

## **Research and Evaluation Subcommittee Report July 16, 2012**

Subcommittee Members: Ted Beck (chairman), Rick Ketchum, John Rogers (ex-officio), Eldar Shafir, KenWade

### **Background**

This subcommittee is exploring several themes aimed at facilitating the identification of, and access to, effective financial capability programs by policy makers and practitioners, improving the measurement and evaluation of financial capability programs, and increasing access to research and evaluation resources. The subcommittee also will investigate how the financial decision environment supports (or impairs) the ability of financially capable people to act in their own best interest.

### **Council Meeting Focus on Research**

The subcommittee, in cooperation with Treasury, developed the research-focused part of the July 16 Council meeting in Washington. More than half of the meeting is dedicated to perspectives from government and industry on the “Importance of Financial Capability Research” and a panel of distinguished researchers in the field addressing “Financial Capability Research: What else do we need to know?” The panel is designed to explore research in three broad areas of financial capability interventions – financial education, behavioral economics, and regulation – and to discuss the roles and interactions of these various approaches in research and in implementation in the field. The complete agenda and post-meeting transcript will be available at <http://www.treasury.gov/resource-center/financial-education/Pages/Advisory.aspx>.

### **Updates:**

#### **New research briefings and conferences**

Subcommittee members (and their staffs) continue to keep informed on newly-published and in-progress research related to financial capability and behavioral economics. Recent events include the Boulder Conference on Consumer Financial Decision Making sponsored by the University of Colorado Boulder; the Improving Financial Literacy and Capability: What Works Conference at the Financial Literacy Center at George Washington University; the Innovation Strategy Meeting (CFPB Office of Financial Education); the RAND Behavioral Finance Forum Annual Public Policy Roundtable; and the 2012 Center for Financial Security Research Workshop at the University of Wisconsin-Madison.

#### **National Financial Capability Study**

Preparations for the FINRA Investor Education Foundation’s 2012 National Financial Capability (NFCS) study are proceeding on schedule. The updated NFCS questionnaire has been finalized, and data collection for both the state-by-state and military surveys is scheduled to begin this month. In addition, the 2012 NFCS also will include a sample drawn from the RAND American

Life Panel ([http://www.rand.org/labor/roybald/american\\_life.html](http://www.rand.org/labor/roybald/american_life.html)). This supplementary sample, which will be collected in the fall, will provide researchers with the opportunity to conduct longitudinal analyses and combine the NFCS data with other data sources from the American Life Panel, greatly enhancing the types of research questions that the NFCS can be used to answer.

### **Financial Literacy and Education Commission (FLEC) 2012 Research Priorities**

Members of this subcommittee and the Council contributed to the development of the FLEC Research Priorities, which were released recently.

The objective of developing and disseminating these priorities is to “address the most important questions facing the field, reduce duplication and overlap in the field, and make best use of limited research dollars.” Expanded detail on the research priorities is provided in the publication (<http://www.treasury.gov/resource-center/financial-education/Documents/2012%20Research%20Priorities%20-%20May%2012.pdf>). The nine top issues are:

- Evaluate the delivery of financial education for youth and adults in order to identify effective approaches, delivery channels, and other factors (such as the interaction of knowledge, products, and behaviors) that enhance effectiveness.
- Identify optimal combinations of financial information, advice, regulation, disclosure, and delivery mechanisms, including default options, and their impact on starting and maintaining positive financial habits.
- Employ longitudinal data to evaluate the effectiveness of core competencies on behavior and financial well-being over time.
- Identify, evaluate, and build consensus on “key metrics” for financial education/capability, including measures of knowledge, behaviors, and well-being.
- Identify and evaluate the relationship between financial education and access to and design of high quality financial products.
- Assess the role of business cycles and the economic and financial contexts in individuals’ financial decision making.
- Ascertain how risk and uncertainty, including economic and other shocks (such as natural disasters), alter risk exposure and risk management choices both at the consumer and community levels.
- Identify opportunities and roles for local, state, and federal governments as scalable platforms for financial capability.
- Identify and evaluate potential synergies between educational programs targeting financial capability and those targeting physical and mental health.