

**President's Advisory Council on Financial Capability
Webcast**

July 12, 2011 2:30 P.M.-4:00 P.M

Meeting Minutes

Council Members Present:

John Rogers, Jr., Chair
Roland A. Arteaga, Member
Ted Beck, Member
John Hope Bryant, Member
Samuel T. Jackson, Member
Richard Ketchum, Member
Beth Koblner, Member
Amy Rosen, Member
Carrie Schwab-Pomerantz, Member
Kenneth Wade, Member

Treasury Officials Present:

Joshua Wright, Acting Director, Office of Financial Education and Financial Access

Other Attendees:

Dr. Mike Staten, Professor and Director, Take Charge America Institute, Norton School of Family and Consumer Services, University of Arizona

Dr. Annamaria Lusari, Professor of Economics and Accountancy, The George Washington University School of Business, and Director of the Financial Literacy Center

Dr. Punam Keller, Professor of Management, Tuck School of Business, Dartmouth College

Introduction, Announcements, and Items of Interest

The Meeting of the President's Advisory Council on Financial Capability (Council) convened at 2:30 P.M. on July 12, 2011. Council members participated over the phone, and the meeting was publically broadcast online. Josh Wright, Acting Director of the Office of Financial Education and Financial Access, welcomed Council members, guest speakers, and members of the public watching the webcast online.

Mr. Wright introduced Chair John Rogers, to call the meeting to order and introduce the guiding principles and themes identified by the Council to serve as a framework for their recommendations. These principles, motivated by recurring patterns encountered in the Council's research, state that the Council's recommendations will:

- Be focused, impactful, executable, and have measurable outcomes
- Align with, consolidate, and boost rather than supplant existing efforts of the private, nonprofit, and governmental sector
- Be consistent with the latest findings in behavioral economics

- Address issues related to the entire population and where appropriate take into account the needs of traditionally underserved populations
- Leverage the use of technology to engage, inform, and impact behavior

Chairman Rogers also outlined the three key themes around which the Council will focus their final recommendations, and asked the relevant subcommittee chairs to explain the rationale behind each theme. Amy Rosen, chair of the subcommittee on youth, explained the first theme, that financial education should take its rightful place in American schools. Carrie Schwab-Pomerantz, chair of the partnerships subcommittee, then explained the rationale behind the second theme, which states that we should build a financially capable workforce and retiree community, which is necessary for a stable and globally competitive economy. Research and evaluation subcommittee chair Ted Beck explained the third and final theme, that Americans should also learn the core concepts of personal finance at the heart of their lives—in their families and in their communities.

Subcommittee Reports

Mr. Wright outlined the rest of the agenda, and then turned the floor over to the chairs of each subcommittee, to report on the progress of their subcommittee since the last meeting.

Financial Access Subcommittee Chair Arty Arteaga updated the Council on the progress of the subcommittee. He reported that the mobile application (“app”) challenge recommended to the Council and approved at the April meeting has gone forward to the Treasury Department. The Treasury Department is currently investigating the logistics of the competition. Mr. Arteaga also discussed the subcommittee’s work researching and identifying already available products, services, and programs that have shown success in promoting financial access and that could be scalable to a national level. Child savings accounts were one initiative of particular interest to the subcommittee, because of the Council’s focus on reaching the youth population. He concluded his report by describing areas identified by the subcommittee as key in improving financial access: technology; public private partnerships; community support and involvement; and financial education.

Youth subcommittee chair Amy Rosen outlined the committee’s progress on two major projects, and proposed a recommendation to the full Council. The youth subcommittee recommended that the United States join other OECD¹ countries in administering the 2012 Programme for International Student Assessment (PISA) financial literacy assessment, and identify funding to support this implementation. She explained that the type of information provided by the assessment would be valuable in assessing gaps in financial knowledge and developing more targeted programs.

The Council moved into discussion of the recommendation, led by Mr. Rogers. Council members specifically raised questions about any similar tests already administered in the United States, which might serve a similar function. Ms. Rosen raised the issue that the PISA exam differs from many of the other offerings in that it is a standardized assessment, and Ted Beck, chair of the Research and Evaluation subcommittee added that it would produce quantifiable measurements with long-term application not otherwise available. Council members also sought

¹ OECD is the Organization for Economic Cooperation and Development

clarification of any overlap between PISA and the Financial Capability Challenge administered by the Treasury Department. Mr. Wright explained that, because the PISA exam is administered to a random sample while the Challenge is administered to a self-selected sample as a tool to engage students, PISA offers more statistically significant measurement. Ms. Rosen also added that PISA offers a valuable opportunity to learn from the assessment and strengthen the Financial Capability Challenge. After discussion, the Council unanimously approved the recommendation.


The Youth subcommittee also provided two updates. The subcommittee has been working to distill all the current financial guidelines for children into age appropriate subsets, and create a series of Money Milestones. The Money Milestones project, aimed at creating a tool for families to use in talking about money and financial education, outlines key financial concepts and behaviors that children should master by specific ages. Beth Kobliner, a member of the Youth Subcommittee, described her work incorporating all the national standards issued by various organizations and presented the Council with three draft graphics of what the final concept could look like.

Ms. Rosen also provided the Council details about their efforts to reach out and engage the community, to get input about the state of financial education and access. The subcommittee is planning a listening tour, to go into different parts of the Country and see the work being done there. Ms. Rosen extended an invitation to the entire Council to participate in the events if interested.

Ted Beck, Chair of the Research and Evaluation subcommittee noted that the major challenge his subcommittee has encountered is the vast amount of information available. He explained to the Council that, as a result, the subcommittee has identified key priorities to guide their work. The subcommittee believes there should be a shared national research agenda, and wants to reassess the progress made on the Financial Literacy and Education Commission's (FLEC) ten recommendations for research priorities from 2008. Mr. Beck also stressed the importance of collaborative funding for research, and of making a new, searchable research database (flresearch.org), more widely available to the research community.

Mr. Beck then shared that the subcommittee has identified three separate standards in need of universally accepted processes: financial education program ratings for content and delivery; financial education program evaluation standards for feasibility, utility, and accuracy; and financial education research standards for methodology, variable control, and validity. The subcommittee then endorsed the Youth subcommittee's recommendation that the United States participate in the PISA financial education assessment.

Partnership Subcommittee Chair Carrie Schwab-Pomerantz reviewed the subcommittee's four areas of focus, and provided updates in each of those areas since the previous meeting. In April, the Council approved a recommendation to support the Workplace Leaders and Financial Education Awards, and Ms. Schwab-Pomerantz reported that the nomination process for the awards, which closed in June, drew more than 200 nominees, with winners to be announced in October. She also reported that representatives from the award have met with the Treasury Department on how they can support it and give it more exposure so that more companies get excited about participating in the future. Ms. Schwab-Pomerantz then updated the Council on



the progress of state and local financial literacy councils. The subcommittee has been working on a guide that provides recommendations for launching a Council and offers best practices for success. In April, the subcommittee identified encouraging the federal government to be a role model in workplace financial education as an area of focus, and Ms. Schwab-Pomerantz announced that to this end, the Office of Personnel Management is in a pilot mode to encourage federal agencies to provide financial education. She also noted that the subcommittee continues work in the fourth identified area of focus, workplace financial education in the private sector, by examining existing successful programs and identifying potential barriers in broad implementation.

Guest Speakers

Mr. Wright introduced the first guest speaker, Dr. Michael Staten, professor and director of the Take Charge America Institute at the Norton School of Family and Consumer Science, University of Arizona.

Dr. Staten's presentation to the Council focused on the challenges and opportunities associated with evaluating financial capability and financial education targeted at the youth population. He explained that financial education for youth presents a unique challenge, because the product lessons and relevant experiences are often still years in the future. Because of this, financial education for youth is designed to shape rather than change behavior.

Dr. Staten also explained the advantages and disadvantages of classroom based financial education. He identified its extended, learning over time nature, and its necessarily captive audience as the two major positives, and also emphasized the opportunity presented in the classroom to tie financial education into other more abstract subjects.

Dr. Staten also presented to the Council studies showing the powerful role parents can play in shaping their children's attitudes toward money, but cautioned that many students lack a strong financial role model or mentor at home. He explained that it is thus crucial to encourage parents to talk to their kids about money but also to develop classroom exposure to fill the gap.

The movement of financial education into the classroom also creates other issues; Dr. Staten explained that policy makers want to see returns on the investment in financial education, but evaluating the programs can prove very difficult. He presented the Council with a number of studies indicating mixed results on the impact of financial education programs. He also explained possible reasons why studies might not be showing positive results, including the lack of a solid, widely accepted metric to measure progress, and the privacy restrictions associated with testing minors that make it difficult to track them over their lifetime. He also explained that it can be difficult to measure whether someone has not mastered a concept when they fail to exhibit the associated behavior, or if they have mastered the concept but are choosing not to follow it.

He closed his presentation by suggesting a solution to the challenges associated with evaluation—technology. He offered examples of the ways in which youth have become more technology driven, including in their financial relationships, and noted that online experiences

offer opportunities for more active learning. He also explained that this could be used to researchers' advantage, as online experiences are easier to track and measure.

Mr. Wright then introduced the next two presenters, Dr. Annamaria Lusardi, professor of economics and accountancy at the George Washington University School of Business and director of the Financial Literacy Center, and Dr. Punam Keller, professor of management at the Tuck School of Business at Dartmouth College.

Dr. Lusardi and Dr. Keller's presentations focused on financial capability in the workplace. Dr. Lusardi outlined the current state of workplace financial education before explaining why it is in the best interest of employers to improve employee financial capability. She outlined a financial fitness toolkit developed by the Financial Literacy Center, to provide both motivation and implementation for different levels of employer involvement in financial education. The basic level focuses on automation, the intermediate level on greater focus on the employee, and the advanced level on overall personal and financial well being.

Dr. Keller's presentation focused on the employee side. She highlighted a program from Dartmouth College, encouraging employees to open a supplementary retirement account, as an example of how programs can be made more effective if they focus on only a few behaviors, prioritize those behaviors, provide reminders of why behaviors are cost-effective, use peer-to-peer source credibility rather than just expert credibility, recognize that people will not always plan, and measure results based on behavior instead of knowledge.

Dr. Keller then laid out three levels of behaviors for employees, corresponding to the basic, intermediate, and advanced framework for employers. The basic level includes participating in the company's retirement program, participating in the auto-escalation program, and opening a checking and savings account in a federally insured institution. At the intermediate level, employees should establish an emergency fund, obtain and improve their credit score, participate in IRA or supplementary retirement account, and maximize available benefits. The advanced level for employees includes reviewing their retirement investment allocation annually or whenever there is a major life change, filling out a health and financial fitness form, and actively protecting their wealth. Dr. Keller and Dr. Lusardi then concluded their presentation by emphasizing the importance of targeting the needs of both employees and employers.

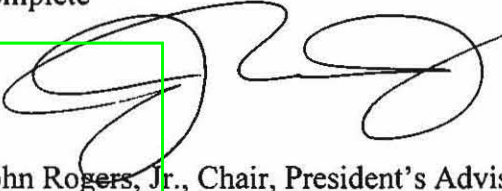
Conclusion

After closing remarks from Mr. Rogers, Mr. Wright wrapped up the meeting with some logistical notes. All proposals and reports from the meeting are posted at treasury.gov, under Financial Education and Financial Access Resource Center. He also announced that an archived version of this webcast is available at that site as well. Mr. Wright provided more information for those wishing to provide feedback on the themes and principles presented by the Council; Treasury will publish a Federal Register Notice requesting information and views on these themes and principles. The meeting concluded with notice that the next full Council meeting will be held November 8, 2011 at the Department of Treasury.

Adjournment

The meeting adjourned at 4:00 P.M.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete



A handwritten signature in black ink, consisting of several loops and a horizontal stroke, is positioned above the name. A green rectangular box highlights the first few letters of the signature.

John Rogers, Jr., Chair, President's Advisory Council on Financial Capability