S. HRG. 113–737

THE ECONOMIC IMPORTANCE OF FINANCIAL LITERACY EDUCATION FOR STUDENTS

HEARING

BEFORE THE

SUBCOMMITTEE ON CHILDREN AND FAMILIES

OF THE

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

ON

EXAMINING THE ECONOMIC IMPORTANCE OF FINANCIAL LITERACY EDUCATION FOR STUDENTS

APRIL 24, 2013

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C O N T E N T S

STATEMENTS

WEDNESDAY, APRIL 24, 2013

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THE ECONOMIC IMPORTANCE OF FINANCIAL LITERACY EDUCATION FOR STUDENTS

WEDNESDAY, APRIL 24, 2013

U.S. SENATE,
SUBCOMMITTEE ON CHILDREN AND FAMILIES,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:31 p.m., in room SD–430, Dirksen Senate Office Building, Hon. Kay Hagan, chairman of the subcommittee, presiding.

Present: Senators Hagan, Enzi, Murray, Franken, and Murphy.

OPENING STATEMENT OF SENATOR HAGAN

Senator HAGAN. Welcome, everybody. Let me welcome you to the first hearing in this Congress of the HELP Subcommittee on Children and Families. First of all, I want to thank all of our witnesses for being here. We are certainly looking forward to your testimony.

I want to especially thank our Ranking Member, Senator Enzi, for all of his work and for his staff's work on this hearing. I sincerely look forward to working with you as we develop a bipartisan agenda and solutions for the challenges facing America's children and our families.

It is certainly an honor and a privilege as the chairman of this subcommittee to be here. And we want to look at the essential building blocks of successful and secure individuals that start very early in life, of quality maternal and newborn healthcare, early childhood education, and financial literacy education, which is what we're going to be talking about today.

With April marking Financial Literacy Month, I really do want to focus today on the economic importance of financial literacy for all of our students. I think having a basic understanding of financial concepts is an absolutely critical skill for establishing economic success and security. And it's especially true for college students who are taking out increasingly large loans to pay for their education. In fact, student loan debt in our country now exceeds credit card debt.

Mistakes managing your money in the early years of adulthood can have long-term consequences on the ability to buy a first home, the ability to buy a car, the ability to start a family, the ability to save for retirement. It is all impacted. And for our military service members, the risks are especially great, since their careers may be delayed or put on hold because security clearances are also dependent on maintaining good credit.

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The ability to properly manage money makes each of these life milestones in building a career and family possible. But many of our high school graduates are entering college or the workforce almost completely unarmed with the basic knowledge, the basic skills that they need to manage their personal finances effectively. According to the 2008 Jump$tart Coalition survey, the last one for which data is currently available, only 26 percent of high school seniors received a passing score, and just 5 percent of high school seniors got a C or better. To me, that's depressingly low.

The only good news we now know is that teaching personal financial literacy in grades K through 12 really does make a difference in how students manage their money. According to research published by the National Endowment for Financial Education, students from States where a financial education course was required had higher levels of financial knowledge and were more likely to engage in positive financial behaviors than students from States that did not have those requirements.

And compared to other students, these young adults were more likely to save, less likely to max out their credit cards, less likely to make late credit card payments, and more likely to take just average financial risks. Unfortunately, the majority of States do not require financial education to be taught in schools at all. Only 24 States require a one semester course in personal finance, or require personal finance to be integrated into another course.

I'm proud to say that when I was a State senator in North Carolina, I helped lead the effort that established North Carolina's financial education requirement. And I'm looking forward to hearing the testimony of a teacher from North Carolina about how that has impacted students' lives.

Teaching financial literacy in elementary and secondary schools is bipartisan, and it's common sense. The Presidential Advisory Councils to both Presidents Bush and Obama recommended it. The American Federation of Teachers, the Council for Economic Education, the Jump$tart Coalition, the National Education Association, the National Endowment for Financial Education, and the National Urban League all support this concept. Survey after survey shows that more than 80 percent of teachers, students, parents, and the American public support it.

I'm proud to give my Senate colleagues a chance to support that, too. This week, I will re-introduce the Financial Literacy For All Students Act to authorize grants to incentivize States to integrate financial literacy education into elementary and secondary courses and provide professional development for teachers so that the teachers are well prepared to improve the financial literacy of their students. That is a critical component of this legislation.

I think this is a common sense solution, and I'm looking forward to working with all of my Senate colleagues to help pass this bill.

I want to now give our Ranking Member, Senator Enzi, the opportunity to provide opening remarks.

Opening Statement of Senator Enzi

Senator Enzi. Thank you, Madam Chairman. I appreciate your passion on this issue and look forward to working with you on the Financial Literacy Caucus.

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I want to thank all of our distinguished panel. We appreciate you taking time out from your life to come and share your knowledge and your experiences with us. It does make a difference. And I think the fact that you've taken the time to come highlights the importance of financial literacy, especially for the youth of our Nation.

For many years, I've recognized the importance of being involved in financial literacy issues, such as working with the Wyoming Community Development Authority on first-time homebuyer education or working with the Wyoming Jump$tart program on financial literacy initiatives around the State.

I've also worked on some initiatives in Washington. I've been a longtime sponsor of a Senate resolution designating April as Financial Literacy Month and have been the resolution's lead Republican sponsor since 2007. And I've got to say that the lead Democrat cosponsor on that was Danny Akaka, who has now returned to Hawaii. I do miss him, but I think he's provided an absolutely spectacular replacement.

I've been heavily involved in this issue, and I'm here to tell you that I feel a new urgency about the importance of educating people about issues related to finances and from a young age. I have four grandkids in Wyoming. I want their futures and the futures of children across the country to be successful. A part of ensuring their futures is teaching them principles early on that will plant the seed of sound decisionmaking that they can put into practice when they're old enough to start making their own financial decisions.

Make no mistake. The economic environment they're growing up in is rife with challenges that will require this knowledge. With the increasing cost of higher education and the fiscal uncertainty surrounding programs like social security, future generations will need a more informed understanding of finances to have the opportunities they deserve and to appropriately save for retirement.

Here are some numbers that illustrate the challenges we're facing as a country. According to the 2012 Consumer Financial Literacy Survey Report of the National Foundation for Credit Counseling, almost 42 percent or nearly 98 million adults in the United States gave themselves a grade of C, D, or F on their knowledge of personal finance, and four out of five adults admitted that they'd benefit from professional advice on everyday financial questions and functions.

Additionally, two of every five adults in the United States or more than 93 million are saving less than they did in 2011, and almost 39 percent of adults say they have no retirement savings at all. We have to do better than this for future generations.

We need to do better, but we're also in a unique situation in the country. We have a greater need than ever for financial literacy across the country and in Congress at a time when our country has so little money.

So what we need to do now is to let the States continue their great work on improving financial literacy. We also need to take a look at financial literacy programs across Federal agencies to see what we're doing well and what we're not and how we can eliminate duplication.

Again, I thank you, Madam Chairman, for holding the hearing on this important topic. I look forward to hearing from our distinguished panel, and I look forward to working with you more extensively on financial literacy for this Congress.

Senator HAGAN. Ranking Member Enzi brings a wonderful background in dealing with financial literacy to this issue. So I thank you also for your interest, and I look forward to working together as we move forward.

We would now like to have the witnesses' opening remarks, and I would like to ask you to hold it to 5 minutes, a little less than 5 minutes, please. Our first witness is Mr. Curtis Biggs, vice president of the Wyoming Chapter of the Jump$tart Coalition. And I believe you're going to be introduced by your Senator.

Senator ENZI. I'd love to. He just attended my Inventors Conference, which is one way that we try to improve the financial status of kids and adults where they can invent something, make it in Wyoming, ship it all over the world, and live wherever they want, which I know would be Wyoming, and I appreciated his attendance at that.

He's joined us today from Sheridan, WY, which is where my wife and I grew up, and it's about an hour and a half from our home in Gillette, where we currently live. Curtis serves as the director of Dual Credit Programs for Sheridan and Gillette Colleges, where he partners with high schools to provide post-secondary options to Wyoming students.

He also represents the colleges in the National Association of Concurrent Enrollment Partnerships on several Perkins Workforce Investment Act, an issue I've championed for years, and Career Technical Education boards and committees. Curtis serves as the Youth Council chair on the Wyoming Workforce Development Council, supporting youth initiatives, including career and technical student organization initiatives across Wyoming.

He's also the current vice president and president-elect of the Wyoming Chapter of Jump$tart. That's the primary reason we have him here. It's a program I've worked extensively with on financial literacy initiatives over the years. I appreciate his presence at the hearing today and look forward to hearing his perspective on financial literacy education in the K through 12 age group.

I'll have to apologize to all of the people, because I have a bill that's up on the floor, and I'm going to have to go manage amendments there. So I'll listen until my support staff on the floor is out of time, and then I'll have to leave.

Senator HAGAN. Thank you.

Mr. Biggs, if you can begin your opening statement, please.

STATEMENT OF CURTIS BIGGS, VICE PRESIDENT, WYOMING CHAPTER, JUMP$TART COALITION FOR PERSONAL FINANCIAL LITERACY, SHERIDAN, WY

Mr. BIGGS. Thank you, Madam Chairman Hagan, Ranking Member Senator Enzi—especially for that introduction. I appreciate it—and all Senators present for the opportunity to discuss both State and national level Jump$tart perspectives contributing to the economic importance of financial literacy for our students.

Dedication to educating our youth in financial literacy is essential to a strong consumer and robust U.S. economy. Americans now owe more than they make, and financial literacy statistics for both youth and adult populations gravely reflect the need to integrate personal finance into the lives of our students at an early age, as pointed out by Senator Hagan.

Dedication along with the national mission of Jump$tart Coalition for Personal Financial Literacy is to focus on this next generation of consumers. Striving to prepare youth for lifelong successful financial decisionmaking, Jump$tart is the voice of youth financial literacy. We believe that all consumers must increase their levels of financial literacy through effective education and information. Financial principals are basically the same for all ages, but how we reach and teach children, much different, how we frame the lessons, and how we evaluate our effectiveness is necessarily different when dealing with kids.

As vice president of Wyoming's State coalition, I offer the support and perspective of the local as well as the national perspective for Jump$tart. I witness the seventh grade Mini Bank teller processing savings deposits for classmates while also sharing best practices with my cohorts and my colleagues from the other coalitions around the country.

Collaboration is a critical component of Jump$tart. Jump$tart is not just a financial literacy organization. We're the organization that brings together those organizations that conduct and support financial literacy. An example of this collaboration in Wyoming is the Mini Bank Program, a partnership between Jump$tart partner First InterState Banks, community schools, and First InterState BancSystem Foundation, and Jump$tart.

Serving hundreds of kindergarten through ninth grade students each year, there are now 23 Mini Banks throughout Wyoming and Montana, with a collected total account balance of $1.2 million. Through this program, students gain exposure to banking and behaviors that promote good savings habits and experience hands-on math and economic concepts.

Dedicated partners and individuals from North Carolina to Colorado to our strong West Coast coalitions continue to provide similar dynamic programs through our Jump$tart. Jump$tart has about 150 national partners and a network of 49 affiliated State coalitions, each one independently operated almost exclusively by volunteers.

Jump$tart believes that educators are a huge factor in the effectiveness equation. As you mentioned, there is a distinct need for professional development amongst our professors. Jump$tart offers a great curriculum, but without the curriculum and the instructor, teachers won't necessarily have the same results.

The National Education Conference, the Teacher Training Alliance, and the Jump$tart Clearinghouse provide the training, resources, and partner access to teachers that they need. Over 900 have attended the conference to date. The Jump$tart National Educator Conference was launched in 2009 with seed money from Experian helping to get resources into the hands of those who need them. From State to State, coalitions also provide local financial literacy training.

Jump$tart is publisher of the National Standards in K through 12 personal finance education, now in its third edition. Like many national subject matter standards, use of these standards is voluntary. Many States have used these standards as a starting point to build their own State standards.

A flagship of Wyoming financial literacy programs is the annual Jump$tart Financial Literacy Conference for Youth. Another example of collaboration, Wyoming has partnered with Money Savvy Generation, implementing their curriculum into the 1-day conference covering asset building, including budgeting, compound interest concepts, and various investment options. Now in its fifth year, the conference has served over 850 Wyoming youth.

I close with Federal Reserve Chair Bernanke's thoughts. Education and teachers are on the front line of preventing the next financial meltdown. Jump$tart Coalition for Personal Financial Literacy is a committed stakeholder in the effort to implement the financial literacy boost our students need.

HELP Committee interest in enhancing financial literacy opportunity for students is greatly appreciated. I thank you for your time and look forward to your questions.

[The prepared statement of Mr. Biggs follows:]

PREPARED STATEMENT OF CURTIS BIGGS

Thank you Madam Chairman Hagan, Ranking Member Senator Enzi and fellow Senators for the opportunity to discuss both State- and national-level perspectives of Jump$tart contributions to "The Economic Importance of Financial Literacy for Students."

Dedication to educating our youth in financial literacy is essential to a strong consumer and robust U.S. economy. Americans now owe more than they make (Bennett, 2006). Financial literacy statistics for both youth and adult populations gravely reflect the need to integrate personal finance into the lives of our students at an early age.

The national mission of Jump$tart Coalition for Personal Financial Literacy is to focus on this next generation of consumers (i.e., students PreK-college.) Striving to prepare youth for life-long successful financial decisionmaking, Jump$tart is the voice of "youth financial literacy." We believe that all consumers must increase their levels of financial literacy through effective education and information; financial principals are basically the same for all ages; but how we reach and teach children, how we frame the lessons, and how we evaluate our effectiveness is necessarily different when dealing with kids.

As vice president of Wyoming's State coalition, with support and insight from our national Jump$tart Coalition, I offer both local and national perspectives on Jump$tart initiatives, challenges and successes. I witness the seventh grade Mini Bank teller processing savings deposits for classmates while also sharing and celebrating best practice amongst State and national coalition leaders and supporters at the annual events on Capitol Hill. Wyoming Jump$tart also prides itself on the steadfast congressional level support from Senator Enzi.

Collaboration is a critical component of Jump$tart. Jump$tart is not just a financial literacy organization; we're the organization that brings together those organizations that conduct/support financial literacy. With vast geographic, demographic and educational territory to cover, coordination amongst financial literacy stakeholders is key. Jump$tart believes it contributes significantly to that part of the cause, identifying and bringing together varied participants in the effort (government, financial institutions, non-profits, academia, parents, teachers, etc.). At both the State and national levels, Jump$tart is the facilitator of collaboration and communication in this field. An example of this collaboration in Wyoming is the Mini Bank Program, a partnership between Jump$tart partner First InterState Banks, community schools, and First InterState BancSystem Foundation. Serving hundreds of K–9th grade students each year, there are now 23 Mini Banks in Montana and Wyoming, with a combined savings of over $1.2 million. Through this program, students gain exposure to banking and knowledge and behaviors that promote good savings habits, and experience hands-on math and economic concepts.

Jump$tart has about 150 national partners from government, business and finance, non/not-for-profits, and education. Jump$tart is a network of 49 affiliated State coalitions; each one independently operated, almost exclusively by volunteers.

Wyoming Jump$tart board members coordinate resources as well, in order to provide events and services statewide.

INITIATIVES

In recent years, Jump$tart has focused on teachers. We believe that educators are a huge factor in the effectiveness equation. A great teacher can make magic with a mediocre curriculum; but a great curriculum in the hands of a less-inspired teacher won't have the same result.

The Jump$tart National Educator Conference was launched in 2009 with seed money from Experian. The cost for teachers to participate is subsidized significantly. Our conference is not extravagant, but we strive to treat teachers very well—to thank them, acknowledge them, inspire them. In the spirit of the Coalition, our conference always features a multitude of diverse speakers, exhibitors, sponsors. While the overriding objective is to support the teachers; Jump$tart's secondary objective is to support its partners—giving them a platform for their products and programs; helping to get the resources into the hands of those who need them. Over the 4 years of the national conference, 961 teachers from across the country have been served. Thirteen Wyoming teachers have attended, in part, funded by Wyoming Jump$tart.

Additionally, since 2007, Wyoming Jump$tart has continually provided local continuing education financial literacy training to high school teachers. Wyoming Family and Consumer Science and business teachers across the State participate via career & technical education pre-conference workshops and online interfaces.

The Jump$tart Teacher Training Alliance is an alliance of five of the major, nonprofit participants in the financial literacy space: Jump$tart, Junior Achievement, the Council for Economic Education, the National Endowment for Financial Education, and the Take Charge America Institute at the University of Arizona. The Alliance members worked with three ex officio Federal agencies: The FDIC, Department of Education, and Department of the Treasury, to create a model for conducting teacher training. Since the Alliance Model focuses on providing teachers with underlying financial knowledge—rather than teaching them how to use a program—it actually supports and facilitates use of all the many financial education programs already in existence.

Celebrating Financial Literacy Month and Financial Literacy Day on Capitol Hill, Jump$tart also hosts the Jump$tart State Coalition Leaders' Meeting in Washington, DC, along with the Jump$tart Coalition Awards Dinner.

Jump$tart is publisher of the National Standards in K–12 Personal Finance Education, now in its third edition. Like many national subject matter standards, use of these standards is voluntary. Many States have used these standards as the starting point to build their own State standards.

Jump$tart operates the online Jump$tart Clearinghouse of financial education resources. There are currently over 800 resources listed. All resources are screened for listing—we do not allow marketing materials, anything unbiased, and anything with content that does not align with our national standards. These resources are not Jump$tart's; but rather, the resources published and provided by our partners and other participants. Currently the Jump$tart Clearinghouse is undergoing a major overhaul with two objectives: one, to upgrade the search technology to make it easier for educators and other users to find the resources that best fit their need; and two, to strengthen the listing criteria to ensure that users are finding the most effective resources available.

A flagship of Wyoming financial literacy programs is the annual Jump$tart Financial Literacy Conference for Youth. Another example of collaboration, Wyoming has partnered with Money Savvy Generation, implementing their curriculum into the 1-day conference covering asset-building, including budgeting, compound interest concepts, and various investment options. Now in its 5th year, the conference has served more than 850 Wyoming youth, grades 8 through 12.

In closing, Jump$tart Coalition for Personal Financial Literacy is a committed stakeholder in the effort to implement the financial literacy boost our students need. Composed of knowledgeable and passionate partners, collaboration and advocacy, research and standards, and financial educational resources, Jump$tart is a catalyst for improving the financial literacy of pre-kindergarten through college-age youth. HELP Committee interest in enhancing financial literacy opportunity for students is greatly appreciated. I thank you for your time and look forward to your questions.

Senator HAGAN. Thank you, Mr. Biggs.

Our next witness is Ms. Nicole Lipp, a social studies teacher at Garinger High School in Charlotte, NC.

Ms. Lipp.

STATEMENT OF NICOLE LIPP, SOCIAL STUDIES TEACHER, GARINGER HIGH SCHOOL, CHARLOTTE, NC

Ms. LIPP. Good afternoon. Thank you so much for having me here. I'm a civics and economics teacher to 10th graders, so this whole event today is totally up my kids' alley, and they are so excited that it's happening. So I'm excited to be a part of it.

In 2005, I started implementing personal financial literacy into my classroom, and it was mainly because of my personal experience. Growing up, I had a mother who, thank God, taught me financial literacy, and little by little, whether it was saving $1 or it was saving $2, she would make us put it in our little piggy banks underneath the kitchen cabinet counter.

We had a ledger, and we had to put "plus $1" allowance for the week of whatever. If we wanted to take out even 50 cents for candy, she would ask us the questions, "Is 50 cents worth—this is half of what you just made for your allowance. Is that candy worth it?" And we had to sit there and kind of think about it, because 50 cents can be—I mean, it's very tempting.

As we grew up, she also was a big proponent that instead of Christmas presents and birthday presents from aunts and uncles, she took that money and she invested it into our college savings accounts. And she always told us as little kids—we thought, "Oh, we've got $25. We should be able to spend that on whatever." And now, I had no college debt when I graduated from college, and that $25 toy when I was six or seven is meaningless to me. I don't miss it at all, being 33 with no college debt.

She instilled a lot of those things into us at a very, very young age. When I became an adult and I was able to buy my own house, they approved me for a loan that was ridiculous. It was around $300,000, and my husband and I made a combined salary of $50,000. They showed us this house, and it had the granite counter tops and these wonderful cabinets.

I felt the twinge, knowing better, that, "Oh, my gosh, I can afford this. The sales person says I can afford it." We didn't buy it. We bought one for half. I started thinking about my kids, because I've only taught in low-income schools for the last 11 years—about 60 percent to 70 percent with free and reduced lunch rates. Now, the school I teach at is title I. We're up in the 90 percent range.

These kids didn't have my mom's voice in their head, and I had to somehow figure out how to get that to them. And in 2005, I came across a budget project that North Carolina had created, and I started tweaking it and playing around with it, and then I handed it to the kids. I gave them certain guidelines that went along with it.

They had to put 10 percent of whatever they made away into savings, no matter what, and they weren't allowed to touch that part of the budget. If they wanted to get a bus pass instead of a car so they could afford a nicer apartment, they could make those decisions. But that 10 percent wasn't allowed to be touched at all.

They also weren't allowed to count on having a spouse. And high schoolers all think that they are in love, and this was just such a shock to them. "But you don't understand, Ms. Lipp. I love them and we're going to be together forever," and 3 months later, it was over. So I told them, "You have to do that because it's why women stay in bad marriages, and it's one of the leading causes of divorce."

Financial literacy and finances is a huge thing. It's not just understanding finances. It affects your emotional and your mental state, especially if you're trying to figure out how to budget.

So I assigned this project, and they were angry. They didn't want to do it. They were fighting me left and right on it. And my kids have my cell phone number and they have my e-mail address, and by that weekend, I started getting e-mails and text messages about the project, and I'm sitting at home, going, "Oh, my gosh. OK. They got it. They got it."

And as the project went on, the questions kept coming. They were visiting banks. I sent them to go and compare and contrast banks and credit unions, and they were coming in with pictures of themselves with the bank person that they interviewed. And this went into their portfolio, and I'm laughing.

But it started taking on this whole different shape that I had no idea was going to happen. Those kids that participated in that project are now graduated from college. One of them actually teaches with my husband, who is seated behind me. We've gotten to see what the effects of this project have been.

A lot of them have said they opened up savings accounts. They understood that the stock market wasn't just for the rich people. They started to learn that there were things that they could do to take control of their financial future at 16 and 17 years old instead of just thinking, "OK, well, when I graduate from college or graduate from high school, I will now have to deal with bills."

It is imperative, imperative, that we do this. And I am so excited that we're talking about it on a Federal level, because it does—we can change the way things happen financially in this country.

Thank you very much.

[The prepared statement of Ms. Lipp follows:]

PREPARED STATEMENT OF NICOLE LIPP

Early on in childhood, I was taught the lessons of financial literacy. Starting in elementary school my mom had my brother and I keep banks for our allowance in a cabinet in our kitchen. She had a ledger neatly tucked into each bank where we kept track of our spending habits to prepare us for balancing a check book. Each week we would pull out our bank and add our $1.00 to $2.00 allowance and log it in. I distinctly remember printing neatly and clearly on the graph paper the date, what the money was from and how much it was. In the end we had to total up the money in our banks so we could see how our saving was adding up. Each time we wanted to buy something, no matter how trivial it was, we had to return to our banks and deduct the amount with an explanation of our use for the money. Even as an elementary school student I began to understand the value of money and that buying a 50 cent candy wasn't worth losing half of what I earned for the week. With her home banking system, my mom very carefully planted the seeds of financial literacy in my mind.

Soon after graduating from college I moved to a new city 8 hours from my family and was immediately faced with tough decisions. Where was I going to live? Should I buy a new car? Where should I do my banking? In those moments, the financial lessons taught by my mom came clearly to mind and I was able to navigate the world of adulthood. When I went to buy my first house in 2003 my husband and I were approved for nearly $300,000 while only having a combined income of slightly over $50,000 a year. As the salesmen paraded us through the largest house they built, I felt a twinge of excitement seeing the granite counter tops, cherry cabinets, tile floors and so on. A part of me was pulled to trust the salesperson and buy the house. After all, with the adjustable rate mortgage he was offering, we could afford the initial year of payments and it was possible that we would have salary increases over the next 2 years to keep up with the increase in cost. In that moment the words of my mom rang through my ears and we chose instead to purchase a house within our means, actually listed at half of our approved loan amount.

In 2005 it became evident just how far above their means people were living, as for sale signs and foreclosure notices appeared around my neighborhood. The people who bought more expensive houses on adjustable rate mortgages lost those houses, while we came out the other side of the recession relatively unscathed despite my husband's job loss, and pay freezes in the school system. I attribute this to the financial training I had throughout my childhood. As I looked at my students I realized that most of them didn't have my mother's voice in their heads. They didn't know what to do with their paychecks. They didn't realize there was a difference between a credit union and a bank. When I mentioned that I owned stock (once again because my mom invested when I was young) my students were blown away. They believed that the stock market was only for rich people. It became very clear to me that I needed to find a way to become my mother's voice for all of my students.

With this goal in mind, I began to search for resources I could use to teach my students how to be financially sound. I stumbled across a budget project developed by the State of North Carolina. I realized that this project was the way to teach 20 years of my mom's financial lessons in one semester. I worked to tweak the project to make it user friendly and then passed it out to the kids. Almost instantly they were annoyed with the project. I gave my students 2 months to finish the project and it included getting an apartment, buying a car, budgeting for student loans, getting renters and auto insurance, visiting banks and much more. The kids were given a few rules:

No. 1. You must live off the lowest salary posted for the career you want.

No. 2. You may not account for having a spouse. Financial disputes are a major reason for divorce and one of the leading reasons women stay in abusive relationships. You must do it on your own.

No. 3. You may not count on having scholarships because they are not a guarantee. Ask your parents if they will be helping you with college and if they aren't, budget for paying back student loans.

No. 4. You may not count on your parents giving you a car or any furniture. You have to do it on your own.

No. 5. Last, 10 percent of your income must be dedicated to savings. That is non-negotiable.

They began their project grumbling about how their boyfriend or girlfriend was their soul mate and they would be together forever and I was being unreasonable. I was so nervous that they weren't going to catch on and were going to blow off the project. But then something miraculous happened . . . they started texting me and e-mailing me that weekend with questions about the project.

Answering their questions became a part of my day, every day, for the next 2 months. They were calling utility companies to find out averages for the apartments they wanted. They were visiting banks and finding out the difference between savings accounts, checking accounts, IRAs, and CDs. They were coming to class with pictures of themselves with the bank workers. The project took on a life of its own and the grumbling stopped. Excitement replaced all their reservations and they were learning! I was so proud of them. On the day the project was due the kids were full of energy and were scrambling to put their portfolios together. When it came time to collect the projects the kids were more worried about getting their projects back than what their grades would be. I assured them that they would get them back and they would be theirs to keep and to use as a blueprint for their lives.

I flipped through the pages of their projects and was amazed. My students found ways to live within their means by making sacrifices. They found roommates, chose to rent apartments on a bus route instead of buying a car, others took on additional extra jobs, and some decided to forego clothes shopping so they could eat out during the week. Sophomores in high school were able to make budgeting decisions that their own parents couldn't make. In that moment I knew that this project would forever be a requirement in my classroom.

Fast forward to 2013, those students have now graduated from college, and are working in the real world. I recently heard from several of them on the impact that the project had on their ability to budget later in life.

One former student, Dillon, wrote me that the budget project left a lasting impression on his spending and saving habits.

"I make sure I'm able to pay all my bills on time and still save a little bite more in case something unexpected happens. Now that I'm about to graduate college, I've managed my money so well that I don't have any college bills or loans to pay off because I realized the importance of 'buying now instead of paying later.' Learning the importance of saving money has changed my life for the better, and I believe that it should be emphasized in high school. Without the knowledge of properly spending money I probably would have bought unnecessary things with credit cards, just to discover later I don't have the money to pay it back. Too many people I know live in debt because of poor spending and investing habits. I'm happy to say that because of this project, I will never follow that path."

Another former student, Shannon, echoed Dillon's reaction to the project. She wrote me that at first, she

"hated the budget project. However, the more I worked on it, the more I enjoyed it. In the beginning it was just fun to plan out my future, the way I wanted it to be. By the end, it was eye-opening to see exactly how the financial aspects of my decisions would play out, especially how my career choices would affect my ability to afford the things I knew I would want to buy. At this point in my life, I'm making these choices all over again, but this time it's not for a grade. Now, the consequences are real. I'm not as afraid about how to manage my money as some of my other friends are, and that has to do with the budget project. I was able to do it once before, so hopefully I'll be able to do it again now."

All 11 years of my teaching experience have been spent in schools with high percentages of students who are from low socio-economic backgrounds. In many of my student's homes every penny counts and they need the skills to make their money work for them. The North Carolina Council on Economic Education (NCCEE) has a lesson about being a millionaire. The teacher reads a list of statements about millionaires and the students have to guess if it is true or false. It is amazing to watch the kids guess that millionaire's drive fancy cars or earned their money from the entertainment industry. They don't realize that most millionaires live within their means, too. My students learn that no matter where they are economically it doesn't mean it is where they have to stay.

Garinger High School in the Charlotte-Mecklenburg School District, where I teach Civics and Economics, is among the poorest in the area, with a high percentage of students eating free and reduced priced meals. This year we began implementing the Stock Market game into our classes to help increase financial literacy. The feedback from the student's has been incredibly positive. Many of the students are realizing that the stock market isn't just for the wealthy. They are learning that they too can take control of their financial future and invest their money. We are striving to teach them the life lesson that the immediate gratification of buying new clothes or new shoes doesn't outweigh a fiscally sound future.

I feel a great sense of urgency surrounding this topic because I have personally experienced the effects of learning financial literacy lessons early on, and have also helped teach these lessons to students who desperately need them. Becoming financially literate can give someone without a lot of money the knowledge needed to take control of their finances and the tools they need to break a cycle of overspending and debt.

Since 2005, when North Carolina passed laws requiring that personal finance be taught to high school students, the State has been a leader in integrating personal financial literacy content into the curriculum. This year, students will be tested on their financial literacy for the first time.

In Charlotte-Mecklenburg School District I have been a part of a team trying to prepare our teachers for the upcoming tests and new push of financial literacy. This past year we have worked hand in hand with the North Carolina Council on Economic Education (NCCEE) to train our teachers on how to teach financial literacy lessons. We have held three professional development sessions and provided each teacher with a set of curriculum called Virtual Econ 2.0. In these sessions teachers are given practical ways to implement financial literacy and each teacher is given support from the district as well as from the NCCEE so they can further their knowledge. Teachers have been given access to the Stock Market game for their students and the training as to how to teach it and integrate it into their lessons. We are making great strides to make our teachers feel comfortable with the content so they can seamlessly integrate it into their lessons.

My classroom and my students are the greatest testimony as to why teaching financial literacy should be a must for students around the country. I live in an area that is still feeling the backlash of the financial crisis. Many people were taken advantage of by the banking system and made poor financial choices because they didn't know any better. We have a duty to educate our citizens no matter their economic status and give them the tools to create a sound economic future.

Thank you for your time and the opportunity for me to be able to speak on behalf of educators to you about this urgent need in our country.

Senator HAGAN. Thank you very much.

Our next witness is Dr. Annamaria Lusardi, the academic director of the Global Center for Financial Literacy at the George Washington University.

Dr. Lusardi.

STATEMENT OF ANNAMARIA LUSARDI, Ph.D., ACADEMIC DIRECTOR FOR THE GLOBAL CENTER FOR FINANCIAL LITERACY AT THE GEORGE WASHINGTON UNIVERSITY, WASHINGTON, DC

Ms. LUSARDI. Thank you very much, Senator Hagan and Senator Enzi, for the opportunity to speak to you about the economic importance of financial literacy for students.

I am the director of the Global Center for Financial Literacy at George Washington University, and as part of my research, I develop tools for testing financial knowledge, conduct studies in financial literacy levels, and assess what the result of those studies mean for the United States. I'm here to tell you that the vast majority of Americans do not have the financial knowledge they need to fully participate in the economy or to make informed decisions about their own financial futures.

This reality has implications for their lives and for the economic health of the economy. According to the 2009 Financial Capability Study, only 30 percent of the population can do a simple 2 percent calculation and has a basic understanding of inflation and risk diversification, concepts that are important in financial decisionmaking. The second wave of that study is about to be released, and it shows no improvement in the level of financial knowledge between 2009 and 2012.

Financial illiteracy is not only widespread, but it is particularly severe among specific groups of the population, including people aged 18 to 25. These youths just out of school and young adults beginning their careers are less financially knowledgeable than the general population.

When we focus on high school students, the findings are even more sobering. Data collected bi-annually by the Jump$tart Coalition show that only 7 percent of high school students can be considered financially literate. These statistics have troubling implications. Studies show that Americans who are not financially literate are less likely to participate in financial markets or to invest wisely. They are less likely to save and plan for their retirement.

It's really important, and I think there are four reasons why academic research points to the launch of financial literacy efforts in schools. The first reason stems from the fact that financial illiteracy is widespread. This means that young people with poor financial knowledge are unlikely to learn from their parents, other adults, or peers.

The second reason to include financial literacy in school has to do with equality. A failure to understand financial concepts is especially prevalent among certain demographics in the population.

Data from the Jump$tart Coalition and other surveys show that white male students from college educated families disproportionately account for the small percentage of students who are financially literate. This distinction persists over the life cycle, and is strikingly robust across countries.

Olivia Mitchell and I found this finding across as many as eight countries. And this is the case at all stages of the life cycle, from youth to old age.

Another reason to focus on financial literacy in school is that it is a necessary skill for navigating today's complex world. This is so evident that the OECD last year added financial literacy to the topics it evaluates in its Program for International Student Assessment. Financial knowledge now joins math, science, and reading in those tests administered to 15-year-olds around the world.

The fourth reason why school is a powerful place to teach financial knowledge is a simple one. Young people need to understand how to make wise financial decisions before, not after, they are faced with life-changing decisions. Most notable among those decisions is whether or not to invest in higher education. Education beyond high school has a tremendous effect on financial literacy.

Even though there is criticism about what to do and whether financial education is effective in high school, I think a lot of the recent studies really do find effectiveness, and particularly when schools require financial education and require a full course. There is also a great deal of material now available to teachers and schools to add financial literacy in their curriculum.

For example, we have standards from the Jump$tart Coalition for Personal Financial Literacy and, more recently, the Council for Economic Education. Other countries, such as the United Kingdom, recently added financial literacy in their schools.

There is a cornerstone of economic theory: Where you have well informed consumers, you will find vigorous competition and efficient markets. In other words, financial literacy is not only good for Americans because it allows them full participation in society, but financial literacy is also essential for business, the economy, the country, and in this age of globalization, the world.

Thank you very much for this opportunity to be here.

[The prepared statement of Ms. Lusardi follows:]

PREPARED STATEMENT OF ANNAMARIA LUSARDI, PH.D.

Ms. Chairwoman and members of the Subcommittee on Children and Families, thank you for the opportunity to speak to you about the economic importance of financial literacy for students.

I am the director of the Global Center for Financial Literacy at the George Washington University. As part of my research, I develop tools for testing financial knowledge, conduct studies into financial literacy levels, and assess what the results of those studies mean for the United States.

I am here today to tell you that the vast majority of Americans do not have the financial knowledge they need to fully participate in the economy or to make informed decisions about their own financial futures. This reality has implications for their lives and for the economic health of the country.

According to the 2009 National Financial Capability Study, only 30 percent of the population can do a simple 2 percent calculation and has a basic understanding of inflation and risk diversification, concepts that are important in financial decisionmaking. The second wave of that study is about to be released. It shows no improvement in the level of financial knowledge between 2009 and 2012.

Financial illiteracy is not only widespread, but it is particularly severe among specific groups of the population, including people aged 18 to 25. These youths just out of school and young adults beginning their careers are less financially knowledgeable than the general population.

When we focus on high school students, the findings are even more sobering. Data collected bi-annually by the Jump$tart Coalition for Personal Financial Literacy show that only 7 percent of high school students can be considered financially literate.[1] These statistics have troubling implications. Studies show that Americans who are not financially literate are less likely to participate in financial markets or to invest wisely. They are less likely to save and plan for the future. At the same time, they are more likely to rely on high-cost methods of borrowing. This is a serious problem. Remedying it is difficult, but adding financial literacy to the curriculum in schools would be a good start. Academic research points to four reasons why we should launch financial literacy efforts in schools:

(1) The first reason stems from the fact that financial illiteracy is widespread. That means young people with poor financial knowledge are unlikely to learn from their parents, other adults, or peers. Only a small fraction of students currently have access to adults and peers who are financially literate.

(2) The second reason to include financial literacy in school has to do with equality. A failure to understand financial concepts is especially prevalent among certain demographics in the population. Data from the Jump$tart Coalition and other surveys show that white male students from college-educated families disproportionately account for the small percentage of students who are financially literate. This is a distinction that persists over the life cycle. Women, African-Americans, Hispanics, and individuals with few educational opportunities continue to display very poor levels of financial literacy—much lower than their counterparts—at middle age, before retirement, and into retirement.

This finding is strikingly similar and robust across countries. In a study that compares financial literacy in eight countries—Germany, Italy, Japan, the Netherlands, New Zealand, Russia, Sweden, and the United States—Olivia Mitchell from the Wharton School and I found that women and those with low levels of education display disproportionately poor financial knowledge. This is the case at all stages of the life cycle, from youth to old age.

(3) Another reason to focus on financial literacy in school is that it is a necessary skill for navigating today's complex world. This is so evident that the Organisation for Economic Co-operation and Development (OECD) last year added financial literacy to the topics it evaluates in its Programme for International Student Assessment (PISA). Financial knowledge now joins mathematics, science, and reading in those tests administered to 15-year-olds around the world.

The PISA tests gauge whether students are prepared for future challenges, whether they can analyze, reason and communicate effectively, and whether they have the capacity to continue learning throughout their lives. These assessments are conducted every 3 years to help us understand if students near the end of compulsory education have acquired the knowledge and skills essential for full participation in society. Given these objectives, financial literacy seems to be an essential addition.

(4) The fourth reason why school is a powerful place to teach financial knowledge is a simple one: Young people need to understand how to make wise financial decisions before—not after—they are faced with life-changing decisions. Most notable among those decisions is whether or not to invest in higher education. Education beyond high school has a tremendous effect on future financial security.

At the same time, whether and how to finance higher education has changed dramatically in recent years. The cost of a college education has increased rapidly in the United States, surpassing the increase in both wages and inflation. This means that young people who pursue degrees often start their careers with substantial amounts of debt.

Some past studies looking into the effectiveness of financial literacy programs in high school did not find encouraging results. One study found that students in States that required financial education scored no better in financial literacy tests than those in States that did not require financial education.[2] However, subsequent analyses concluded that this research was incomplete since it did not account for course content, test measurement, teacher preparation, and the amount of instruction, just to cite some of the most important limitations. When researchers looked more closely at State education requirements, they found that when students are

[1] See Mandell, Lewis. 2008. Financial Education in High School. In *Overcoming the Saving Slump: How to Increase the Effectiveness of Financial Education and Saving Programs*. Ed. A Lusardi. Chicago: University of Chicago Press: 257–79.

[2] See the discussion in Mandell (2008).

required to take a financial education course, they perform much better than students in States with no such requirements.[3] Thus, there is evidence that requiring personal finance education may, in fact, be effective in increasing student knowledge—but only when it requires significant exposure to personal finance concepts.

Other researchers have looked at teacher preparation. They found that less than one-fifth of teachers were prepared to teach any of the six personal finance concepts normally included in financial education courses. Moreover, States requiring high school financial education do not necessarily provide or promote teacher training. As a result, State education mandates appear to have no effect on whether teachers take courses in personal finance, teach the courses, or feel competent to teach such a course.[4]

Other studies attempted to provide a more rigorous framework for evaluating financial education in high school, recognizing that students who take financial education courses are not a random sample of the population of students and test scores might not align with what is taught in school. In research published in 2010, economics professors William Walstad of the University of Nebraska-Lincoln and Ken Rebeck and Richard MacDonald at St. Cloud State University used a quasi-experimental method to assess a well-designed video course that covered fundamental financial concepts.[5] The test was designed to measure improvements in financial knowledge. These researchers found a significant increase in the level of personal finance knowledge among students exposed to financial education, suggesting that conclusions from earlier findings were premature.

There is now a great deal of material available to help teachers and schools add financial literacy into school curricula and to improve the quality of that education. For example, we have national standards for financial literacy from the Jump$tart Coalition for Personal Financial Literacy and, more recently, the Council for Economic Education. The OECD also issued guidelines for financial education in high school,[6] and its International Gateway for Financial Education serves as a global clearinghouse on financial education, providing access to a comprehensive range of information, data, resources, research, and news on financial education issues and programs around the globe.[7]

Other countries, such as the United Kingdom, recently added financial literacy in their schools.

Young people—not only in the United States but also around the world—face a new economic environment with more complex financial markets. They will have more individual responsibility in investing in their own education and in planning for their own financial security during their working lives and into retirement. And they will be doing this, among other things, on a global scale.

If they are going to do this well, they must be equipped with the right tools and skills. Just as it was not possible to contribute and thrive in an industrialized society without basic literacy—the ability to read and write—so it is not possible to successfully navigate today's world without being financially literate.

There is a cornerstone of economic theory: Where you have well-informed consumers, you will find vigorous competition and efficient markets. In other words, financial literacy is not only good for Americans because it allows them full participation in society, but financial literacy is also essential for business, the economy, the country and, in this age of globalization, the world.

Thank you for this opportunity. I would be pleased to answer any questions.

Senator HAGAN. Thank you, Dr. Lusardi.

And now, Ms. Cathy Pace, the current president of the Credit Union Division and recently named CEO of the Allegacy Federal Credit Union in Winston-Salem, NC.

Ms. Pace.

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[3] Tennyson, Sharon and Chau Nguyen. 2001. State Curriculum Mandates and Student Knowledge of Personal Finance. *Journal of Consumer Affairs* 35 (2): 241–62.

[4] Way, Wendy and Karen Holden. 2009. Teachers' Background and Capacity to Teach Personal Finance: Results of a National Study. *Journal of Financial Counseling and Planning* 20(2): 64–78.

[5] Walstad, William, Ken Rebeck and Richard MacDonald. 2010. The Effects of Financial Education on the Financial Knowledge of High School Students. *Journal of Consumer Affairs* 44(2): 336–57.

[6] Details are found at *http://www.oecd.org/finance/financial-education/48493142.pdf*.

[7] For more information, see *http://www.financial-education.org/home.html*.

STATEMENT OF CATHY PACE, PRESIDENT OF THE CREDIT UNION DIVISION, ALLEGACY FEDERAL CREDIT UNION, WINSTON-SALEM, NC

Ms. PACE. Chairwoman Hagan, Ranking Member Enzi, and members of the subcommittee, thank you for the invitation to testify in front of the subcommittee today regarding the importance of financial literacy education for students. As you mentioned, my name is Cathy Pace, and I am the president of the Credit Union Division at Allegacy Federal Credit Union.

Founded in Winston-Salem in 1967, Allegacy has grown to become one of the largest credit unions in North Carolina, serving nearly 120,000 members. Today, I will share with you information on two programs Allegacy supports, the Student Run Credit Union Program and the Center for Smart Financial Choices.

In a struggling economy, the need for financial literacy is emphasized as millions in our State and across the country struggle to make ends meet. Recent statistics state that half of all Americans are living paycheck to paycheck, and 40 percent of Americans say they live beyond their means.

Fewer and fewer American youth are entering adulthood having learned the value of a dollar. This is an age-old saying that is falling on deaf ears, because we, as parents, educators, and financial stewards, are allowing it to happen. As member-owned financial institutions and cooperatives, it is in the interest of credit unions to have members that are financially literate.

Therefore, credit unions engage in a wide variety of efforts aimed at ensuring that members of all ages have access to resources that help them make smarter financial choices. North Carolina credit unions demonstrate their commitment to financial literacy by providing financial counseling and education to more than 500,000 North Carolinians every year.

At Allegacy, our professionals are playing a lead role in addressing this problem. We partnered with the Winston-Salem/Forsyth County School District and established the Allegacy Student Run Credit Union Program. The program provides students with real-world financial experience and the necessary skills for financial responsibility.

Allegacy's first student-run credit union opened in August 2008 at Reagan High School, the first student-run credit union at the high school level in the State of North Carolina. Allegacy currently operates student-run credit union branches in seven of our high schools across the school district with 1,354 members.

The student-run branches allow students, parents, and faculty to enjoy the benefits and convenience of conducting their banking needs right on campus and offer a unique way for students to learn the responsibilities of handling cash, confidentiality, professionalism, computer skills, and marketing. The students staffing the branches receive classroom education required by the State's Business Advanced Studies Program. They are trained and supervised by professional staff and attend a 3-day training session at Allegacy that prepares them for the roles of customer service assistance and member service representatives.

These students participate in the traditional audit process of a full service, freestanding credit union and build executive, marketing, and business plans to grow their location, membership base, and transaction activity. In addition to developing valuable life skills, students receive community service credit as well as high school class credit for their participation.

The second program I'd like to speak to you about today is our financial literacy efforts for students and the broader population. Allegacy recently established the Center for Smart Financial Choices to be a trusted, reliable, and partial source of financial information and training. The creation of the center adds a new dimension to financial education, focusing its curriculum on a broad range of courses offering something for every age or life stage.

The center's unique and creative model uses a variety of tools to accommodate different learning styles. Financial wellness guides assist students through the use of technology, individual and group instruction, visual aids, as well as hands-on activities. All courses offer a periodic review and adjustment component to ensure the application of the student's knowledge.

Instruction is also provided after traditional work hours, at varying times of the day for shift workers, and includes Saturday classes. The center's volunteer staff is comprised of over 85 percent of Allegacy employees who provide expertise and curriculum content and teach the courses made available to the public.

These are just a few of the examples of the center's program. We have a class titled Surviving in the World of Debit and Credit, which was created for approximately 30 economically disadvantaged youth ages 9 to 14. Also, we begin with grade levels fourth and fifth, and the center educates these students in order to understand market economy and the importance of developing a personal budget.

And, finally, the Youth Financial Planning Council works with teens who are helping other teens to cover the topics of budgeting, saving, spending, and credit. Our efforts extend to all age groups and ensure our young adults have the resources necessary. The National Credit Union Foundation also complements and supports the coordination of the financial literacy efforts of the credit union system, cementing these efforts as a key part of the credit union philosophy of people helping people.

Chairwoman Hagan, Ranking Member Enzi, and the members of the subcommittee, I would like to thank you for allowing us to be here today.

[The prepared statement of Ms. Pace follows:]

PREPARED STATEMENT OF CATHY PACE

Chairman Hagan, Ranking Member Enzi, members of the subcommittee, thank you for the invitation to testify in front of the subcommittee today regarding the importance of financial literacy education for students. I appreciate you taking the time to hear my testimony. My name is Cathy Pace, and I am president of the credit union division at Allegacy Federal Credit Union. Founded in Winston-Salem in 1967, Allegacy has grown to become one of the largest credit unions in North Carolina with over $1 billion in assets and nearly 120,000 members.

In a struggling economy the need for financial literacy is emphasized as millions in our State and across the country struggle to make ends meet. Recent statistics state that half of all Americans are living "paycheck to paycheck" and 40 percent of Americans say that they live beyond their means. Fewer and fewer American youth are entering adulthood having "learned the value of a dollar." This age-old saying is falling on deaf ears, because we as parents, educators, and financial stewards are allowing it to happen.

Federal Reserve Chairman Bernanke has said,

> "Consumers who can make informed decisions about financial products and services not only serve their own best interests, but, collectively, they also help promote broader economic stability."

Financial education "can play a key role" in promoting financial planning such as budgeting and saving for emergencies and retirement, which will help households live better and be better positioned to handle financial shocks according to Chairman Bernanke. And, in coordination with parents and educators, financial institutions can play a vital role toward increasing the financial literacy rate of America's youth and young adults.

For credit unions, financial literacy is part of our key mission. Credit unions were established to promote thrift and provide access to credit for provident purposes. As member-owned financial cooperatives, it is in the interest of credit unions and their memberships to have members that are financially literate; therefore, across the country, credit unions engage in a wide variety of efforts aimed at ensuring that members of all ages have access to resources that help them make smarter financial choices. North Carolina credit unions demonstrate their commitment to financial literacy by providing financial counseling and education to more than 500,000 North Carolinians every year. At Allegacy, our professionals are playing a lead role in addressing this problem.

The importance of financial literacy education early on in a young person's life cannot be overstated. According to Hartford Financial Services Group, less than 24 percent of students and only 20 percent of parents say students are prepared to deal with the financial challenges that await them in the real world. Seventy-six percent of students report that they wish they had more help preparing for their personal finances.

In an effort to combat these grim statistics, Allegacy has partnered with the Winston-Salem/Forsyth County School District and established the Allegacy Student Run Credit Union (SRCU) Program. The purpose of the program is to provide students with the real world experience of handling their own finances and the necessary skills for financial responsibility. Allegacy's first SRCU opened in August 2008 at Reagan High School-Raider Student Credit Union, with the distinction of being the first SRCU at the high school level in the State of North Carolina. Allegacy currently operates student-run branches in seven high schools across the school district with 1,354 members. Allegacy intends to continue expanding this successful model to neighboring counties.

The student-run branches are open 3 days a week during lunch for students, parents, and faculty to open new accounts, make deposits, withdrawals and transfers. Students can access their accounts if they need money for lunch or to deposit their paycheck if they have a part-time job. Teachers and staff can take care of basic transactions without leaving their place of employment. The student-run branches allow everyone to enjoy the benefits and convenience of conducting their banking needs right on campus and offer a unique way for students to learn the responsibilities of handling cash, confidentiality, professionalism, computer skills and marketing.

The students staffing the branches receive classroom education as required by the North Carolina Public Schools' Business Advanced Studies Program and are trained and supervised by professional staff. The students are also required to attend a 3-day training session at Allegacy in order to prepare them for the roles of Customer Service Associate (CSA) and Member Services Representative (MSR). These students participate in the traditional audit process of a full-service, free-standing credit union location. They also build and execute marketing and business plans to grow their location's membership base and transaction activity. In addition to developing valuable life skills, students receive community service credit as well as high school class credit for their participation.

In continuation of our efforts on early financial literacy education for students and the broader population at large, Allegacy recently established the Center for Smart Financial Choices to be a trusted, reliable, impartial source of financial information and training. The creation of the Center adds a new dimension to financial education, by focusing its curriculum on a broad range of courses that will offer something for every age or life stage.

The Center's unique and creative model will use a variety of tools to accommodate different learning styles. Financial Wellness Guides will assist students through the use of technology, individual and group instruction, visual aids and hands on activities. All courses will offer a periodic review and adjustment component to ensure the application of the students' knowledge. Instruction will be provided after traditional work hours, at varying times of the day for shift workers and will include Saturday classes.

The Center's volunteer staff is comprised of over 85 percent Allegacy employees who provide expertise and curriculum content as well as teach the many courses made available to the public. For example, the partnership with Winston-Salem/Forsyth County Schools Exceptional Children's Division created a comprehensive educational class on banking and making personal financial choices that was held on May 16, 2012 with 12 students with developmental disabilities. The Center was also asked by ED–CORE 21st Century Leaders and Scholars Program to design a financial education program that would be unique, creative and engage youth. As a result, a class titled "Surviving in the world of debit and credit" was created for approximately 30 economically disadvantaged youth ages 9–14 in July 2012.

In August 2012, the Center began its partnership with the Winston-Salem/Forsyth County Schools District to serve as an educational outreach resource in providing real world application of financial education following standards set out by North Carolina. Beginning as early as 4th and 5th grade, the Center educates students in order to understand scarcity and choice in a market economy, as well as the importance of developing a personal budget for spending and saving. When students reach the junior high level, they learn the economic activities of modern societies and regions, and later, the economic activities of North Carolina and the United States. After these students have acquired this vital information in their earlier years, they are then challenged to analyze the concepts and factors that enable individuals to make informed financial decisions for effective resource planning.

More recently, the Center has engaged in various initiatives aimed at enhancing financial literacy among all age groups. The Center conducted a workshop for 30 young people ages 16–21 from the Northwest Piedmont Workforce Investment Act Elink Youth Program titled "It's Your Money," to learn about the importance of saving money and how to get and keep good credit. The Center has presented to students on the basics of banking transactions and has led financial education field trips in order to learn the differences between credit unions and banks. In addition, the Center has assisted in the organization of the Youth Financial Planners Council with 12 teens who are creating a class for other teens to cover the topics of budgeting, saving, spending and credit. The Center has partnered with an after school club for girls in grades 3–5 for students to learn how "money doesn't grow on trees." The Center has even held family events for parents and children ages 5–7 to learn about spending, saving, and sharing.

As you can see, our efforts extend to all age ranges, in order to ensure our youth have the resources necessary to succeed when they reach adulthood. These examples are only a promising start to what Allegacy views as a long lasting relationship between existing and future members of the credit union movement.

In closing, I would note that while we are very proud of the efforts we are making in our community to encourage financial literacy, credit unions across the country are engaging in similar efforts. The National Credit Union Foundation supports and helps coordinate the financial literacy efforts of the credit union system, cementing these efforts as a key part of the credit union philosophy of "people helping people."

Chairwoman Hagan, Ranking Member Enzi, and members of the subcommittee, I would like to again thank you for inviting me here today for the opportunity to testify on the importance of financial literacy education. I appreciate your consideration on these matters and for recognizing that financial literacy is best applied early on in a young person's life. I look forward to progress being made on this very important component of our next generation's financial well-being. I am happy to answer any questions you may have.

Senator HAGAN. Thank you very much, Ms. Pace.

And our final witness today is Cy Richardson, vice president of Housing and Community Development at the National Urban League.

Mr. Richardson.

STATEMENT OF CY RICHARDSON, VICE PRESIDENT, HOUSING AND COMMUNITY DEVELOPMENT, NATIONAL URBAN LEAGUE, NEW YORK, NY

Mr. RICHARDSON. Good afternoon, Chairwoman Hagan, Ranking Member Enzi, and members of the Subcommittee on Children and

Families. My name is Cy Richardson, and I am the vice president for Housing and Community Development, as you said.

I appreciate the opportunity to share the National Urban League's views on financial education as a key driver in developing sound decisionmaking among youth. We understand that improved decisionmaking is an important and under-appreciated component in narrowing the racial wealth gap in America.

Heightened awareness and measuring changes in financial decisionmaking and other forms of behavior modification has produced a diverse array of education programs and targeted strategies. And while some see the most accessible group as high school students, undeniably, K through 12 school-based programs can provide a vehicle for delivering relevant financial education and life skills training to a broad captive audience. And, further, learning financial responsibilities and concepts early in life can certainly help our youth before they get into financial trouble.

If not during the school day or via a well-structured after-school program, where, we ask, are children living in poverty, children of color, and children living in rural localities supposed to learn such things? Particularly, survey data, as was previously referenced, also suggest that their parents and peers are unlikely to have all the answers.

One solution is outlined in the Project Ready STEM Act, H.R. 1343, introduced in the House by Representative Marcia Fudge. It is designed to authorize a funding stream to support an evidence-based model designed by the National Urban League. Project Ready STEM is an Urban League Signature Program developed to support students' successful completion of STEM-related course work and expose them to STEM-related career options.

This year, we are seeking to develop a financial literacy and asset building component to the program. Asset building programs enable participants to develop savings behavior and build assets to reach lifelong goals, while financial education programs impart financial skills and knowledge among participants. Although asset building programs are critical to youth's economic success, many of our affiliates have found that these programs are most effective when coupled with financial education and one-on-one financial counseling and coaching.

Beyond the common sense push to embed and scale fundamental financial literacy principles and techniques in primary and secondary school-based platforms, we believe additional tactical methods must be employed to improve financial literacy, financial capability, and financial education in the United States. For example, the nonprofit sector must be more deeply engaged in partnership across a number of integrated service delivery dimensions.

These organizations, such as the Urban League, are regarded with trust in the community and can serve to moderate and quantify the client experience. In this regard, we would support an initiative targeting partnerships with nonprofit consumer advocacy and community-based organizations to create free materials, outreach, and training similar in scope and field to the successful Bank On and America Saves campaigns.

Moreover, as the government's role is to catalyze innovation and identify the key architects of change within a given policy sphere, community partners must be supported with ongoing financial support to allow us to fully participate in the national financial literacy dialog and discourse. This involves bringing together stakeholders to further develop and coordinate existing financial education programs and materials and increasing awareness of success stories, best practices, and key incentives for teaching financial literacy.

The racial wealth gap, fed, fueled, and exacerbated by deep information deficits in low income and communities of color, must be addressed, must be addressed. The National Urban League will continue to focus on and confront this inequality as a civil rights issue in terms of its social effects and historical causes.

Additionally, a commensurate level of national focus and resources must be targeted toward solutions in order to break this vicious cycle. Given the increasingly complex world of modern personal finance, a new push must be made now to ensure youth are ready for the challenge.

Thanks very much for the opportunity to share our views.

[The prepared statement of Mr. Richardson follows:]

PREPARED STATEMENT OF CY RICHARDSON

Good afternoon Chairwoman Hagan, Ranking Member Enzi and members of the Subcommittee on Children and Families. My name is Cy Richardson and I am the vice president for Housing and Community Development at the National Urban League. I appreciate the opportunity to share the National Urban League's views on financial education as a key driver in developing sound decisionmaking among our youth. We understand that improved decisionmaking is an important and underappreciated component in narrowing the racial wealth gap in America.

Implicit in the title of this hearing and embedded at the heart of the matter is an acute understanding that in today's demanding financial environment, consumers confront complicated financial decisions at a young age. Therefore, any financial mistakes made early in their consumer life can prove to be extremely costly and have lasting deleterious effects. Understanding the factors that contribute to or detract from the acquisition of financial knowledge can help policymakers design effective interventions targeted at this Nation's youth. Young people often find themselves carrying large amounts of student loans or credit card debt, and such early entanglements can hinder their ability to ultimately establish credit worthiness, accumulate wealth, and gain economic empowerment. For the National Urban League, the financial literacy imperative is deeply rooted in a broader dialog concerning this country's rapidly expanding racial wealth gap.

The National Urban League Equality Index® of Black America shows that the median net worth of African-American families was $4,955—22 times less than the $110,729 median net worth of white American families.[1] This disparity has been referred to as the racial wealth gap, and it has been growing exponentially since the 1980s. More granular data analysis looking specifically at the status of African-Americans indicates that the need for financial literacy is alarming. Anecdotal evidence culled from the collective experience and familiarity of Urban League affiliates across the country suggests that many African-Americans continue to struggle developing a working knowledge of personal money management concepts and practices. Deeply exacerbated by the Great Recession, African-Americans generally experience the following:

- Higher debt delinquencies than any other ethnic group.
- Comparatively lower savings.
- A lower home ownership rate than any other ethnic group.
- A greater incidence of home foreclosure than any other ethnic group.
- A greater incidence of predatory lending practices.
- A greater incidence of higher cost auto/consumer loans.

Compounding this matrix of disproportionality are surveys which indicate that many African-Americans do not have a working knowledge of how to accumulate

[1] 2013 Equality Index of Black America, *2013 State of Black America, Redeem the Dream, Jobs Rebuild America,* National Urban League (2013), p. 34.

wealth to establish a financial legacy. This vulnerability is particularly striking considering that nearly one-third of older African-Americans rely on Social Security for 90 percent of their family income. Moreover, the Joint Center for Political and Economic Studies' 1998 and 2009 polls indicate that 35 percent of African-Americans expect to receive a major portion of their retirement income from Social Security, and 29.2 percent receive it from employer-sponsored pension plans. Additionally, as shown in our 2013 Equality Index® of Black America, 27.8 percent of African-Americans compared to 36.9 percent of Whites invest in a 401(k) plan, and 10.1 percent of African-Americans compared to 25.6 percent of Whites invest in an IRA.[2] Despite these dire data points we believe that wealth disparities can be narrowed through financial literacy—particularly when embedded or integrated within existing societal structures and trusted institutions.

The African-American community reflects a wide range of socio-economic backgrounds, yet common linking variables exist which reveal deep insecurities around personal money management habits and a lack of familiarity with and exposure to the systems and mechanisms typically employed to build and sustain wealth in this country. Nevertheless, the acquisition of financial knowledge—heightened financial acumen and the confidence that it engenders—does not eliminate the invisible barriers or discrimination that exist in the marketplace. Such knowledge, however, can serve as a moderator in which persons are equipped to become aware of the function of financial transactions and personal money management concepts so that they will not be taken advantage of and know how to efficiently and effectively utilize their financial resources. Notwithstanding these points, the racial wealth gap is a profound and significant problem that impacts people of color on a daily basis and limits opportunities for long-term wealth building. The National Urban League's contribution at today's hearing is therefore geared toward recognizing the structural impediments or barriers to financial empowerment in communities of color, while emphasizing and identifying public policies that can help narrow the wealth gap.

As members of the subcommittee are aware, the lack of sustainable employment and income in communities of color makes it extremely difficult for households to consider saving and/or investing in themselves. In addition, the foreclosure crisis has devastated minority households' primary source of wealth, home ownership, and has destabilized household balance sheets and greatly set back the decades of progress communities of color had made to improve individual and collective economic mobility. Most troubling is that young people of color from low-income and low-wealth families face difficult decisions for their college education, which often equates to high levels of debt or no college at all. In our judgment, this must be a major touchstone for this hearing on "The Economic Importance of Financial Literacy Education for Students."

As our understanding of these seemingly intractable challenges evolves, the National Urban League and its network of 96 affiliates remain committed to experimenting and prototyping programmatic and policy solutions. A key strategy that deserves greater public and private sector scrutiny and investment is the tethering of asset-building and financial education programs, which can contribute significantly to young people's economic success and financial well-being. Indeed, this is a solution that we have proposed as part of our initial research for the *Reimagining Aid Design and Delivery* (RADD) project for the Bill and Melinda Gates Foundation.[3] The RADD project provided us with a unique opportunity to build upon our direct services work to directly assess the attitudes, experiences and ideas of those we serve in order to understand how we can continue to best promote the attainment of a meaningful degree or certification that will allow black post-secondary students to gain economic empowerment. This is important due to the high usage of student loans by African-American students.

Another solution is outlined in the Project Ready STEM Act (H.R. 1343), introduced in the House by Representative Marcia Fudge, and designed to authorize a funding stream to support an evidence-based model designed by the National Urban League. Project Ready STEM is an NUL "Signature Program"[4] developed to support students' successful completion of STEM-related coursework and expose them to STEM-related career options. This year we are seeking to develop a financial lit-

[2] 2013 Equality Index of Black America, *2013 State of Black America, Redeem the Dream, Jobs Rebuild America,* National Urban League (2013), p. 34.

[3] Education Transforms Lives: Post-Secondary Affordability Survey & Focus Groups, National Urban League Policy Institute, 2013, see at: *http://www.iamempowered.com/article/2013/04/02/nul-radd-project*.

[4] The National Urban League Signature Programs are those models that are based on best practices gleaned from experimentation across affiliates, data analysis and research. Our Signature Programs are the models which we attempt to scale across the movement via subgranting and additional supports to affiliates.

eracy component to this program. Asset-building programs enable participants to develop savings behavior and build assets to reach life-long goals while financial education programs impart financial skills and knowledge among participants. Although asset-building programs are critical to youth's economic success, many of our affiliates have found that these programs are most effective when coupled with financial education and one-on-one financial coaching.

Financial education, especially for economically vulnerable families, is an important part of an asset-building agenda for the Urban League. Increasingly, our affiliates are linking financial education programs to tax refunds, buying a home, required registration for pensions, participation in welfare programs, and other key teachable moments. Yet, while financial education programs have proliferated in recent years, targeted research is necessary to learn about the actual benefits of such programs and to insure that they are well structured. Generally, we expect that educated consumers are more capable of making sound financial decisions to increase their families' economic security and, in turn, contribute to community economic development. The idea is to teach individuals and families not only to accumulate savings, but also to manage their assets.

Increasing interest in financial literacy has produced a diverse array of education programs and targeted strategies. Some see the most accessible group as high school students. Undeniably, school-based programs can provide a vehicle for delivering relevant education to a broad, captive audience. Further, learning financial responsibilities early in life can help our youth before they get into financial trouble.

Some researchers and educators believe the United States should have a more comprehensive approach to the delivery of financial education and training. Others argue that differences in the needs of various target groups might make standardizing the curricula counterproductive. Our organization has observed that program objectives and key topics are often similar across programs. The standards developed for school-based financial education programs show that students are expected to learn about income sources, money management, spending and credit, and saving and investing. Achieving the standards requires students to know how to budget, to understand the role of insurance, to see the value of savings, to recognize the high potential costs of credit card debt, and to appreciate the risk-return tradeoffs that arise when investing in various financial and nonfinancial assets. If not during the school day, or via a well-structured afterschool program, where are the children living in poverty, children of color, and children living in rural localities supposed to learn such things—particularly as survey data also suggests that their parents are unlikely to have all the answers?

Beyond the common-sense push to embed and scale fundamental financial literacy principles and techniques in primary and secondary school-based platforms, we believe additional tactical methods must be employed to improve financial literacy and financial education in the United States. For example, the non-profit sector must be more deeply engaged in partnership across a number of integrated service delivery dimensions. These organizations are regarded with trust in the community and can serve to moderate and quantify the "client experience." In this regard we would support an initiative targeting partnerships with nonprofit consumer advocacy and community-based organizations to create free materials, outreach and training. Moreover, as the government's role is to catalyze innovation and identify the key architects of change within a given policy sphere, community partners must be supported with ongoing financial support to allow us to fully participate in the national financial literacy agenda. This involves bringing together stakeholders to further develop and coordinate existing financial literacy programs, and increasing awareness of success stories, best practices and key incentives for teaching financial literacy.

According to the Corporation for Enterprise Development (CFED), over 1.3 million American children born each year—and more than half of minority children—are born into families with negligible savings to invest in their futures. Working with CFED and other non-profits in a national collaborative known as the Asset Building Policy Network has afforded us, here at the National Urban League, the critical understanding that family ownership of even a few thousand dollars in assets can give children not only a measure of economic security, but also a transformative sense of possibility and hope for the future. We believe platforms that ally assets and knowledge building such as child savings accounts offer an attractive cross-sectorial strategy to eradicate poverty and narrow the racial wealth gap.

The widened wealth chasm has major ramifications for the country going forward. Having less wealth and diminished home equity means it will be more difficult for African-Americans to send their children to college or to another post-secondary educational institution that are key to gaining economic empowerment. The National Urban League will continue to focus on and confront this inequality as a civil rights issue in terms of its social affects and its historical causes. Additionally, a commensurate level of national focus and resources must be targeted toward solutions in order to break this vicious cycle. Given the increasingly complex world of modern personal finance, a new push must be made now to ensure youth are ready for the challenge.

Thank you for the opportunity to present our views.

Senator HAGAN. I want to thank all of our witnesses today for your opening comments. And Senator Enzi said he was incredibly impressed that everybody stayed on time. So kudos to all of you. We now want to move to some questions.

Ms. Pace, again, thank you for coming today. I want to ask you about one of the topics you talked about in your opening statement, and that is the student-run credit unions, which I think is a unique model for teaching students about effective money management.

I've had the pleasure of visiting two of the student-run credit unions, one in Mount Tabor High School—I was there in 2010—and another one in Glenn High School in 2009. And it was an exciting day. The ribbon was cut. The students were involved, and they were opening up their own credit union space in their school.

I understand, as you said, I believe, in your testimony, that you now have—is it seven or nine?

Ms. PACE. Seven.

Senator HAGAN. Seven different high schools. If you could go over a few things with me, how many of the students are involved, and how many have gone through the program since it began? And I think you had one comment of 1,354.

Ms. PACE. We have a total number of members involved in the student-run credit union—this is the ones who have actually joined—of 1,354. The total number of students who have participated in the overall program since 2008 is 300 students. We currently have 82 students in this school year participating in seven of the schools and 41 in this semester alone.

Senator HAGAN. What are the typical transactions that a student employee might handle?

Ms. PACE. They can do a withdrawal. They can make a deposit, transfers. They can open a checking account and a savings account.

Senator HAGAN. Do you have to be affiliated with the school in some way, either as a teacher, student, or parent of the student, in order to do your banking through the student-run credit branch? Or can any of your other members of the credit union do their banking at a student-run credit union branch?

Ms. PACE. Yes. The staff, the students, and their parents can participate in the student-run credit union.

Senator HAGAN. But not other customers of Allegacy.

Ms. PACE. If we had a visiting person there, and they were there during the lunchtime hour, which is when the student-run credit union is open, and they wanted to perform a transaction, they could.

Senator HAGAN. Have you heard from the teachers at the school that this kind of learning, where students are actually getting the hands-on experience, has improved their personal finance skills beyond what's taught in the classroom?

Ms. PACE. Yes. They have an overwhelming response to the number of students who would like to participate in this. It is also designated by the teacher who can participate. As I mentioned, they have to go through a 3-day training process.

And I'd like to leave you with this thought on how important this is to the students. In 2011, during August, is when we have our 3-day training program. We had a young man, age 16, who was a high school student who participated in this and had just been elected to work as a student-run representative. It was time for the training at our Allegacy site.

When he got to the credit union headquarters, he walked in. It was an August day. The temperature was 90-plus degrees. This young gentleman walks in, and he's completely wet with perspiration, but he's also carrying a change of clothes.

When he got there, he told us that his ride did not show up to bring him to the training. This was very important to him because he knew he could not participate in running one of the student-run credit unions if he did not get the training. But he also knew that because it was such a hot day, he brought a change of clothes so that he would be presentable. And he walked four and a half miles to do this.

That's telling us how important it is for our young adults to have financial literacy, to be able to participate in a program like this that's going to help them in their future.

Senator HAGAN. And it's a 3-day training program?

Ms. PACE. A 3-day intense training from our professionals.

Senator HAGAN. Is that an 8-hour day?

Ms. PACE. Yes, ma'am.

Senator HAGAN. That's great. One thing I hesitated to say was the length of time, and I want to say 5 or 6 minutes for our questions.

Ms. Lipp, thank you, too, for coming today, and we also welcome your husband. From your statement today, it sounds like your budget project has had a real impact on student lives, their ability to properly budget, their spending and saving. How long have you been running the budget project? How many students have completed it?

And I understand that this project has become quite well known around the high school and in the community. Do people outside the school now expect your students to come and interview them? I think you said in your opening testimony that they have the pictures taken, and they have them in their file. Has the project had a greater effect than just on your students?

Ms. LIPP. Yes to all. I started in 2005, and I teach approximately 90—depending on the type of schedule—90 to 150 kids a year, something like that. All of my students who took civics and economics—I tell them they're forced to do it, but they were told that they had to do it. What was interesting is that I can probably count on one hand the number of students who have been assigned the project who didn't do it. So almost every time, I got every project back from them, which is amazing.

In the community, it started becoming known when my students would go out to the banks. The kids would tell me when they came back, "Oh, you know, the banker knew who I was. You're from Ms. Lipp's class. Sit down and we'll talk." And so they got to know me indirectly.

This year, I got a grant for $20,000 for my school to get iPads in the classroom, and it was hosted by Discover Card. It was a financial literacy grant. And we started implementing the stock market game.

In the school that I work at now, because it is a title I school and mobility tends to be an issue for some of my students, the budget project is a little bit more difficult to put in, because a lot of times my students have to work after school. And if I can't fit it into the actual day-to-day, the parts of the project, they're probably not going to do it at home.

So we've kind of had to shift away from the budget project a little bit right now, which is why the iPads were such an integral part of this grant so that they're now going to have access to start doing it in the classroom, and we're waiting for WiFi to get put up out in my trailer park that I'm in. So, right now, they don't entirely work, but they work inside this campus.

We started working with the stock market game for the first time and worked with the North Carolina Council on Economics Education. Now the kids participate in the stock market game. And if you're not aware of how it works—are you aware of the—OK. It functions with real-time stocks, and it's amazing for the kids. They can buy and sell whatever they want to buy. And it's been proven to increase math scores.

When we first started playing last semester, they wanted to buy Apple, and they couldn't afford it because it was $800 a share at that time. And they were saying, "Why can't I buy this? Why can't I buy this?" Then they decided they wanted to go the other way and start trying to buy penny stocks and dollar stocks in hopes that it would get better. But the stock had to be a minimum of $5 in order for them to buy it.

They had to do the research and go onto Google Finance. And, suddenly, the kids that I work with at my school, Garinger, who are predominantly low income and are on free or reduced lunch rates, are suddenly starting to talk about what the value of Target is and the value of all of these other companies.

And they're starting to do the math, and they're sort of fighting with each other, saying, "No, we can't buy that," because they were on teams of three to five. And they're arguing with each other——

Senator HAGAN. Ms. Lipp, I am running out of time.

Ms. LIPP. Sorry.

Senator HAGAN. We have some other questions, so just wrap it up in about——

Ms. LIPP. OK. But all of this has been used to implement it, and the kids are excited. At this point there's probably been 500 kids who have been affected by it.

Senator HAGAN. Thank you.

Senator Franken.

STATEMENT OF SENATOR FRANKEN

Senator FRANKEN. Thank you, Madam Chair, and thank you for your leadership on this issue. Financial literacy is so important in so many ways, and I really believe it needs to be taught in school. I know that we're seeing the OECD countries doing it. I don't how anyone cannot look at our economy as a whole and not consider that the financial literacy of the people in the country is important to our economy. And school is a place to start it, at least.

Dr. Lusardi, in your testimony, you talked about the importance of students understanding how to make wise financial decisions as they consider whether and how to invest in higher education. One thing they need is good information. Currently, the financial aid award letters that students and parents get from colleges can be very confusing.

I've looked into this, and, very often, letters don't even list loans as loans. They come under awards, an awards letter, and you have something that's listed with some code, and you don't know what it is. I put forward a bill called Understanding the True Cost of Education, which would require schools to have a uniform award letter so that every school uses the same terms and uses the same designations for the same scholarships or loans.

Can you speak to the importance of this kind of thing to students today?

Ms. LUSARDI. Thank you very much for your initiative. I think it's critically important, of course, to simplify, to provide information in a way that is easily accessible, particularly in a moment in which we are putting the young people in charge, not just of choosing their college or whether to go to a college, but also how to finance that college education. And I think given the amount of that that the young people have to take up, this is incredibly important.

I think initiatives like simplification are incredibly important. But I really do want to urge as well to think of, indeed, empowering the young people to make decisions and to be able to make choices and wise choices throughout their lifetime. So the college is probably one of the most important decisions they are going to make at that age, but there are others as well. Equipping those individuals to make those decisions is very, very important.

We certainly have to operate in many directions, from having equipped students to have the skills to make those decisions to also providing information that can be easily accessible, that can be compared. And I think in this era of technology, as well, we have certainly a lot of ways in which the student can be helped in these very important decisions.

Senator FRANKEN. Thank you. It's obvious that what we're talking about are life skills. When I was in junior high and high school, we used to have Home Economics for the girls and Shop for the boys. And in Shop, I remember making a spice rack, and in Home Ec, I remember the girls baking cakes. Thank God those days are gone.

There's nothing wrong with a cake or a spice rack. But it seems to me that when you're talking about financial literacy, it is an important skill to be taught. And this is thrown open to all of you. There are certain life skills that need to be taught, and part of our question here is how to work this into the curriculum.

It seems to me there are certain life skills that could either be part of the same curriculum or not. For example, look at health. My daughter runs the after-school programs at three DC elementary schools. Cooking is part of the after-school program, because nutrition is so important to your health, and cooking is so important to nutrition.

And there are now generations of families that haven't cooked. They haven't cooked for generations. For dinner, they literally will go to a Super America and get a hot dog and a soda, a pop, because they haven't cooked.

What configurations of curricula do you see? How do we teach these things, physical exercise, physical fitness, all of these basic life skills that would bring down our healthcare costs, that would help our economy, on and on? How do you see them fitting into a curriculum for K through 12?

Ms. LUSARDI. I'm going to take this question quickly, but we have an educator, so I'm happy also to hear what she thinks. But I just want to say I think I'm happy that the word, Home Economics, is dropped, because I think we really need to associate the words of financial literacy with every girl's subjects. Perhaps part of its ineffectiveness is due to the fact that often what we teach in school are kind of simple rules, how to balance a checkbook, and I think we need to move away from that.

We need to empower people to make decisions. The world is going to change very fast. In my view, one of the reasons why there has been so much resistance in adding it in the high school, is because they were thinking it's like woodwork, that people can learn with practice, or they can learn by others.

There are actually a lot of scientific concepts behind financial literacy. We can add it to all the courses in the school from math to science to history to English. So if the curricula are crowded, we can find a place for that. It really does belong, because I think it really is based on very important scientific concepts, and you need to consider that and not just some skill that really belongs to an after school.

Senator FRANKEN. I think it's easy to see how financial literacy could be worked into a math curriculum. And I know I'm over my time, but Ms. Lipp seems to want to answer.

Ms. LIPP. I'll be very short. Being an educator, we are held to so many standards, and we have tests, and we have Common Core. In civics and economics in North Carolina, we have a personal financial literacy piece, and it's great. This is the first year that it's being tested. This is the first year you're seeing a panic. How are we going to teach it? How are we going to get there?

I've been working with the North Carolina Council to get that training in teachers' hands. Truthfully, the ideal way would be to start implementing it in kindergarten, first grade, second grade, third grade, and it aligns perfectly with the new Common Core standards that are coming about, because it's all application.

So you can take kindergarten math and have them apply what they're learning with financial literacy. That's how I would see it. I also completely agree with what you're saying about the nutrition and health. A life skills class in high school—to go back to that, we have a garden at my high school, and our kids grow their own produce, and they sell it at the farmer's market. And what about integrating more gardening—I mean, it goes together. Financial literacy can go anywhere, ideally, K through 12. If not, a high school life skills class would be a great idea as well.

Senator FRANKEN. Thank you, Madam Chair.

Senator HAGAN. Thank you.

Senator Murray.

STATEMENT OF SENATOR MURRAY

Senator MURRAY. Thank you very much, Senator Hagan, for holding this really important hearing. I think that financial literacy is a crucial issue, one that I've worked on for a very long time, and a hearing is really overdue on this subject.

One of the most troubling things that we learned from the foreclosure crisis that we lived through was how many homeowners simply lacked the basic skills they needed to make good financial decisions. And, as a result, a lot of homeowners signed mortgages that they didn't understand, and too many were taken advantage of by predatory lenders, and we know what that did to our entire country's economy.

I really am a believer that we need to do a lot more education for people in financial literacy, both in K through 12 and for adult learners who haven't gotten those skills yet, either. I'm surprised at how many of our K–12 schools don't have any kind of basic financial literacy program even today.

I think it's really crucial as a country. Since 2008, when we were in the middle of the crisis, I started introducing legislation every year called the Financial and Economic Literacy Improvement Act to invest some resources into personal financial education programs in K through 12 and addressing the problems adults were facing. I really do appreciate you having this hearing and look forward to the members of this committee taking this on.

I remember distinctly sitting in front of a group of teachers at the time, 4 or 5 years ago, and talking about how some kids don't even know how to balance their checkbook. And I kind of saw this crestfallen look among the teachers, and I said, "How many of you balance your checkbooks?" It was about two. So we need adults to also get this education.

I wanted to ask all of you—I've seen some statistics showing that most educators who teach financial literacy courses don't even have any formal training or professional development. If we were talking about science or math, that would be unacceptable. So can one of you talk about the importance of training and the kinds of training that is most effective for teachers?

Mr. Biggs, we could start with you.

Mr. BIGGS. Thank you, Senator Murray. As I mentioned in my testimony, Jump$tart collaboration is the key element to why we're successful. We find all those instructors and all those parties interested in financial literacy, supporting financial literacy.

The annual Jump$tart Teacher Training Conference is put on in collaboration with NEFI, the National Endowment for Financial Education. This conference put on every year here in DC as well in the fall is dedicated to putting out the resources and the training for all the instructors across the country, along with any of the resources available, whether it's through vendorships, similar to what we have here on Capitol Hill on Friday, where all the different resources available are coming together.

We see the value in the instructor beyond even the curriculum. You can have a great curriculum with an instructor that may not be trained well enough, and you won't see the effectiveness that you will with an instructor that has gone through the training.

I think those are some of the key elements—that national alliance as well, that we have for the instructors. State-to-state—for example, Wyoming—we, each year, whether it's online or face-to-face, via preconference training for career and tech ed, have training programs available for family consumer science instructors and business instructors.

Senator MURRAY. Does anybody else want to respond to how we educate the educators?

Ms. LUSARDI. Just very briefly, I think the statistics are alarming, and in many ways, this is the most important method and way in which financial literacy can be transmitted in the school. The fact that often financial literacy was mandated but no resources were dedicated to training the teacher makes, in a sense, the mandate not able to be effective.

What I think is critically important—and this very morning at the Jump$tart Coalition, we saw some really important presentations of the effectiveness that that training really does. First of all, the teachers are very open and themselves benefiting, as you had mentioned, of that financial education. In my view, that makes this a really ideal group to target for financial education.

They are the instrument to deliver that education. But because they benefit themselves, everything is really aligned, and they can be a lot more effective teachers. As we think of financial education, an integral part of that financial education improvement, in particular, in the schools has to be also training the teachers.

Senator MURRAY. I've noticed that only four States require a course in personal finance. The majority of States obviously don't. Is there any research that shows the difference between students in States where financial literacy is required versus those that are not?

Ms. LUSARDI. What you ask—and I'm going to try to be very brief. What you ask is very important. But, unfortunately, the research that has to be done to assess this is a lot harder than just looking at the survey that we have done and, for example, looking at whether the students in those States do better.

The problem is, you have to control for the quality of the teacher. Often we don't have information about that. We have to control for when the course was offered, what the material was, and so often I think we have very little information. We need to do assessment in a more rigorous way, as, for example, it's done in the medical literature.

And I think we are now drawing conclusions from studies that have not really been able to find this type of causality. Your question is so important. We need to know what works and what doesn't, and what can have an effect. I think we need a lot more work in this area rather than relying on some of the simple statistics we see.

Senator MURRAY. I know my time is out. But I do want to thank you. This is something I think is just so important in our country today, and anything I can do to be supportive, I want to do it. I really appreciate all of our panelists who are here today helping us work on this. Thank you very much.

Senator HAGAN. Thank you, Senator Murray.

And for the panel, she is now the chairman of the Budget Committee.

Senator Murphy.

STATEMENT OF SENATOR MURPHY

Senator MURPHY. Thank you very much, Madam Chair.

And thank you so much to the panel for being here. I'm sorry I didn't get to catch your testimony in person, but I've read through much of it. I wanted to talk to you about a concept that may be new to you, and so you might not have immediate thoughts.

It is a concept that was employed in Great Britain for a period of time and was introduced in the U.S. Senate through a proposal by Senator Santorum and others. It goes by different names, but it's commonly referred to as baby bonds or citizenship bonds.

The idea is that as a matter of birthright, every child would get, essentially, a bond that would accrue on an annual basis of perhaps $250 or $500 per year, and then when they got to college age, it would be available to them to go to school or use for job training or to be used to get different job skills. And the idea is that it's a means toward, obviously, allowing kids to realize their dream.

We already make a commitment to kids of certain income that we're going to help you with a Pell grant or with a subsidized loan. Instead of just essentially handing them that at age 18, why not hand that to them at age zero and allow them to watch the money develop over time.

It also speaks to the issue of financial literacy. Even though it's not money that you saved, you're watching throughout your childhood and your teen years money accrue in a bank account that is going to be available to you to use to better yourself.

In some iterations, it actually hasn't been reserved simply for higher education. It's just a grant that you get once you become of a certain age to use to make a down payment on a house or to go to school.

I've been attracted to this idea in part because it speaks to what we're talking about today. It's another means to achieve financial literacy. So I want to pose the question to the panel.

I'm going to start with you, Mr. Richardson, because you are nodding your head the most earnestly as I was saying it, and you talked about asset building in your testimony. So I'll pose the question to you as to your thoughts on that idea and open it up to other panel members who may have thoughts as well.

Mr. RICHARDSON. First, Senator, absolutely, the concept has merit. The controversy and criticism has always been that they've been prohibitively expensive. But I think as a societal commitment, I think it's something we need to pursue and double down on, to your point.

I also would mention that the comment was made before about financial illiteracy, kind of holding youth back from participation in society. I would frame that by saying it's only holding full participation back. But I think a lot of the youth we're seeing are not participating efficiently and effectively, which is why the teachable moment through a K through 12 structure is very important, but also supplemental programs offered by the nonprofit sector as well, and I'll tell you why.

I understand the unit of analysis here are the youth, and rightly so. But I think what we're onto here is the youth as a portal for stabilizing the household and, by extension, stabilizing communities. I really think intergenerational learning and the social capital that churns in low-income communities can really focus on the real-time application of the skills that we're teaching in schools and teaching in these programs.

I also think allied with child savings accounts, which we're piloting in this country, as you know, can really provide this kind of match savings practical application that follows kids through their maturation and allows them to succeed and fail in terms of how they would identify the assets they're looking to build.

The last thing I'd say is children—often, youth live lives without consequence. I think the decisionmaking is incredibly important here, and the focus of the hearing is important. But also, expanding the scope of what we're talking about, I think of children, youth, as portals to also teaching their parents, their parents' parents, in a real-time way.

I'm concerned about the standards in school. Do they stay current? Do they evolve and change with a dynamic and complex world? For example, you talk about balancing a checkbook. Right now, the financial services space are proffering other promising services that would replace those—prepaid cards, for example, which are much easier to use, much easier to market, and much easier to get in trouble with. So understanding the proclivities of youth today, keeping up with the Joneses, as it were, I think is very important in school-based context and out of school.

Senator MURPHY. Let me ask if there are any other thoughts from the panel on the issue of baby bonds.

Ms. LUSARDI. I think this is actually a very clever idea that really uses the interest compounding in favor of the youth. It has the additional component, as you have mentioned, of learning. So, in a sense, we are really investing in these youth from the beginning and giving them an opportunity to really see the importance of starting to save early and putting money aside, for example, to achieve an objective.

I think this has a lot of value. And I want to come back to that fact that, often, we don't have the capacity to say, "Is this a good idea or not?" because we have not done enough research. And that initiative, by the way, which was started in the U.K. was eventually withdrawn, but with very little evaluation. It's so important that, I think, more evaluation was much needed.

Senator MURPHY. I appreciate it, and I'm beyond my time. But I guess the point is that we do make a commitment to these kids to help them pay for education. So the question is: Can you do that in a way that adds to financial literacy? Can you make that commitment earlier?

I'll finish by saying that one of the things I would have loved to explore with you is, in addition to making sure that financial literacy involves counseling kids about how to go through the financial aid process, there's still a lot of kids who don't consider college because they don't even know about the options that are available to them. I met with a group of kids from Danbury, CT, most of them African-American and Hispanic, who all went straight into the workforce, many of them because they just didn't understand how to start the college application process.

So when we talk about financial literacy with respect to higher education financing, it's not just enough to make sure that they can negotiate the FAFSA process. You have to start a lot earlier to let them know that it's there in the first place. I won't ask for a comment because I'm way over time.

Thank you very much, Madam Chair.

Senator HAGAN. Thank you, Senator Murphy.

I wanted to pick up with you, Mr. Richardson, when you were talking about the racial wealth gap. In your opening comments, you talked about that. You noted that the median net worth for African-American families was 22 times less than the net worth of white American families. And that disparity, your written testimony referred to as the racial wealth gap.

Numbers of factors contribute to this. Can you share how the Urban League came to identify financial literacy as one of the barriers to reducing it? And then what models are you all looking at to help pursue this in underserved communities?

Mr. RICHARDSON. Yes, as you say, the racial wealth gap is something that is underappreciated and misunderstood, quite frankly, in terms of the prospects of African-Americans and white Americans that are shooting away from each other at light speed. And financial literacy is something that we can control. We can contain it.

We can talk about the standards and the application of skills learned. But I think it's something that has to be understood and has to be co-owned by communities of color in terms of the decisionmaking imperative, as we're talking about, that can lead to making more efficient and effective consumers.

Again, we're talking about constituencies that are bombarded with mixed messages, Senator. You're supposed to be a good American, and you're supposed to be part of the communitarian ideal by spending and circulating dollars. But you're also supposed to save, and you're supposed to put things away for a rainy day.

Now, communities and individuals who live on the margins find that a very difficult and tension-filled decision. And so the decision in terms of when to save, how to save, which vehicles can be understood and taught—and then also it allows organizations like ours to be able to talk to the private sector, the financial services entities, to demand the products that our communities need to be able to reach a kind of parity from an economic empowerment standpoint.

So I think what we're trying to do is—and I mentioned it earlier—is the school-based solution is very real and needed, and we would endorse that. I think out of school, supplemental opportunities are very important as well, and that kind of connectivity can be rebuilt.

We talked about the halcyon days of Home Ec and civics. I think we can recreate that in a modern context, where we can open up opportunities for out-of-school, real-time, practical applications of what you're learning. Compound interest is important. I think folks are kind of disillusioned with what that means in their daily life, for example.

I think the nonprofit sector speaks the language, engenders the trust that allows for learning. And as I mentioned earlier, using children as portals to broadly envision what learning can mean at the household level is important, particularly when you have a proclivity of female-headed households that, for generations, particularly in minority communities, have not really handled the finances in a male dominated world. So in female-headed households of multiple generations, how the children can be portals to helping the older as well, I think, is a very important opportunity for us here.

Senator HAGAN. One quick question. Can you tell me more about the Melinda and Bill Gates program to test asset building and financial education? I believe it's called Reimagining Aid Design and Delivery.

Or Dr. Lusardi.

Mr. RICHARDSON. I would just say the template for us is to not just suspect the kind of boosts and blocks for African-American wealth building and asset preservation. It's to fully know, and so we are focus grouping, we're testing, we're evaluating, we're prototyping different models that allow us to create the design that, again, touches each element of African-American life and, by extension, each element of American life.

Senator HAGAN. And then how will it be delivered?

Mr. RICHARDSON. Well, it will create a program design that we will test and evaluate and, hopefully, report our methods for future expansion beyond the Urban League movement.

Senator HAGAN. Dr. Lusardi, do you have any comment on that?

Ms. LUSARDI. I don't have any specific comment about the Gates Foundation initiative. But I just want to reiterate that it's critically important, and I think we need to pay a lot of attention to some of the groups and really have programs that, even after having added financial literacy in the school, really do an important job in helping the communities behind that.

And I think we have to remember that by having financial literacy in the school, not only do we empower those individuals, but we might also empower the parents of their community. I just want to reiterate very much your point that, for some students, this is the only opportunity to really have experience in financial matters. They wouldn't have it among their parents or their peers. So this is, I think, a real way in which you can empower those individuals and potentially, via them, also their own community.

Senator HAGAN. Thank you.

Senator Murphy, second round.

Senator MURPHY. Just one additional question, and I'll pose it to Ms. Lipp. It's a followup on your answer to Senator Franken's question about the fact that you've had this requirement in your State for a while, and you just began teaching it. And it speaks to the worry that if we don't test it, we're not going to teach it.

So how big a barrier is that to teaching financial literacy? If it's not part of the standardized tests, and there continues to be such a mad rush on behalf of the administrators and teachers and board of education members to get good test scores, then how on earth do we ever fit in financial literacy, never mind all the other things that Senator Franken wants to teach in schools, which I don't disagree with. I just worry that in this environment, we've got to realize the reality of the pressures, I think, overdone on these test scores.

Ms. LIPP. Yes. I recently went to a conference, and what they told us was that teachers in America are teaching more content now than ever in the history of education. To put that in perspective, my course is a 90-day course, and I have 1,500 vocabulary words to teach in 90 days. Personal financial literacy, I think, is a course all in itself. Somehow, I have to figure out how we're going to do it every day, bit by bit by bit by bit.

As far as the training of educators in all of this, if you bring the word, testing, out, you're going to scare a whole bunch of people and they're not going to want to do it, obviously. However, at the same time, if it's not tested, teachers will shy away from it.

With financial literacy, you have two things working against you. First is that it wasn't tested up until recently, and what I think and what my experience is—financial literacy isn't a class thing, meaning just because you're middle class or just because you're upper class doesn't mean you have financial literacy skills. And I think that's a common misconception.

So you have a lot of teachers—it was kind of brought up earlier with Senator Murray—who don't know how to do this themselves. How can they teach it? So what needs to happen is there has to be a way to seamlessly integrate it into all the different grade levels, starting with kindergarten.

How could you start teaching a kindergartener financial literacy, and how does that integrate into math with the new Common Core standards so it doesn't add more onto a teacher's plate, because, immediately, what they're going to do is shy away, because we have so much to do right now. And in my course, in particular, I'm trying to find the time to do it.

Senator MURPHY. I know it isn't easy, and I appreciate all your efforts. Thank you very much.

Senator HAGAN. Thank you, Senator Murphy.

Let me ask about the role of parents, and a lot of you have commented on that a little bit already. The research has shown that parents, with good reason, are the No. 1 influence on a young person's financial literacy. But because financial literacy across the whole is so low, even across age groups, parents may not have the financial knowledge, time, or skills to be solely responsible for teaching their children how to effectively manage their money.

Ms. Lipp, not everybody has your mother, who counseled you. And just so that you know, when my children were young, they each had a ledger book, and at the end of the week or the month, if they couldn't account for how they spent that money, they didn't get that money. If they were a dollar off, then they got a dollar less. So it was a great way to make them realize where their money was going.

It's interesting, I think, that in separate surveys conducted by VISA and the College Savings Foundation, 85 percent and 90 percent of parents thought that financial literacy should be taught in the schools and in the curriculum.

Ms. Lipp, as a teacher—and you've been working with students on the skills for several years—have you seen an increased interest among the students' parents in the budget project, in the stock market game, or other financial education lessons? And have they sparked conversations that have led families to taking better control of their finances?

The other issue I wanted to ask you about is the 1,500 words that you have to include—what words?

Ms. LIPP. What do they include?

Senator HAGAN. Yes.

Ms. LIPP. How much time do you have?

[Laughter.]

Senator HAGAN. Three minutes for my round.

Ms. LIPP. Good. They include everything from civics and economics. So you're talking about government terms, so everything from gerrymandering, filibustering—that's a big one.

Senator HAGAN. Got it. OK. Move on to financial literacy.

Ms. LIPP. With the financial literacy piece, what I've noticed is that parents—and I've heard this before. Parents are not comfortable talking to their children about finances. I recently read—and correct me if I'm wrong—but I've heard that parents are more comfortable talking about sex with their children than finances, which—that's just crazy.

As part of the project that I instituted, my kids had to go home and ask their parents, "Are you paying for college?" in their sophomore year of high school. And the kids came back, and some of them were like, "My parents aren't paying for college." You just found out at 16, which is crazy.

What I have started to see, and because I stayed at that school for 5 years, it was funny, because the parents started contacting me, asking me for a copy of the project for other parents that they knew, that they needed it for their children, because, you know, Ms. Lipp can handle this. And it was like they were still coming—parents I didn't know—coming to me, because it was easier for them to have me give their child a budget project than it was for them to sit down and talk with them about it.

So I have seen that. I've also had parents who have told their children when I've got their siblings, "Oh, Ms. Lipp is going to make you do this project, and you're going to have to have this conversation," and things of that nature. And so, yes, now there's more of a conversation that occurs with them and their parents, and the parents are definitely interested. But it's almost like they were relieved that somebody else was doing it and not themselves.

Senator HAGAN. Can you not adapt your budget project to the new area that you're in, as far as not having the trips to the bank, et cetera?

Ms. LIPP. Right, which is what I was hoping for the iPads to be able to do. I've taken the project and broken it down by sections. Now it's getting into the computer labs, and that's where the iPads came into play, so that we can do it section by section.

Senator HAGAN. Ms. Pace, on the same issue of parents, have you seen an increase in the parents' involvement with the students at the high schools that are involved in the credit union?

Ms. PACE. Yes. And the way I'd like to respond to that is that children mirror their parents in a lot of habits, whether they're good or bad. As the financial industry services go, there's probably less than 30 percent of the adult population that has any type of financial plan, because they're scared to know how bad it could possibly look.

As it relates to our Student Run Credit Union Program, we try to get the parents involved in as much of the initiative as we possibly can, particularly at the end of the year. We reward these students who have participated and bring their parents in, and they can share the stories of what they've learned.

Senator HAGAN. And do the parents come in?

Ms. PACE. Yes, they do, and they're so proud. They're so proud of their children. One of the stories that we had most recently was a young boy who told us the reason he wanted to participate in the student-run credit union and be an active participant was that he had a part-time job, and when he would receive his money and he'd take it home to his mother, she would take it and she'd just spend it for whatever.

This allowed him to open up his own savings account, because he could see what was happening at home. And he was able to keep his money and to use the tools and the skills that he had learned as a participant in the student-run credit union.

Also, as it relates to the Center for Smart Financial Choices that we just opened about a year ago, one of our objectives with that center is to get, as I mentioned, adults of all ages to broaden their knowledge of financial literacy. And I'll go back to, I think, what Senator Franken mentioned and simply say this. If you have a poor financial outlook, that usually equals some type of poor health, because financial difficulties bring on stress and other issues to everyone's life. So if we can improve financial literacy from K through 12, we might even help our own health population in the future.

Senator HAGAN. Thank you. In North Carolina, we have many, many areas in our rural communities.

Mr. Biggs, I understand, obviously, that Wyoming would also be in that same situation. Can you share some of the unique challenges in teaching financial literacy in the rural areas and any successful ways you've identified to overcome those challenges?

Mr. BIGGS. Thank you, Madam Chairman. Yes, as you noted, we are quite rural across the State. One way that the Jump$tart Coalition has directly pursued the youth in the most rural areas is working with the school districts for the financial literacy conference that I mentioned in my statement.

We travel around the State each year. Very often, we have centralized conferences for youth, adults, everyone, typically in the center of the State or the capital, Cheyenne. But when it comes down to getting these students out of the classrooms to travel 2 to 5-plus hours away, that doesn't work.

So we moved each year to different parts of the State, and we've had success, depending on the population of the region. We are happy with 70 to 90 youth at one conference and 450 at the next, based just on the population range from region to region in the State. That's certainly one way.

Then the other would be the online access that we provided through our trained instructors. We've done that for several years now, and the numbers increase now, especially at the State level, with legislative interest in increasing post-secondary options for students.

We have gotten better fiber optic capabilities with remote locations, such as Kaycee, WY. They're always very anxious to make sure that their youth are served, and financial literacy is one of those aspects that we include.

Senator HAGAN. I really think that, as Senator Murray said, this has been a very informative hearing. I have been interested in financial literacy for many, many, many years, and it really is a passion, because I've seen the consequences of how it has had detrimental effects on so many young people, on so many adults.

I give a lot of talks, a lot of speeches, and I always mention the need to teach financial literacy. And at the end of those speeches, I'm always amazed at the number of people who come up to me and say, "I wish I'd had that course when I was in school." And I will say the preponderance of those people who come up and tell me that are women. So it is really very strong and, to me, shows the need.

I know we have a lot of great programs that are going on, many of these from a volunteer perspective. But it's only reaching a fraction of the students. That's why I think a requirement or incentive is so important to our public schools. Teacher training, we know, is of utmost importance. Otherwise, I don't think you're going to have nearly as good an outcome without good teacher training.

But we have to make this available, because to get by in the United States today, you have to understand debt, you have to understand credit. We need it to increase investment, to increase net worth, but it has to be used in the right way.

And, obviously, when our students graduate, and they look at student loans, they look at car loans, and they look at that insurance payment that's coming due, they have to have, Dr. Lusardi, as you said, the ability to make decisions and understand the consequences.

I appreciate your time. Thank you for coming to the hearing today, and we certainly did get some very, very useful information.

The hearing will remain open for 10 more business days for any other Senators who wish to submit statements or questions for the record. So you might be hearing some more.

Once again, I do appreciate your time and your testimony.

[Additional material follows.]

ADDITIONAL MATERIAL

THE FINANCIAL SERVICES ROUNDTABLE

THE ROUNDTABLE SUPPORTS FINANCIAL EDUCATION

Financial literacy, sometimes referred to as "financial education" or "financial capability," is one of the highest priorities for the Roundtable and its member companies. The Roundtable and its members are committed to improving the financial literacy of consumers of all ages. Over the years, the Roundtable and its member companies, working with non-profit partners, have provided financial literacy resources and support to educate consumers in their local communities. For example, in 2012 the Roundtable and its members completed over 42,000 (*see Roundtable 2012 Community Impact Report at: www.fsround.org*) financial literacy projects throughout the country.

We support an expansion of financial literacy for all segments of society. The Roundtable firmly believes every segment of the population, from school-aged children to military personnel to senior citizens, can benefit from additional and more readily available financial education. Enhanced early education about retirement savings and investment products and services can help consumers make sound decisions and allow them to maximize their retirement savings. Accordingly, the Roundtable will be supporting "The Financial Literacy for Students Act of 2013," sponsored by U.S. Senator Kay R. Hagan, when it is formally introduced later this week.

Expanding financial literacy is an issue that most, if not all, Americans believe is a worthwhile goal. Even after the pain of the most recent financial crisis, few Americans are making wise financial decisions. According to a 2012 Jump$tart survey two in five adults gave themselves a C, D, or F on their knowledge of personal finance. Last year, more than 77 million Americans, one-third of U.S. adults, did not pay their bills on time. More than half of adults admitted that they do not create a budget for their expenses. Research shows that financial curriculum can have a positive impact on how consumers manage their finances. Financial education is likely to increase savings, use of banking and insurance services, home purchases and improvements in overall financial health. Although the public and private sector have made great strides in raising awareness for the need for financial literacy, there is still more work to be done to reach more people.

CONCLUSION

The Roundtable believes that the Federal Government, State governments, consumers, and the financial services industry must coalesce to make financial literacy a national priority. We must do so as soon as possible if our economy is to reach its full potential and provide everyone the opportunity to attain the American dream of financial independence. A fully functional 21st century economy must have a fully engaged and financial savvy (re: literate) public that understands the full variety of money management techniques, as well as banking, saving services and investments offered in the marketplace in order to make sound personal financial decisions and to perform successful financial planning for their futures, and their children's futures. The Roundtable stands ready to work with policymakers and other stakeholders to preserve, promote and expand financial education for all Americans. Additional information regarding financial literacy resources and programs provided by Roundtable members can be found at: *http://www.fsround.org/fsr/financial__literacy/financial__literacy.asp*.

NATIONAL ASSOCIATION OF FEDERAL CREDIT UNIONS (NAFCU),
ARLINGTON, VA 22201–2149,
April 23, 2013.

Hon. KAY HAGAN, *Chairwoman,*
Subcommittee on Children and Families,
Committee on Health, Education, Labor, and Pensions,
U.S. Senate,
Washington, DC 20510.

Hon. MICHAEL ENZI, *Ranking Member,*
Subcommittee on Children and Families,
Committee on Health, Education, Labor, and Pensions,
U.S. Senate,
Washington, DC 20510.

DEAR CHAIRWOMAN HAGAN AND RANKING MEMBER ENZI: On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing the interests of our Nation's Federal credit unions, I am writing to you regarding Wednesday's hearing entitled "The Economic Importance of Financial Literacy Education for Students."

As you know, April is Financial Literacy Month, and financial education has long been a hallmark of the credit union community. Credit unions offer financial literacy programs to people of all ages from all walks of life—from students to retirees. Various programs and products are designed to fit all circumstances and levels. While administering such programs in schools, for example, elementary student programs will focus on the importance of savings, while high school and college students may need a more comprehensive approach that teaches them budgeting and other financial management skills.

While credit unions provide financial education to members of their communities regardless of age, they believe that financial education should begin as early as possible to help students learn behaviors that will assist them in managing their finances and maintaining a successful and stable financial life. To that end, some credit unions have set up branches inside high schools, middle schools and even elementary schools to help teach young students the importance of saving and managing their finances. Furthermore, in many instances the students operate the credit unions themselves under the direction of school faculty and credit union personnel. These opportunities offer the students even more insight into financial management and give them, to the extent possible, some ownership of their financial well-being.

NAFCU and our member credit unions are proud to be involved in promoting financial literacy and personal savings, and currently partner with the Consumer Federation of America in both their America Saves and Military Saves programs. These programs focus on encouraging increased savings for the general population and, specifically, military personnel and their families in the case of Military Saves. Credit unions work with their communities to raise awareness of the need for savings, and they also work with members of their community to address their overall financial situation.

NAFCU member credit unions understand the importance of financial literacy. With an ever-widening array of financial services, it is important that at a young age consumers are armed with an understanding of the basics of personal finance. Financially literate individuals are more likely to spend prudently and put money in savings, retirement funds, and other wealth building accounts. Likewise, the same individuals are less likely to rack up large, burdensome—and sometimes unaffordable—debt, and are less likely to be victims of predatory practices.

We thank you for holding this important hearing and we would welcome the opportunity to work with the subcommittee to develop innovative and effective financial education initiatives. Should you have any questions, please do not hesitate to contact myself or NAFCU' s Associate Director of Legislative Affairs, Quincy Enoch, at 703–842–2261.

Sincerely,

BRAD THALER,
Vice President of Legislative Affairs.

CREDIT UNION NATIONAL ASSOCIATION (CUNA),
NATIONAL CREDIT UNION FOUNDATION (NCUF),
APRIL 24, 2013.

Hon. KAY HAGAN, *Chairman*,
Subcommittee on Children and Families,
Committee on Health, Education, Labor, and Pensions,
U.S. Senate,
Washington, DC 20510.

Hon. MIKE ENZI, *Ranking Member*,
Subcommittee on Children and Families,
Committee on Health, Education, Labor, and Pensions,
U.S. Senate,
Washington, DC 20510.

DEAR CHAIRMAN HAGAN AND RANKING MEMBER ENZI: On behalf of the Credit Union National Association (CUNA) and the National Credit Union Foundation (NCUF), we are writing regarding your hearing on the "Economic Importance of Financial Literacy Education for Students." CUNA is the largest credit union advocacy organization in the United States, representing nearly 90 percent of America's 7,000 State and federally chartered credit unions and their 96 million members. NCUF is the philanthropic and social responsibility leader of America's credit union movement, raising funds, making grants, managing programs, and providing education empowering consumers to achieve financial freedom through credit unions.

Credit unions change lives each day through the "People Helping People" philosophy that drives the credit union movement. Each year, credit unions invest millions of dollars to provide financial education and counseling programs to consumers. Against a fragmented landscape where each credit provider is seeking maximum gain, not-for-profit credit unions continue to be true to their mission of serving as trusted advisors to their members and communities.

As the charitable arm of America's credit union movement, the NCUF's programs and grants provide widespread financial education, create greater access to affordable financial services, and empower credit union members to build assets. One of the main pillars of the NCUF is to provide funding and promotion of financial literacy tools and education through credit unions across the Nation. This mission is embedded in the fifth cooperative principle—education, training and information. Indeed, it is in the interest of the credit union to have members that are financially literate and understand the importance of thrift and the responsibility of credit.

In an effort to catalog credit union efforts around financial capability building, NCUF conducted a comprehensive research study to provide an inventory of credit union financial education/counseling programs nationally. Almost 600 credit unions shared their strategies and progress toward helping members and consumers make better financial choices. In 2010, the NCUF concluded its study and released a detailed report titled "Credit Unions: Focused on Financial Capability across the Nation."

Some highlights from the report show: coordinated efforts with NCUF have assisted in credit unions' ability to provide financial counseling to more than 1.5 million consumers a year and nearly 25,000 annual educational presentations to more than 600,000 students; 111,500 student members had $34 million on deposit at 1,400 in-school credit union branches that encourage savings and connect financial education with financial access; nearly 5,000 student workers received on-the-job training experiences at in-school credit union branches; and 85,000 teens and young adults participated in 1,200 experiential learning events organized or provided by credit unions. Experiential learning provides participants with a taste of the real financial world in a safe and controlled environment. The report also found that in 2010 credit unions invested more than $140 million toward improving the financial capability of members and consumers in general.

Furthermore, the report showcases the resounding success of the financial literacy initiative *Biz Kid$*. A coalition of more than 200 credit unions and affiliates from across the country have helped exclusively fund *Biz Kid$*, which launched nationally in January 2008 and teaches kids about money and business. The initiative includes a TV series, free classroom curriculum, outreach activities, a Web site and a monthly on-line newsletter targeting children 9–16 years old. It is the first national public television series promoting financial education for elementary and middle school students. Created by the producers of *Bill Nye the Science Guy*, *Biz Kid$* teaches students how to use credit wisely and reinforces the importance of budgeting, saving, and giving back to the community.

Since its inception, *Biz Kid$* has received significant entertainment industry recognition including a Daytime Emmy. More than 1.5 million students and teachers have been exposed to the curriculum, which has been implemented in classrooms and afterschool programs nationwide. The show has received the status of "recommended educational resource" by the State Boards of Education in seven States. In addition, *Biz Kid$* has been adopted by the Internal Revenue Service to use in their educational outreach program in schools across the United States. The show has also been adopted by Ernst & Young to use in their education outreach programs for middle school and high school students. To extend the impact of the series, public TV stations nationwide have established partnerships with credit unions and community groups—sponsoring teacher seminars, kids' contents and family events.

NCUF believes that access to financial products and services should always be accompanied by educational opportunities. This link between education and impending opportunities to make financial decisions enables members to take action based on newly gained knowledge, resulting in more financially capable and secure members. As the credit union movement continues to grow, so too will the importance of ensuring our members have the tools they need for a successful financial future.

America's credit unions are committed to continuing to work to ensure that consumers of all ages understand how to responsibly manage their finances, and recognize that financial education needs to begin at a very early age. On behalf of America's credit unions and their 96 million members, we appreciate the attention you are giving to the importance of financial education.

Best regards,

BILL CHENEY,
President & CEO,
Credit Union National Association.

WENDELL SEBASTIAN,
Executive Director,
National Credit Union Foundation.

[Whereupon, at 3:59 p.m., the hearing was adjourned.]

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