



U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

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**BEFORE THE U.S. SENATE SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT,
THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA**

WASHINGTON, DC- Good afternoon Chairman Akaka, Ranking Member Voinovich and distinguished members of the Subcommittee. Thank you for this opportunity to appear before you today to talk about the important issue of financial literacy in America. As Financial Literacy Month comes to a close, I would like to recognize the strong bi-partisan emphasis on this important topic. Thank you for sponsoring the Senate resolution supporting April as Financial Literacy Month. I would like to commend the House for their recognition of Financial Literacy Month as well. Additionally, President Bush issued a statement observing April as Financial Literacy Month.

Secretary Paulson, along with the rest of the Administration, believes in the importance of increasing financial literacy levels across our nation. In fact, just last week President Bush recommitted his Administration to the cause of financial literacy and charged Secretary Paulson with building on the Financial Literacy and Education Commission's efforts to bring financial education to all Americans. Mr. Chairman, I commend you for your continued leadership on the issue of financial education and for focusing a national spotlight on this critical topic.

I would like to briefly discuss the financial literacy issue we are faced with, then discuss the responses to that issue to date and conclude with a discussion of next steps.

The Issue

Today Americans are faced with a robust marketplace of financial products and services which give them many more options than ever before in structuring their finances. However this has not always been the case. For example, there used to be only a few ways to finance a home, now there are numerous mortgage options. Credit cards used to be hard to come by, now consumer credit is widely available. At one time your employer managed your retirement, now with the steady migration from defined benefit plans to defined contribution plans, the individual has much more to think about.

Times have changed on us. This generation doesn't know any less about money than our parents or grandparents. It is simply that we need to know more *now* than they did *then*. It is as if every American has awoken to find himself or herself promoted to the position of CFO of his or her own household. Are we ready for the job? And if not, how do we address the new reality that our economic choices have simply outpaced our financial knowledge?

The answer, of course, is financial education. Only when we learn more about our money will we be able to move forward confidently in the modern financial marketplace. As a nation we need to learn more about saving and investing, using credit wisely, avoiding fraud and a number of other financial topics.

The Response

Three players are responding to the financial literacy issue: non-profits, businesses and the government.

Non-profits

Non-profit organizations of many varieties are involved in financial education. Some are large national organizations, while others are community-based groups that operate on the grass roots level. They address a variety of financial education issues for adults like banking the unbanked, providing credit counseling or free tax preparation, or helping people build assets to prepare for financial emergencies or to achieve financial goals. Other non-profits, including schools, center their efforts on young people. Some of these groups focus on school based programs that train students and teachers on money matters while other groups focus on reaching youth outside of the classroom.

Businesses

Many companies have also wisely recognized financial education as a cause worthy of their attention. Some companies develop curricula or donate funds for use in support of youth and adult financial education programs. Other companies encourage their associates to volunteer their time on financial literacy programs of non-profit organizations. Still other private sector firms devote resources to financially educate their own employees on money matters.

Federal Government

While the efforts of state and local governments to spread financial education have been commendable, this testimony will focus on the efforts at the federal level.

The Department of the Treasury supports the expansion of financial education both through its own work and through its leadership of a multi-agency commission. I will describe both roles.

Department of the Treasury

Several bureaus and offices within the Treasury Department work in the field of financial education. These include the Bureau of Public Debt (BPD), Internal Revenue Service (IRS), Mint, Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), and the Office of the Treasurer. While all of these offices perform important tasks in financial education, Treasury's main effort in the field is conducted by its Office of Financial Education.

In 2002 Treasury established the Office of Financial Education. Since that time, the office has developed rapidly and now stands as a policy leader in the field of financial education in the U.S. and around the world. The office has five key functions.

1) Outreach

First, the office promotes and delivers financial education across the country through its ambitious outreach efforts. The Office has traveled to 42 states and held 304 financial education sessions reaching over 24,000 people and generating 470 media stories. Many of the people reached are educators, counselors, journalists, community leaders, or service providers who themselves engage in financial literacy outreach to many more Americans. This creates a multiplier effect which only increases the office's total impact.

The office has performed its work wherever needed, ranging from classrooms to corporate boardrooms to military bases, and even to the Gulf Coast region to counsel Katrina victims. The office has reached out to students of all ages, teachers, lenders, credit counselors, accountants, attorneys, community activists, the media and the public at large. The message to each group varied according to its specific needs but the

theme has been the same, that financial knowledge is an empowering force that helps people improve their lives and realize their dreams.

2) Setting Standards for Quality Programs

The office's second function is to set standards for quality financial education. It does this through the development and dissemination of the "Eight Elements for Successful Financial Education" programs. Financial educators across the country have been using these qualitative standards to evaluate and enhance financial education programs.

3) Technical Assistance

Third, the office operates a Technical Assistance Center in English and Spanish for those seeking advice on establishing or improving financial education programs in their communities.

4) Brokering Partnerships

Fourth, the office uses its unique position within the financial education community to broker partnerships between the supply side and demand side of financial education. Some organizations have financial education resources to offer, while other organizations are in need of such resources. The office works with groups nationwide to help the right people get connected with the right resources to advance financial education.

5) Federal Government Coordination

The fifth and final role of the office is to coordinate financial education efforts across the federal government. Treasury's office of Financial Education performs this task by coordinating the activities of the Financial Literacy and Education Commission. The details of this function are described below

The Financial Literacy and Education Commission

The Fair and Accurate Credit Transactions (FACT) Act of 2003 established a twenty agency group called the Financial Literacy and Education Commission. The FACT Act named the Secretary of the Treasury as chair of the Commission and gave the Commission and Treasury four mandates: a Web site, a hotline, a multimedia campaign and a national strategy.

I will describe progress on each of these projects.

1) Web Site

In October 2004, the Commission launched MyMoney.gov, a Web site designed to be a one-stop shop for federal financial education information which is available in English and Spanish. Operated by the General Services Administration (GSA), the Web site is organized intuitively, the way Americans live their lives instead of the way their government is structured—organized by topic rather than agency. Topics include Paying for Education, Saving and Investing, Home Ownership and Privacy, and Frauds and Scams. MyMoney.gov also provides links to financial education grants offered by different Commission agencies. The site has 399 links and has had 1,717,247 visitors, 1,053,004 in 2006 alone. On the site, visitors can also access an interactive, instructional quiz on financial literacy, view a public service announcement promoting MyMoney.gov and get information on the activities of the Commission.

2) Toll Free Hotline

In October 2004, the Commission also launched a toll free hotline called 1-888-MyMoney. Operated by the GSA, the hotline is available in English and Spanish and permits callers to order a free MyMoney toolkit. The English language toolkit contains eight federal publications covering topics from savings to investing to understanding the Social Security system. The Spanish language toolkit has six publications. To date, the MyMoney Hotline has received 18,781 calls, 15,508 calls in 2006 alone.

3) Multimedia Campaign

The Treasury is working with the Ad Council on the production of a campaign that will address the topic of credit literacy, emphasizing the impact of one's credit score. The project has progressed through the research and focus group stages and is now in the creative stage where advertising professionals are working to develop creative concepts to communicate the campaign message. The campaign is scheduled to launch in the fall of 2007.

4) National Strategy

The FACT Act also required the Commission to develop a national strategy for financial literacy. In April of 2006, the Commission released *Taking Ownership of the Future - the National Strategy for Financial Literacy*. The *Strategy* is a comprehensive blueprint for improving financial literacy in America, covering 13 areas of financial education in 13 chapters. At the end of each chapter are specific, numbered calls to action. Most of the actions are assigned to the federal government, but some of the activities are recommendations to the private sector or to individuals.

Since the launch of the *Strategy* just over a year ago, the Commission has been busy executing these "calls to action." These calls to action are milestones for the Commission which allows us to measure its performance and could not have been accomplished without the cooperation of all 20 member agencies. Below is a summary of progress on the *Strategy's* calls to action.

Chapter 1: General Saving

1-1 In April of 2007, Treasury and the American Savings Education Council launched a public service announcement on the importance of saving. The PSA promotes the website, MyMoney.gov and toll-free hotline, 1-888-MyMoney.

Chapter 2: Homeownership

2-1 In July of 2006, the Department of Housing and Urban Development (HUD) and Treasury co-hosted a roundtable which highlighted successful partnerships that have advanced homeownership. During the meeting, the complexity of identifying partners to advance homeownership was discussed at length. Participants cited best practices which have helped with foreclosure prevention, non-traditional mortgage products, and the identification of a variety of hidden costs.

Chapter 3: Retirement Saving

3-2 In April of 2006, the Small Business Administration (SBA) linked its online retirement training tools for small businesses to MyMoney.gov. In addition, the Department of Labor (DOL) and IRS developed and released a new publication, *Payroll Deduction IRAs*, to complement a series on retirement plan options for small employers. DOL conducted six fiduciary education seminars in coordination with IRS, the American Institute of Certified Public Accountants and the Society of Human Resources Management.

Chapter 4: Credit

4-1 In 2005, Treasury entered into an agreement with the Ad Council to develop and execute a multimedia public service announcement campaign on credit literacy for young adults. The campaign is scheduled to launch in the fall of 2007. It will also be available in Spanish.

Chapter 5: Consumer Protection

5-2 In April of 2006, Treasury released the DVD "Identity Theft: Outsmarting the Crooks," and made it available to the public through MyMoney.gov and 1-888-My Money. To date, 60,750 copies have been distributed.

Chapter 6: Taxpayer Rights

6-2 In the first full year of the "Go Direct" campaign, which ended in June of 2006, Treasury and the Federal Reserve Banks converted 600,000 paper check recipients to direct deposit enrollees. An additional 160,000 people were enrolled as of December of 2006. The success of the program would

not be possible without the cooperation and support of financial institutions across the country. The program will continue through 2007.

- 6-3** As a result of the Department of Health and Human Services' (HHS) public awareness campaign on the new Medicare drug benefit that encourages seniors and people with disabilities to take a look at their prescription drug coverage options, over 90 percent of those with Medicare have some form of drug coverage. Of those, almost 24 million have prescription drug coverage through the new Medicare Part D benefit. HHS worked with 40,000 partners and conducted more than 12,000 events to educate taxpayers and beneficiaries on enrolling in the Part D program. As of late January 2007, more than 1.4 million beneficiaries have enrolled in Medicare's Part D program since June of 2006, bringing the total number of people with Medicare receiving comprehensive prescription drug coverage to more than 39 million.

Chapter 8: The Unbanked

- 8-1** To date, three regional conferences have been held on how to reach the unbanked. The conferences were held in Chicago, IL in May 2006; Edinburg, TX in December 2006; and Seattle, WA in March 2007. The conferences have touched on topics such as building partnerships and identifying solutions, serving immigrant communities, reaching young customers, and providing financial education to help new and potential bank customers. The conferences were accomplished by the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), OCC, OTS, Treasury, the Federal Reserve Banks of Chicago, Dallas, and San Francisco, along with assistance from HUD, partnering to bring a wide range of attendees together on the topic of the unbanked population. After the final regional conference is completed in the fall of 2007, a white paper will be released which will summarize the conferences findings and make recommendations based on them.

Chapter 9: Multilingual / Multicultural Populations

- 9-1** In March of 2007, the first roundtable took place at Treasury and was focused on the Native populations. The roundtable touched on the needs and wants of Native populations and how financial education can help. Other topics included public and private partnerships, access to financial institutions and services, and public awareness events on reservations.

Chapter 10: Kindergarten – Postsecondary Financial Education

- 10-1** In February of 2007, the Department of Education (ED) and Treasury co-hosted a two-day summit on kindergarten through postsecondary financial education. The summit brought together teachers, students, program providers and researchers from across the country to discuss the role of financial education at school, non-school venues and college level programs to assist others who are starting or enhancing programs. The summit findings will be made available to the public in the summer of 2007.

Chapter 12: Coordination

- 12-1** The Commission continues to enhance MyMoney.gov. In 2006, the "Money 20" interactive quiz was added to the Web site, where visitors can test their knowledge with a 20-question online quiz which covers a variety of personal finance issues. Currently, all Commission members have links to MyMoney.gov from their agencies' Web sites.
- 12-2** In August of 2006, GSA and Treasury completed the first survey of Federal financial education programs and resources. Findings have shown very little overlap or duplication among Federal financial education efforts. The overlap noted was found to be minor and necessary to the completeness of a particular resource or topic.

12-5 In April of 2007, Treasury and Office of Personnel Management (OPM) hosted the inaugural meeting of the “National Financial Education Network” of federal, state and local governments. The network will meet regularly by phone to discuss topics related to financial education.

Efficiency

Since part of the focus of this Subcommittee is government management, I wanted to comment briefly on the manner in which this Commission has been managed. During its work, the Commission has sought to carry out the purpose of the FACT Act by coordinating the federal effort and helping the 20 agencies to work together more efficiently on the issue of financial education. Many of the mandates of the FACT Act can be met through such cooperation. The consequence of this is that, in many cases, the Commission has been able to add value without needing to add resources. As good stewards of federal funds, the Commission is obligated to seek the least costly way to meet its obligations under the law. With a number of accomplishments and few expenditures, the Commission has been successful thus far in achieving good value for Congress, the Administration and the American taxpayer.

Government Accountability Office Review of the Commission

In December of 2006, the Government Accountability Office (GAO) issued a report on the Commission. We on the Commission welcomed the insights of GAO on how we could better accomplish our important mission on behalf of the American people. The Commission chose to consider the GAO recommendations as part of the Commission’s annual review of the Strategy which is required by the FACT Act. During that review the Commission incorporated many of the GAO recommendations into its 2007 revisions to the *Strategy*. For instance, GAO recommended that definitions to “financial education” and “financial literacy” be added to the *Strategy*; in response the Commission defined and incorporated both terms. Also consistent with GAO’s recommendations, the Commission plans to conduct usability testing of and measure customer satisfaction with MyMoney.gov by 2009.

Additionally, GAO suggested an independent review of the federal financial education programs and resources. Although the FACT Act does not require an independent review of such programs and resources, the Commission decided to pursue such a review, with the first series of assessments to be completed in 2009. Lastly, GAO recommended that the Commission work closely with private entities and state and local governments to improve financial literacy. In response, on April 17, 2007 Treasury and OPM co-hosted the Commission’s inaugural meeting of the “National Financial Education Network” of federal, state and local governments at Treasury. This network will facilitate precisely the type of cooperation called for in the GAO report.

Next Steps

The *Strategy* outlines clear steps for the Commission to implement in the next few years.

In the remainder of 2007, the Commission will continue working on issues pertaining to credit literacy, general savings, retirement planning, homeownership preservation and youth financial education while performing special outreach to minority communities. To succeed, we will convene those leading efforts in the private and public sectors through regional conferences, national roundtables and an international summit. The Commission will issue policy papers and meeting findings to further national efforts on financial education. In addition, Treasury plans to launch a multimedia campaign. Lastly, the Commission will continue performing regular enhancements to MyMoney.gov and 1-888-MyMoney.

In 2008, the Commission will host a roundtable discussion on insurance issues as well as an academic research symposium on financial education.

Later in 2009, the Commission intends to conduct a usability testing and customer satisfaction survey of MyMoney.gov as well as complete the first series of independent assessments of federal financial education programs and resources.

Conclusion

I hope this discussion has given an insightful overview of Treasury's and the Commission's work on financial literacy.

While it is valuable to look at this issue from a high level as a policy matter, it is also helpful to view it in terms of the individual and the difference it can make to his or her future. Put simply, there are two paths before each person we are all trying to help. The first is a rocky path that leads to a place where the complexity of the marketplace appears overwhelming, where people are easy prey for fraud and where bad choices lead to bad outcomes that can last a lifetime.

The other path travels through financial literacy and it takes people to a place where understanding replaces apprehension, where people make the most of their abundant options and where they have a tangible, enduring stake in their futures – it is a place some of us refer to as the Ownership Society. It comes from the idea that a true community is based more on shared aspirations than shared geography. Each of us wants to provide for our families, have a comfortable retirement and achieve financial security. These goals become more obtainable when we are financially literate, and that is why financial education is a priority for Secretary Paulson and for this Administration. We hope that through our emphasis on increased financial literacy people gain the skills to make better decisions and live better lives.

Now, I will be happy to answer any questions from the Subcommittee concerning financial literacy.