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Office of Participant Assistance
Employee Benefits Security Administration
U.S. Department of Labor
Room N-5623
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Washington, D.C. 20210

Via E-mail: saversummit@dol.gov

Attention: 2006 National Summit on Retirement Savings

Dear Sir or Madam:

The Credit Union National Association (CUNA) is pleased to provide input in response to the Department of Labor's Request for Comments for the purpose of developing a comprehensive agenda for the third National Summit on Retirement Savings. The objectives of the Summit, tentatively scheduled for March 2006, are to: (1) advance the public's knowledge and understanding of retirement savings; (2) facilitate the development of a public education program to encourage personal retirement savings; and (3) develop recommendations for additional research, reforms and action in the field of private pensions and individual retirement savings. By way of background, CUNA is the largest credit union trade association, representing approximately 90% of our nation's nearly 9,100 state and federal credit unions, which serve more than 87 million members.

Credit unions have been volunteering to teach financial literacy at schools all across the country for a number of years. CUNA and its member credit unions have long appreciated the importance of educating young people well before they reach the age of 18. Credit union volunteers have been visiting schools and teaching students about money management since the early 1970s under the auspices of the National Youth Involvement Board (NYIB) network. During the 2003-04 school year, 570 credit union volunteers nationwide reported to the NYIB a record 6,926 classroom presentations on financial skills to 191,811 students. NYIB reports reaching more than 1 million youth (including elementary, middle, and high school students) in more than 36,000 presentations from the fall of 1999 to May of 2005.

In 2000, CUNA and America's Credit Unions joined forces to partner with the National Endowment for Financial Education (NEFE) to help provide NEFE's High School Financial Planning Program (HSFPP). From 2000 to May of 2005, CUNA has committed more than $2 million to the NEFE relationship. The efforts have resulted in presentations to 340,852 high school students at 1,123 schools. Credit union volunteers are responsible for presentations at 16% of all schools and 14% of all students participating in the NEFE program this year. CUNA and its member credit unions have committed another $1 million to continuing the NEFE relationship over the next three years. Credit unions will make more than 1,100 presentations to 80,000 high school students annually.

Further, CUNA has recently launched *Thrive by Five: Teaching Your Preschooler About Spending and Saving,* an online preschool tool for instilling basic money concepts in children just as they are becoming consumers. Thousands of parents have examined *Thrive by Five* in its first three months of availability and downloaded its free teaching activities and other resources. Web traffic data for *Thrive by Five: Teaching Your Preschooler About Spending and Saving* show that between March and May 2005: 9,525 individuals visited the *Thrive by Five* area of CUNA's Web site; and visitors downloaded 26,579 copies of the eight parent activities. To publicize the launch of this financial educational tool, CUNA President and CEO Dan Mica participated in numerous media interviews and a radio tour that was heard by 11 million consumer listeners across the country.

The National Credit Union Foundation was established in 1980 to create an avenue of direction for the nation's credit unions in the areas of fund-raising and grant-making. Today, by maintaining a strong dedication to a single mission, the National Credit Union Foundation is recognized as the charitable arm of the U.S. credit union system, having both the knowledge and resources necessary to undertake national programming and fund innovative initiatives that impact low-income consumers.

The National Credit Union Foundation (Foundation), the charitable arm of the credit union movement, is an affiliate of CUNA. Through 2004, the Foundation funded over $14 million in grants and Federal programs. The Foundation engages in a variety of activities to help credit unions and community-based non-profit organizations address the financial issues that affect consumers of low and moderate income. These activities support the Foundation's mission to promote and improve consumer financial independence through credit unions. Specifically, grants are awarded to projects that address: improving access to affordable financial services; financial education programming for all ages; and increasing asset accumulation for those of modest means.

Grant funding by the Foundation for financial education includes the following projects:

- Education seminars for the unbanked;
- Student and youth financial literacy;
- Affordable housing and down payment assistance;
- Numerous savings programs;
- Volunteer Income Tax Assistance and earned income tax credit (EITC) promotion; and

- Various innovative lending programs.

In addition to directly funding the projects such as those listed above, the Foundation acts as a financial intermediary, working directly with the U.S. Government to improve its grant-making capabilities in the areas of housing counseling and savings accumulation. For these projects, the Foundation has created partnerships with the U.S. Department of Treasury — savings and asset accumulation through the U.S. Treasury Department's First Accounts Program — and the U.S. Department of Housing and Urban Development — affordable housing and housing counseling.

Summary of Comments

- It would be beneficial for the Summit participants to give consideration to the creation of new types of savings vehicles as well as to additional steps the government could take to protect existing pension rights. This includes discussion of additional targeted tax breaks for savings.
- Many credit unions have programs in place to reach out to underserved communities, such as the unbanked and minority communities, which could serve as models of successful innovative savings education programs.
- The power of the mass media should be utilized to the maximum extent to get the message of saving for retirement out and should be appropriately tailored to the various segments of the public. CUNA recommends:
    - Media blitz including public service announcements (PSAs) from the government;
    - National program to recognize organizations conducting admirable savings and financial education programs.
- As the credit union experience has shown, there are numerous opportunities for government and private sector organizations to form partnerships and coalitions to plan and implement financial education programs.
- Summit participants should examine ways to enhance integration of all of the various public and private sector efforts currently underway regarding saving for retirement in addition to the excellent efforts already put forth by the Treasury Department's Office of Financial Education.
- CUNA would welcome the opportunity to participate in the Summit on behalf of our credit union and league members.

Discussion of Comments

In the Request for Comments, the Department of Labor has asked for feedback on certain specific issues, which we address below.

<u>Suggested topics for discussing the current state of retirement savings education in America and its effect on the national retirement savings rate</u>

The nation's savings rate has declined from 7.2 percent in 1992 to barely 1 percent today. The results of the Employee Benefits Research Institute (EBRI) annual Retirement Confidence Survey released in April demonstrates a continued insufficient national retirement savings rate. According to the Survey respondents, most of whom were over 45, 52% had saved less than $25,000, 13% had saved $25,000 to $49,999, 11% had saved $50,000 to $99,999, and 21% had saved $100,000 or more.

Credit unions have long recognized the importance of assisting their members in understanding the critical importance of retirement savings to their future well-being. CUNA's Center for Personal Finance recently completed a survey on financial literacy in which credit unions were asked how much money they invest in financial education practices. The results showed that:

- Eighty percent of credit unions provide financial education programming for their adult members; this number rises with asset size to ninety-seven percent among credit unions with more than $500 million in assets.
- Seventy-three percent of credit unions in the survey provide financial literacy programming for young members, and this number rises to ninety percent among credit unions with more than $500 million in assets.
- Sixty-nine percent of credit unions in our survey indicated they provide retirement planning information to their members; this number increases with asset size to eighty-three percent of credit unions with more than $500 million in assets providing retirement information to their members.

CUNA feels that to begin the critical task of turning the trend around, it is crucial to discuss the challenge of motivating the public, including young people, to save for their retirement. Educating young people is the key to building a lifetime of great savings habits. Mathematically, the younger a person is when they start savings, the less they have to put away for retirement due to the "magic" of compounding. Another critical concept to communicate is "pay yourself first".

It would be productive for the Summit participants to discuss ways the government and employers could make it easier for individuals to save towards retirement and what barriers could be removed to facilitate savings. Employers and the government should be more proactive in encouraging the use of automatic payroll deduction into savings vehicles. For example, employers should be enabled to enroll automatically in 401(k) plans unless workers choose to opt out. Research has shown that when employees must open a 401(k) plan on their own, participation rates for workers with less than 12 months' tenure is only fifty percent. When employers enroll workers automatically, participation jumps to ninety percent. The optimal time for employees to save money is when they receive a raise. Unless they are at the contribution limit, employees can use a percentage of that raise to increase their contributions.

Another topic of discussion that might be fruitful is what additional steps the government could take to protect existing pension rights, including the status and condition of the Pension Benefits Guarantee Fund, particularly in light of legislation to cut off the use of the Fund for certain workers.

Finally, CUNA recommends that the Summit delegates consider additional targeted tax breaks for savings. For example, a major new tax break under which the government would match an individual's contribution to savings accounts for retirement, college, or first-time home purchases up to a set maximum percent, depending on income level.

Success stories and model programs on retirement savings

Credit unions have a long-standing commitment to financial education. The National Credit Union Administration, through the agency's Access Across America initiative, continues to encourage credit unions to develop financial education programs that instill the values of having a solid financial foundation. Many credit unions have excellent financial education programs that reach out to all of their members, including members in low-income and minority or underserved areas; we focus on these examples in this letter.

Arrowhead Credit Union in San Bernardino, California, received grant funding from the U.S. Treasury Department as part of its program to move unbanked people into regulated financial institutions. The credit union used its grant to focus on financial education. The credit union began conducting research to determine low- to moderate-income residents' needs and charted low-wealth areas using mapping software. Credit union staff went to the human resources directors at manufacturing companies employing low-income workers. The credit union staff asked if they offered direct deposit, and if so, whether people were using it. The credit union's financial education specialist held basic finance workshops at manufacturers' locations, as well as at nonprofit organizations.

Arrowhead partners with organizations like the Boys & Girls Clubs and the Girl Scouts to reach young people. Most of the credit union's branch managers do "adopt-a-school" programs, with monthly activities for kids to impart the philosophy of saving, and open accounts for them at school.

When members in a predominately Hispanic neighborhood were using expensive money transmittal services in liquor stores and other places, the credit union launched a low-cost transmittal service at that neighborhood branch. The credit union used radio ads and newspaper campaigns to build awareness of the transmittal service. Credit union staff also went to companies and community groups to talk about it, and initially waived the transmittal fee.

Arrowhead also created two special Credit Builder loan products to help members without credit histories. Members can borrow a maximum of $500 with an unsecured signature loan, and first-time auto buyers can borrow up to $15,000 with the auto as collateral. The credit union looks at job history and household income to qualify them.

Arizona Federal Credit Union in Phoenix, which has a formal business plans in place to serve the low-to moderate- income population, is another outstanding example of a credit union committed to enhancing the financial literacy of its community. Arizona FCU partners with nonprofit organizations in the area that identify families eligible for individual development accounts (IDAs). IDAs are special savings accounts for low-income individuals and families that offer matching funds if participants complete training conducted by a nonprofit partner organization. Arizona FCU's nonprofit partner organizations are mostly transitional housing associations assisting formerly homeless, largely unbanked families. Members can only use the funds for housing in Maricopa County. In Tucson, the credit union partners with the city, and members can also use the funds for education or to start a business. The Federal Home Loan Bank matches every dollar the member saves with two or three dollars, depending on how the particular account is structured. In less than three years, 72 members have closed on homes through the program. The credit union flags these accounts so employees do not cross-sell to the members, and the families are required to take financial education courses.

To combat payday lenders, Arizona FCU has launched a new product -- a $500 line of credit that is not based not based on credit score. Instead, they have very simple criteria: have they been with us at least a month? Is their account in good standing? Will they be able to make the payments? The credit union also offers overdraft courtesy loans, which it hopes members will use instead of payday lenders. The credit union monitors such loans closely because it does not want people to use it the wrong way. If a member is struggling, the credit union sends them to credit counseling, and move the amount from the checking account to a closed-end loan. Members can also write a $500 check, then use the cash to pay multiple bills rather than seeking out payday loans or writing individual checks. That way they get one $20 overdraft fee for that sum rather than $20 for each item.

Arizona FCU's focus on developing products and services for the unbanked and on marketing to the Hispanic population is strong. The credit union strives to hire bilingual employees and is looking at paying a differential for this ability. The credit union is also planning diversity training for staff. Further, Arizona FCU is in the process of translating its materials into Spanish, and is evaluating how it will structure bilingual online services.

As a final example, St. Mary's Bank Credit Union in Manchester, New Hampshire has seven core programs to reach out to its members of persons of modest means in its community:

- Up to $500 in emergency assistance is available to low-income families for utilities/fuel, home repair, medical/dental care, transportation, rental deposits, or community disaster relief (assisted 397 families, loaning more than $181,000 over the past 10 years).
- Loans exceeding $6 million have been made in conjunction with a nonprofit housing agency to fund low-income mortgages and $2.5 million in participation loans for down payments.
- In conjunction with nonprofits, these loans are made for real estate rehabilitation, purchase of low-income housing, transitional housing, or funding for low-income rental housing issues such as lead paint abatement ($250,000 allocated last year).

- Economic and community-development loans**.** Loans made to nonprofits, with emphasis on businesses that support minority entrepreneurs, create jobs, or support city renovations and improvements ($300,000 allocated last year).
- Grants, including cash gifts, to approved nonprofits that support St. Mary's core outreach goals and the community ($73,800 in grants so far).
- IDAs.
- Support and leadership for the state chapter Jump$tart Coalition for Personal Financial Literacy, which provides financial literacy education for young adults.

Public outreach and media efforts

We believe that all the various mass media (television, radio, and print) should be utilized to promote savings. Different types of media and images may work for different ages and target populations. For example, for younger people, a more humorous message may work best. On the other hand, a more cautionary message may work for persons closer to retirement, for example, having to work until age 70 or beyond if they do not get serious quickly about saving.

We strongly feel that public outreach should be an ongoing effort. As with public service announcements about seatbelt use and smoking cessation, when the message enters the subconscious and impacts the behavior of one generation, it is time to target the next generation.

Utilizing the media could be an important delivery system to coordinate messages and increase visibility for the overall message of the importance of saving for retirement. The Summit delegates should consider encouraging the appropriate government agencies to develop public service advertisements and paid commercials for programs popular with children as well as teens. We also think greater use of the Internet to promote financial literacy would be beneficial to consumers. We feel a coordinated effort—similar to the campaign by the Ad Council about teenage drug use—would yield positive results and promote public awareness.

We believe the federal government should develop an awards program to encourage financial literacy and bring even greater attention to notable efforts in financial education. The federal government should bestow annual awards to individuals and organizations that make outstanding contributions to the field of financial literacy/education:

- Employers should be encouraged to recognize employees.
- Communities should be encouraged to recognize employers.
- Schools should be encouraged to recognize teachers and parents.
- Teachers should be encouraged to recognize students.
- The federal government should recognize news media that make significant contributions to the field of financial education.
- The federal government should honor a consumer financial educator of the year.

Ideas for creating new partnerships among public and private sector organizations

There are a number of government as well as private sector organizations that are looking for partners and coalitions to plan and implement financial education programs. Credit unions are involved with the Financial Security in Later Life (FSLL), a national Cooperative Extension initiative to improve the quality of life for families and the economic vitality of communities by helping people improve their personal finance behaviors. FSLL includes programs such as saving campaigns and education on long term care insurance, retirement, estate planning, and tax issues. Teams of educators work with community partners to offer dynamic programs to deliver financial literacy education. FSLL programs include America Saves, a national social marketing campaign sponsored by the Consumer Federation of America, which encourages Americans to build wealth, not debt, through saving and investing. Credit unions have been core members of local American Saves campaigns since the pilot Cleveland Saves Campaign was launched in 2001. FSLL also includes interactive, online programs about investing, retirement planning, and long term-care.

Consolidation of Efforts

It would undoubtedly be beneficial for the Summit participants to talk about how to better integrate all of the efforts currently underway regarding saving for retirement. For example, the White House, the U.S. Department of Treasury (Financial Literacy and Education Commission), the Cooperative Extension System, and the Department of Labor are each promoting their own financial education programs. It would be more effective if resources were consolidated so there were be less duplication (and dilution) of effort – if reports were integrated, budgets were combined, and savings-related web sites were linked with other similar web sites to enhance synergy.

Under the Fair Credit Transactions Act (FACT Act), the Financial Literacy and Education Commission, under the auspices of the Treasury Department's Office of Financial Education, is required to develop a national strategy to promote basic financial literacy and education among all American consumers. The strategy is expected to be released shortly. As part of the national strategy, the Treasury Department is allocated three million dollars to conduct a national public service multimedia campaign to improve financial literacy in 2004, 2005 and 2006. CUNA feels it makes sense for media outreach and recognition efforts by the federal government to be coordinated with the Office of Financial Education.

We believe that the Office of Financial Education has done an outstanding job of focusing important attention on efforts to boost consumer savings in the U.S. Credit unions have had many opportunities through the work of the Office and the Commission to share information about their progress in the area of financial education, for which we are grateful. We hope that the Summit will provide a similar opportunity, while coordinating with the Treasury Department.

Given the fact that the numerous savings vehicles – mutual funds, 401(k)s, IRAs, bonds, etc. – which may be confusing to many consumers, it would be helpful to address the issue of consolidating retirement funds into a single account. That would make it less daunting easier for consumers to manage, track, and link their various retirement funds.

Thank you for the opportunity to provide input into the agenda of the upcoming Summit. If you have any questions about this letter, please contact me by phone at (202) 508-6743 or by e-mail at corr@cuna.com.

Sincerely,

Catherine A. Orr

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Credit Union National Association