

## **Research Committee Report Update on Two Projects Underway**

### **Baseline Survey of Adult's Financial Literacy**

The Research Committee provided input to the Financial Industry Regulatory Authority Investor Education Foundation (FINRA Foundation) regarding the Baseline Survey of Adult's Financial Literacy (baseline survey).

a. The list of topics generated by the Research Committee, which is included in Appendix A, serves as our input to FINRA Foundation as it diligently works on developing a national baseline survey of financial capability and literacy. This information will be useful in making sure that critical topics (knowledge and skills) will be part of the baseline survey which will be a statistically valid sample of the diverse American population stratified as deemed appropriate

The baseline survey will be carried out by the FINRA Foundation, with assistance from Dartmouth College Professor Annamaria Lusardi, Applied Research and Consulting, the American Institute of Certified Public Accountants (AICPA) and the Employee Benefit Research Institute (EBRI), among others. The U.S. Department of Treasury agreed to consult on the project, as needed.

The survey is expected to be conducted this year. If all goes well, preliminary results might be received by year-end. Improved financial education and protection programs stemming from the survey findings should result in better financial management by the American people. Follow-up work will be considered to see if this holds true, and to improve areas that require additional attention.

b. The Research Committee acknowledges that there are definitions of financial literacy and financial education that have been developed and adopted by the Financial Literacy and Education Commission (see Appendix A). In addition, the U.S. Treasury Department has developed "Eight Elements of a Successful Financial Education Program," which includes an element on content. However, we do not have a standard to describe the contents in a measureable way. In other words, what exactly should a person know in order to be considered "financially knowledgeable" and what exactly should one do to be able to do to be considered "financially skilled" or "financially literate"?

c. Today we use the term "Financial Literacy" to define a financial education program without knowing exactly what educational topics the program covers. Programs that focus on just one aspect of financial literacy, such as retirement planning or investment education, and programs that take a comprehensive approach and provide education on multiple topics such as cash flow management, credit cards, personal loans, and risk management, are both loosely called financial literacy programs. The financial education community, therefore, uses a term that does not allow for comparison of "apples to apples". This is not satisfactory for many parties engaged in financial literacy work. By developing and offering a standard measure of a financial literacy program, this Council can serve a critical need for the field. We agreed that the list of topics that generated by this Committee should be shared with

other Committees, and have included the topics in Appendix A to accomplish that objective. A section of Appendix A sorts topics by relevant Committee.

d. Since we accepted the call to serve on the President's Council on Financial Literacy, we must be able to articulate what financial literacy is and use our expertise to recognize the best financial literacy programs and practices. Please know that we are talking about more than a definition here. We have several of those. We are talking about the content of the programs. Content that we believe is critical to understand and act upon in order to successfully navigate through the complex financial products in today's world. A standard for financial literacy will allow for measurement of the quality and effectiveness of different programs, accomplishments of students, qualifications of teachers, and recognition of achievement.

e. Though not directly related to the Research Committee's charge, we discussed the importance of required/mandated formal financial education and the barriers that stand in the way of requiring this education in school and colleges. We agreed that this is an important agenda item for the Council to discuss. The Research Committee expects to make this a future proposal for the Council.

#### **Development of a research agenda**

The list of research topics generated with input from a majority of the Council was reviewed. The Research Committee feels that this list identifies some critical gaps in current research literature. The list is included in Appendix A for all Council members. Treasury staff also found the list useful and plan to share it with appropriate groups in their efforts to identify the gaps in current research literature.