discouraging them from utilizing predatory products and making uneducated, irreversible choices that are especially destructive to those with limited resources.

We also believe this is a chance to be creative in engaging the American public using techniques such as: a consumer education campaign; social marketing; a nationwide financial check-up; consistent, repetitive messaging; and a clear link to financial literacy tools at points of transaction across one's financial lifespan, from youth through post-retirement.

We have a good working relationship with, and applaud the financial education efforts of, many agencies in the Federal government, including the Department of Treasury, the Departments of Defense, Labor, and Agriculture, the Social Security Administration, and others. We look forward to continuing our support of Federal financial literacy efforts.

### **Financial Literacy Foundations for Consumers**

Financial literacy should be embodied in any financial reform proposal. As a start, we suggest that consumer protection reform principles include components such as:

Definitions: What do we mean when we say someone is financially literate? How do we define financial literacy at various stages of life? Building on the President's Advisory Council on Financial Literacy's recommendation to set standards will create a consistent framework for public and private financial education efforts.

Context: Providing the context for understanding a product and its relationship to life goals and timing within one's economic lifespan will increase the effectiveness of disclosure of the financial product and its features.

Simplicity: We need to take a step back and focus on financial understanding, capability, and literacy. A nationwide social marketing campaign could include messages such as: thrift, paying yourself first, having an emergency fund, understanding the time value of money (for credit and investments), appropriate use of credit, and diversification.

Relevance: All Americans are capable of bettering their financial well-being through financial understanding. Message campaigns need to be culturally and circumstantially relevant and age-appropriate, and underserved audiences need to be considered.

Self-Assessment: A nationwide Financial Check-Up as recommended by the President's Advisory Council on Financial Literacy would allow Americans to assess their own financial knowledge and provide links to trustworthy sources of information to fill any gaps.

Thank you for providing a forum to discuss these important issues. NEFE stands ready to provide this Subcommittee with additional information, insight, or assistance. Thank you for letting us speak to the growing concern and relevancy of financial literacy for all Americans.

### **NEFE: Reaching Consumers with Financial Literacy Initiatives (selected examples)**

NEFE has many financial literacy initiatives that focus on providing messages to underserved audiences at relevant times throughout one's economic lifetime to promote positive behavior change. For example, NEFE's High School Financial Planning Program® (<http://hsfpp.nefe.org>) is a complete money management curriculum that is designed to reach young people at an optimum time when they are developing financial habits that will shape their future. More than six million student guides have been sent out to an estimated 200,000 classrooms since 1984—all at no cost.

The CashCourse program is a just-in-time Web-based financial education resource that provides college students unbiased, noncommercial information for every stage of college life; it includes calculators, worksheets, and an interactive budgeting tool. Currently, over 260 colleges and universities are enrolled in the program.

Smart About Money ([www.smartaboutmoney.org](http://www.smartaboutmoney.org)) is NEFE's consumer Web site, which provides a variety of practical educational resources to help individuals overcome financial challenges they face every day, including critical life events such as losing a job, experiencing a serious illness, navigating a divorce, or surviving a natural disaster. Recently, NEFE added a section to Smart About Money called Economic Survival Tips, which is a Web-based resource filled with action-oriented information on how to remain financially afloat in this difficult economy and set the stage for recovery.

Additionally, [decumulation.org](http://decumulation.org) is a Web site that helps Americans approaching retirement to optimize their retirement paycheck by making wise decisions. The site contains messages and articles surrounding eight main decision areas: Work, Social Security, Home & Mortgage, Insurance, Pensions, Retirement Plans, Debt, and Fraud. These messages were derived from NEFE's research-based Retirement Income Decumulation Think Tank of December 2007.

Another NEFE Web site, [Spendster.org](http://Spendster.org), allows people to share purchases they now regret while they rate and discuss those of others. It also includes tools to calculate how costly items really are, and drives home the message that the money we spend on stuff we don't need can be saved and invested towards achieving financial goals. The site allows users who generally don't engage in personal finance to ease in to the dialog by uploading photos and videos and talking on the message board.

NEFE also funds research exploring behavioral finance. Most recently, a study by the University of Arizona and Arizona Pathways to Life Success for University Students (APLUS) examined the diverse social factors that influence the attitudes and behaviors of today's young adults; these factors often determine their financial success or failure as adults. The study learned that parents have more influence over their children's financial knowledge, attitudes, and behaviors than work experience and high school financial education combined.

NEFE also has collaborated with over 100 organizations to bring customized personal finance materials to underserved audiences, and NEFE is continually engaged with the broader financial literacy community.