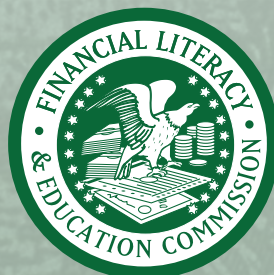


U.S. Financial Literacy and Education Commission

U.S. National Strategy for Financial Literacy 2020

U.S. Financial Literacy and Education Commission
2020



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U.S. National Strategy for
Financial Literacy
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1. Introduction

Financial education is key to unlocking the foundations of economic opportunity and powering a strong and resilient economy. Americans must acquire financial skills and knowledge to fully participate in our dynamic economy.

Financial education is key to unlocking the foundations of economic opportunity and powering a strong and resilient economy. Americans must acquire financial skills and knowledge to fully participate in our dynamic economy. In a 2018 study, only one-third of adults could answer at least four of five financial literacy questions on fundamental concepts such as mortgages, interest rates, inflation and risk.¹ Similarly, a 2018 assessment of 15-year-old students found that 16 percent were below a proficient level of financial literacy, 22 percent demonstrated a basic level of financial literacy, while 12 percent successfully demonstrated the highest level of financial skills assessed.² Additional performance gaps persist in financial literacy between minority populations and the U.S. population as a whole.

For example, the same studies found that African-American and Hispanic adults answered fewer financial literacy questions correctly than did White and Asian respondents.³ White and Asian

15-year-olds, on average, had substantially higher financial literacy scores than the overall U.S. average of students in this cohort while Hispanic and African-American/Black students had substantially lower than average scores.⁴

Defining Financial Literacy and Education

Financial literacy describes the skills, knowledge and tools that equip people to make individual financial decisions and actions to attain their goals; this may also be known as financial capability, especially when paired with access to financial products and services.

Financial education is the process by which people gain information, skills, confidence and motivation to act, through various means, including classroom education, one-on-one counseling and coaching, technology-based interventions, and self-study⁵.

A key desired outcome for financial education is sustained financial well-being, in which people can fully meet current and ongoing financial obligations, can feel secure in their financial future, and are able to make choices that allow enjoyment of life.⁶

1. Lin, Judy T, Christopher Bumcrot, Tippy Ulicny, et al., *The State of U.S. Financial Capability: The 2018 National Financial Capability Study*, FINRA Investor Education Foundation, June 2019, available at: https://www.usfinancialcapability.org/downloads/NFCS_2018_Report_Natl_Findings.pdf
2. Organisation for Economic Co-operation and Development (OECD), *PISA 2018 Results (Volume IV): Are Students Smart about Money?* Programme for International Student Assessment, OECD Publishing, 2020, available at: <http://www.oecd.org/pisa/publications/pisa-2018-results-volume-iv-48ebd1ba-en.htm>.
3. Terms on race and ethnicity are those used in the cited reports. White and Asian adults answered on average 3.2 out of 6 questions correctly, compared to 2.6 and 2.3 for Hispanic and African-American adults respectively. Lin, Judy T, Christopher Bumcrot, Tippy Ulicny, et al., *The State of U.S. Financial Capability: The 2018 National Financial Capability Study*, FINRA Investor Education Foundation, June 2019, available at: https://www.usfinancialcapability.org/downloads/NFCS_2018_Report_Natl_Findings.pdf.
4. Terms on race and ethnicity are those used in the cited reports. Average scores were 554 for Asian students, 532 for White students, 475 for Hispanic students and 446 for Black students. The overall average was 506. U.S. Department of Education. Institute of Education Sciences, National Center for Education Statistics, *Highlights of U.S. PISA 2018 Results Web Report* (NCES 2020-166 and 2020-072), 2020, available at <https://nces.ed.gov/surveys/pisa/pisa2018/index.asp>.
5. U.S. Department of the Treasury, *Federal Financial Literacy Reform: Coordinating and Improving Financial Literacy Efforts*, July 2019, (hereafter, FFLR), available at: <https://home.treasury.gov/system/files/136/FFLRCoordinatingImprovingFinancialLiteracyEfforts.pdf>.
6. Consumer Financial Protection Bureau, *Financial well-being: The goal of financial education*, January 2015, available at: https://files.consumerfinance.gov/f/201501_cfpb_report_financial-well-being.pdf.

To address these disparities in financial literacy, both the private and public sectors offer additional support for minority populations to develop knowledge, skills, and confidence to make more informed financial decisions. These offerings help people attain their goals and financial well-being in what is an increasingly complex environment that contains competing sources of information and influence.

Role of Financial Education to Help Americans Manage Financial Aspects of COVID-19

Millions of Americans have been adversely impacted by the COVID-19 pandemic and face significant financial uncertainties as a result. On March 27, 2020, Congress passed, and President Trump signed into law, the Coronavirus Aid, Relief, and Economic Security (CARES) Act⁷ — the largest economic relief package for workers and businesses in American history. Financial Literacy and Education Commission (FLEC) member agencies are implementing programs authorized by the CARES Act and taking additional steps to help Americans through this difficult time. A clear and coordinated strategy for financial education supports and enhances the many critical federal efforts that are providing economic relief. FLEC agencies are empowering Americans to access and understand the variety of new financial resources available to them in order to determine the best actions to advance their financial well-being. The FLEC helps coordinate clear and targeted messaging to consumers and ensures that much-needed relief, resources, and benefits are made available in efficient ways to the people who need them most. When we emerge from this crisis, the coordination of efforts across agencies and between the public and private sectors will help Americans achieve greater financial recovery and resilience.

The federal government helps Americans prepare for, respond to, and recover from unexpected events such as the COVID-19 national emergency. The FLEC – as the federal government’s primary coordinating body on financial literacy and education – is leading coordination among federal member agencies in providing information and guidance for consumers on timely financial topics.

This National Strategy 2020 supports and enhances critical efforts during this national emergency and on the path to recovery. FLEC member agencies are working together to ensure clear information and guidance is available for all Americans, in collaboration with state, tribal, and local governments, the private sector, local service providers and community organizations. Information on financial topics that are critical in this uncertain time is especially valuable for the most financially fragile Americans, including:

- accessing Economic Impact Payments and Unemployment Insurance benefits;
- covering the costs of basic needs such as food, health care, housing, and utilities, in the face of diminished income and/or new expenses;
- managing finances in the event of job loss or change, and identifying new opportunities;
- understanding mortgage and housing assistance provisions;
- making sound choices about health insurance;

7. P.L. 116-136.

- understanding the availability, applicability, and coverage of federal, state, and employer provided family and medical leave and other workplace protections;
- effectively managing debt during a hardship, including mortgages, credit cards, car loans, and student loans;
- sustaining or successfully changing the operation of a small business, farm, or other enterprise;
- starting or maintaining, if possible, insured bank or credit union accounts, such as savings accounts;
- planning for the future and weathering volatility in long-term savings and investments, such as retirement savings;
- avoiding frauds and scams, and reporting them when they occur; and
- effectively making charitable contributions.

National Strategy for Financial Literacy Summary

The FLEC was created by statute in 2003 “to improve the financial literacy and education of persons in the United States.”⁸ The FLEC is comprised of 23 federal government entities reflecting a wide array of functions, and is chaired by the Secretary of the Treasury with the Director of the Consumer Financial Protection Bureau serving as Vice-Chair. The FLEC was charged with creating, implementing, and regularly reviewing and updating a National Strategy to promote basic financial literacy and education among all American consumers.⁹ Consistent with this requirement, this U.S. National Strategy for Financial Literacy 2020 (“National Strategy 2020” or “National Strategy”) promotes the financial literacy of Americans in two ways. First, it identifies methods to improve and increase the financial literacy and education of Americans.¹⁰ Second, it articulates the federal government’s roles, priorities, and structures for promoting financial education. This National Strategy 2020 builds on previous National Strategy iterations,¹¹ and draws on a review of federal financial education activities and opportunities for streamlining federal financial education activities completed by the U.S. Department of the Treasury in its 2019 report, *Federal Financial Literacy Reform: Coordinating and Improving Financial Literacy Efforts*.¹²

The National Strategy 2020 seeks to improve financial literacy and education among Americans by providing evidence-based best practices to the financial education field (see Appendix 2). Use of these best practices can help improve the delivery of financial education on different topics, especially to diverse populations, including historically underserved groups. These best practices are adaptable and applicable to changing economic contexts and can inform both policy-making and the development of new financial education activities. To build youth financial capability, the National Strategy identifies the importance of building young people’s executive functions, financial habits, and financial knowledge and

8. 20 U.S.C. § 9702.

9. 20 U.S.C. § 9702(b).

10. 20 U.S.C. § 9702(b).

11. Prior national strategies: *FLEC, Taking Ownership of the Future: The National Strategy for Financial Literacy*, 2006, available at: <https://www.treasury.gov/about/organizational-structure/offices/Domestic-Finance/Documents/Strategyeng.pdf> and FLEC, *Promoting Financial Success in the United States: National Strategy for Financial Literacy*, 2011, available at: [https://www.treasury.gov/resource-center/financial-education/Documents/NationalStrategyBook_12310%20\(2\).pdf](https://www.treasury.gov/resource-center/financial-education/Documents/NationalStrategyBook_12310%20(2).pdf).

12. FFLR.

decision-making skills. The National Strategy also identifies ways that financial educators can measure the impact of their work through assessing financial well-being or other measures of financial health.

The National Strategy 2020 identifies the primary role for the federal government in the financial education field. Through policy development, research coordination, and focused program and resource development, the federal government will support, inform, and improve the broader financial education field in its work to equip Americans with the skills, knowledge, and tools to make decisions that enhance their financial well-being. Clarifying the federal government's role in supporting financial education efforts is essential to ensuring a strong response and recovery in the face of economic setbacks. By improving financial literacy and education, the federal government can play an important role in facilitating a vibrant and efficient marketplace that empowers individuals to make informed financial choices. Financial education can also help mitigate the negative externalities from, and impacts on, a less financially literate population. For example, people with limited financial literacy can be among the most dramatically affected by economic downturns and may be more easily influenced by fraudulent messaging or scams that thwart their financial well-being.

The federal government is not solely responsible for financial capability. State, tribal, and local governments, nonprofit organizations, and the private sector also have an important role in supporting the financial decision-making of the people they serve. These entities often respond to consumer needs more quickly and are able to develop customized and targeted strategies to efficiently deliver financial education and support.

Many stakeholders have expressed the view that the federal government should play a leadership and guiding role in financial education. By embracing this role, the federal government can improve the quality and reach of financial education activities by promoting evidence-based best practices, creating specific resources where appropriate, and deploying policy solutions to support the country's financial education infrastructure. A study found that for every dollar put towards financial education, about \$25 is spent on financial marketing,¹³ making it difficult for consumers to find objective information, which could be provided by federal agencies. Thus, the federal government can be a partner, a source of trusted information and tools, and a leader to the many financial education providers striving to improve financial literacy and capability.

With enhanced coordination, the FLEC can effectively mobilize expertise and resources to provide assistance when and where it is most needed. The National Strategy 2020 describes a new structure to better organize the FLEC. It also identifies planned actions in priority areas of basic financial capability, including access to financial services (such as savings and credit products), housing, retirement savings and investor education, postsecondary education, and the unique issues facing military communities.

13. Consumer Financial Protection Bureau, *Navigating the Market: A Comparison of Spending on Financial Education and Financial Marketing*, 2013, available at: https://files.consumerfinance.gov/f/201311_cfpb_navigating-the-market-final.pdf,

By implementing this National Strategy, the FLEC will reduce fragmentation, duplication, and overlap by improving coordination, providing greater accountability for performance and outcomes, and recommending the use of resources consistent with need and impact. The National Strategy further emphasizes that the FLEC will take steps to coordinate with other participants in the financial education field. This coordination will enable the FLEC to better respond to needs as they arise, while also maintaining focus on important ongoing financial education priorities.

A clear strategy for financial education will support preparedness, resiliency, stability, and recovery in uncertain times. It can also enable more robust economic participation by all Americans in a strong and expanding economy, especially focusing on those outside the financial mainstream. The best practices identified in this National Strategy are intended to guide practitioners working in a wide variety of economic environments.

2. Methods to Increase Financial Literacy and Education

The best practices outlined below provide methods to promote financial literacy and education among American consumers. Use of these best practices by educators, service providers, and others interested in financial education can increase the financial skills of current and future consumers and enhance their general understanding of financial services and products. These best practices enable financial education to be designed “not simply to improve knowledge, but rather to improve consumers’ financial choices and outcomes.”¹⁴ The best practices are intended to guide financial education across a wide variety of contexts, including in different economic conditions by providing guidance on how to help people build skills, confidence, and competencies, so that they are better prepared to evaluate financial choices. The FLEC will be guided by these best practices as it implements strategies to address the COVID-19 outbreak and its aftermath, and to contribute to the successful rebound of the nation’s economy.

Best Practices

Based on an extensive review of academic research, consultations with experts, and discussions with members of the FLEC, a number of themes regarding effective financial literacy and education have crystallized. The best practices are crosscutting, rather than subject-specific, and thus can be used to inform financial education policy and practice whether at home, in a community program, or when setting state or national policy¹⁵ (the full best practices are in Appendix 2).

- *Know the Individuals and Families to be Served.* Financial education, information, and delivery methods must be tailored to individual circumstances and needs.
- *Provide Actionable, Relevant, and Timely Information.* Financial information that is delivered in an actionable, relevant, and timely manner results in a greater likelihood of retention and positive action.
- *Improve Key Financial Skills.* Financial literacy and education can be more effective when it helps develop skills, rather than merely transmit knowledge of particular facts about financial products and services.
- *Build on Motivation.* Effective financial literacy and education programs capitalize on people’s motivations.
- *Make It Easy to Make Good Decisions and Follow Through.* The environment or context can make it easier for people to carry out the steps required for a better outcome. As an example, changing options presented and making it easier to obtain helpful information and advice can help people bridge the gap between intention and action.
- *Raise Standards for Financial Educators.* Financial education providers should demonstrate mastery of financial content and effective delivery skills and methods.

14. 20 U.S.C. § 9703(a)(2)(J).

15. Consumer Financial Protection Bureau, *Effective financial education: Five principles and how to use them*, June 2017, available at: https://files.consumerfinance.gov/f/documents/201706_cfpb_five-principles-financial-well-being.pdf; FFLR, 54-58.

- *Provide Ongoing Support.* Financial education should provide ongoing support, such as one-on-one financial counseling.
- *Evaluate for Impact.* Financial education providers should evaluate their programs for impact and develop a culture of continuous improvement by establishing methodologies, procedures, reporting, and metrics for measuring program effectiveness.

Building Blocks for Youth Financial Capability

Building the financial decision-making knowledge and skills of young people helps them to make informed financial choices throughout their lives. A developmentally informed model can help shape appropriate financial education for young people in a variety of settings: familial, academic, and community-based. These financial capability “building blocks” focus on building, over time, young people’s executive functions (such as self-control and perseverance), financial habits and norms (such as the value of planning ahead), and financial knowledge and decision-making skills (such as finding and using trusted sources of information), starting in early childhood through adulthood.¹⁶

Future Steps to Improve Financial Education

Several actions would greatly improve the financial education field. These are actions that the FLEC, working with other stakeholders, will consider implementing in the years ahead.

Raise standards for financial educators. Clearer guidelines or voluntary standards for financial educators could improve quality and make financial education a more rigorous evidence-based endeavor. Costs and challenges in developing such standards must be considered. However, the progress made in financial education practice and research over the last 15 years may provide a way to significantly improve the quality and delivery of financial education across the field.

Promote availability and use of one-on-one financial education. Many in the financial education field recognize the value of one-on-one financial education and are seeking to expand its availability by leveraging existing channels and identifying lower-cost means, such as by providing on-line housing counseling and peer educators at higher education institutions. There is an opportunity to provide financial education resources and partner with the private sector to expand financial counseling offerings within existing federal channels that reach consumers, such as Small Business Development Centers and IRS Taxpayer Assistance Centers. Some FLEC member agencies are exploring increased collaboration with the private sector and state, tribal, and local governments to increase the availability and efficacy of one-on-one financial education, especially at critical decision points and for populations for whom the need is greatest.

16. Consumer Financial Protection Bureau, *Building blocks to help youth achieve financial capability: A new model and recommendations*, September 2016, available at: https://files.consumerfinance.gov/f/documents/092016_cfpb_BuildingBlocksReport_ModelAndRecommendations_web.pdf.

Measure outcomes. It is necessary to improve the consistency of measurement, assessment, and accountability in financial education programs. The diversity of program goals, providers, and participants poses a challenge to consistently measuring impact. However, for the financial education field to improve, it must move toward rigor in assessment and respond to findings about what works and what does not. The FLEC will seek to collaborate with the private sector, financial education funders, and other stakeholders to establish methodologies, procedures, reporting and metrics for measuring program effectiveness.

In developing consistent measures, financial education, providers and policy makers should consider how to use measures that may demonstrate an individual's ability to balance multiple financial decisions. The Consumer Financial Protection Bureau's (CFPB) financial well-being scale is a validated, subjective tool to measure a person's "state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future and is able to make choices that allow them to enjoy life."¹⁷

17. Consumer Financial Protection Bureau, *Financial well-being: What it means and how to help*, available at: https://files.consumerfinance.gov/f/201501_cfpb_digest_financial-well-being.pdf.

3. Review of Federal Activities Designed to Promote Financial Literacy and Education and Develop a Plan to Improve Coordination and Eliminate Overlap and Duplication

This section of the National Strategy 2020 focuses on the role of the federal government in financial education. It is based on a review of federal financial education activities and provides a plan to improve coordination of such activities. This plan includes implementing a new structure for the FLEC to more effectively take action and use federal resources. The FLEC will use this National Strategy to guide its actions and will report on its success in implementing this plan in the years ahead.¹⁸

Review of Federal Activities

Treasury's 2019 report *Federal Financial Literacy Reform* included an assessment and review of federal financial literacy and education activities. This review helped identify the primary role for the federal government in financial education—to support, inform and improve the broader financial education field in its work to equip Americans with the skills, knowledge, and tools to make informed financial decisions and improve their financial well-being. The FLEC agencies will do this through policy development, research coordination, and focused program and resource development. The report identifies priority areas of focus for federal activities, and proposes a plan to address overlap, fragmentation, and possible duplication through improved coordination and a structure for the FLEC.¹⁹

This National Strategy documents the FLEC's plan to leverage its member agencies, and other entities to help address past limitations in financial education. The National Strategy relies on existing statutory authorities and responsibilities, including those granted to the FLEC, member agencies, and their representatives. Congress may consider addressing overlap in federal financial education activities identified in Treasury's report. In addition, FLEC members may make recommendations for the allocation of financial education resources in future budget requests to Congress.

18. Per 20 U.S. 9703(h).

19. FFLR.

Structure and Function of the FLEC

The FLEC is implementing a structure that will enable it to better coordinate activities to avoid fragmentation, overlap and duplication, measure performance and outcomes, and identify financial education resources consistent with Americans' needs. This structure seeks to fulfill the FLEC's purpose to coordinate these activities within its current authorities and resources.²⁰ It is also intended to support deploying best practices and promoting accountability, while implementing activities appropriate for the federal government and consistent with its primary role.

The FLEC bylaws establish the following structure:

- An Executive Committee (EC) chaired by the Secretary of the Treasury (Chair of the FLEC), composed of the Director of the Consumer Financial Protection Bureau (CFPB, Vice Chair of the FLEC) and the heads of member agencies that have major responsibilities in each of the FLEC's priority areas: Department of Defense (DoD), Department of Education (ED), Department of Housing and Urban Development (HUD), and Department of Labor (DOL). The EC consults with other FLEC members, provides advice and guidance, and coordinates activities among Working Groups.
- Five Working Groups (WGs), each led by a member of the EC, other than the Chair, as follows: Basic Financial Capability (CFPB); Military (DoD); Postsecondary Education (ED); Housing Counseling (HUD); and Retirement Savings and Investor Education (DOL). These working groups closely coordinate activities among member agencies including policies, programs, tools, events, and information, and to identify areas for collaboration, coordination, and streamlining.
- Coordination also includes outreach and communications, a research and learning agenda, and performance and outcome measures (as described further, below).
- Use of resources, such as interagency agreements, shared service agreements, and detailing of federal employees, to promote interagency coordination, provide support for the FLEC or Working Groups, or to facilitate other financial literacy activities and programs related to the FLEC consistent with the FLEC statute, member agency legal authorities, and applicable law.
- Throughout these tasks, the FLEC will promote partnerships among federal, state, tribal, and local governments, nonprofit organizations, and private enterprises.²¹

20. Financial Literacy and Education Improvement Act of 2003 and 124 Stat. 1376-2223 (2010), codified at 20 U.S.C. § 9702.

21. 20 U.S.C. § 9703(e).

Priority Areas of Federal Activity

Through the Working Groups the FLEC will coordinate programs, policies, outreach, and other activities in key areas of consumer financial decision-making. By focusing on these areas the FLEC will improve efficiency and outcomes by reducing overlapping activities and sharing expertise. The FLEC will review and develop plans to implement this National Strategy 2020 consistent with the priority areas, and as appropriate, develop dynamic responses to new needs and opportunities. The FLEC has identified an agency to lead the coordination of activities and promote accountability for outcomes in each of these areas.

FLEC agencies are assessing the many complex and evolving financial needs related to the COVID-19 outbreak and beyond. The FLEC supports a “whole-of-government approach” in providing the right tools and resources for Americans to sustain and improve their financial well-being. The FLEC is focused on ensuring that Americans can access the economic relief they are entitled to, are supported in managing their necessary expenses and debts, understand their rights and protections, avoid frauds and scams, and prepare and save for the future. These activities will help consumers address short-term financial needs and help them on the path to sustained recovery and resilience.

As appropriate, the FLEC’s plans will seek to address disparities in financial literacy among minority populations and other groups that have been historically underserved by mainstream financial systems and promote broader financial inclusion in the economy.

Basic financial capability (lead agency: CFPB). Addresses basic money management and financial skills and actions, including strategies for budgeting and savings, managing payment of bills and debts, understanding the appropriate use of credit and how that affects credit scores, credit reports, and future financing, and avoiding fraud and scams. Additionally, financial inclusion, the widespread access to and sound use of, safe, affordable, and sustainable products and services, especially from insured depository institutions, including to traditionally underserved consumers and communities, such as women and minorities, is a topic considered within basic financial capability. A key and timely focus area for this working group is financial preparedness and recovery via emergency savings and other steps that support financial resilience and overall financial well-being. This working group also addresses basic youth financial capability, which can be built through experiential learning opportunities, such as using youth-friendly financial products and services.

Saving for retirement and investor education (lead agency: DOL). Focuses on helping Americans plan, save, and invest for retirement and for long-term needs and avoiding frauds and scams that can imperil their savings and investments. This area also includes helping Americans, particularly women, who face a greater risk of poverty in old age, understand Social Security benefits, workplace retirement benefits, and savings and investing options, including managing in times of volatility.

Housing counseling (lead agency: HUD). For most Americans, housing-related financial decisions are among the most consequential and complex financial choices they will make. The FLEC will support consumers to help them make sound decisions on home buying, managing housing expenses, avoiding foreclosure, understanding their rights and obligations as renters, and other housing-related decisions through greater accessibility and use of quality housing counseling. The FLEC will consider how to better leverage the private sector in expanding the availability of housing counseling for homebuyers, homeowners, and renters.

Postsecondary education (lead agency: ED). In recent decades, more Americans have sought postsecondary education as a pathway to higher income and greater financial stability. The FLEC will focus on helping post-secondary students and their families avoid the pitfalls associated with financing higher education by helping them plan for and understand the costs and benefits of higher education, increasing transparency about the costs, and improving their understanding of options for paying for postsecondary education, including student loans. The FLEC will also promote implementation of the recommendations in its 2019 report *Best Practices for Financial Literacy and Education at Institutions of Higher Education*.²²

Military (lead agency: DoD). The FLEC recognizes the unique financial situation of military servicemembers, veterans, and their families. Thus, substantial federal resources are dedicated to military financial education, given the critical stakes placed on financial readiness for the nation's defense, the value of the financial security of military families and survivors, and of servicemembers returning to civilian life as veterans. In this way, the FLEC supports national security so that financial challenges do not distract servicemembers and the Department of Defense from focusing on their readiness missions.

22. FLEC, *Best Practices for Financial Literacy and Education at Institutions of Higher Education*, 2019, available at: <https://home.treasury.gov/system/files/136/Best-Practices-for-Financial-Literacy-and-Education-at-Institutions-of-Higher-Education2019.pdf>.

Performance and Outcome Measures

By adopting common performance measures, as appropriate, the FLEC will be able to better assess the effectiveness of financial education activities and make data-driven improvements in the future. The FLEC is working to identify outcome measures, including short-term performance metrics and intermediate-term indicators, that demonstrate the impact of federal activities (directly or indirectly) on improvements to Americans' financial status. As Treasury noted in its 2019 report, "performance and outcome data have not been used systematically to assess the effectiveness of federal activities," and this is a significant shortcoming in federal programs.²³ FLEC member agencies, led by the Executive Committee, will identify outcome measures and seek to align performance metrics.

Measures may be used that reflect an individual's ability to balance multiple financial decisions at once, such as managing income and expenses, assets and liabilities, and taking steps to build and protect assets. For example, the FLEC will consider the best ways to use the CFPB's financial well-being measure, which uses a combination of subjective and objective factors to assess a person's "state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future and is able to make choices that allow them to enjoy life."²⁴ Additionally, the Department of Defense includes questions from the financial well-being scale in its annual Status of Forces Survey to understand financial well-being and confidence among military servicemembers.

Accountability and Reporting

The FLEC will use its required annual report to Congress, the Strategy for Assuring Financial Empowerment,²⁵ to report on "the success of the Commission in implementing the national strategy" and progress towards developing performance and outcome measures.²⁶ The report will describe the FLEC's actions to improve coordination, streamline activities, appropriately allocate federal resources, and other actions to implement this National Strategy 2020 and the impact of its COVID-19 response.

Allocation of Federal Resources

In its 2019 report, *Federal Financial Literacy Reform*, Treasury described federal financial education spending so that policy makers in the executive and legislative branches can consider the overall allocation as well as the specific uses of funds.²⁷ Determining both a current and ideal allocation of funding is difficult because only some financial education activities are directly appropriated or allocated. A FLEC member's financial education activities may be part of other agency activities, such as consumer outreach, or an eligible use of a larger grant program. Additionally, some member agencies are non-appropriated agencies and independent agencies.

23. FFLR, 15-16.

24. Consumer Financial Protection Bureau, *Financial well-being: What it means and how to help*, available at: https://files.consumerfinance.gov/f/201501_cfpb_digest_financial-well-being.pdf.

25. also called the SAFE Strategy or SAFE report

26. 20 U.S.C. § 9703(h).

27. FFLR.

In order to promote coordination and efficient use of resources, the FLEC will regularly review information on the allocation of resources within financial education priority areas. In order to promote efficient use of resources, FLEC members agreed, in the bylaws, to collaborate to develop recommendations for the allocation of resources for financial literacy and education among such agencies in the President's budget request.

Outreach and Communications Agenda

Working Groups will develop plans to collaborate on events, messages, social media, and campaigns to share financial education resources with the public directly, such as through the FLEC's [mymoney.gov](https://www.mymoney.gov) website and key intermediaries. Working Groups will identify relevant and consumer-friendly resources from their member agencies on their respective priority areas for deployment.

Research and Learning Agenda

The FLEC will develop and promote a shared research and learning agenda that identifies priorities and goals for aligning federally supported research on financial literacy and education. The research and learning agenda will be developed through the Working Groups in consultation with non-federal researchers and funders. This agenda will be developed consistent with the 2019 Foundations for Evidence-Based Policymaking Act (the Evidence Act).²⁸

Since the FLEC's first National Strategy was issued in 2006, substantial research conducted and supported by federal agencies and other entities has greatly increased the understanding of Americans' financial knowledge, areas of improvement, and approaches to financial education.²⁹ Even with this progress, many stakeholders have recommended that the FLEC develop a strategy to share planned and completed research in order to enhance efforts and avoid possible duplication. In addition, the FLEC can better promote use of existing research to inform both policy and practice.

Furthermore, improved coordination could enhance use of data collected by federal agencies to understand consumer financial behaviors (and thus make more informed policy and program decisions to address those behaviors) and develop education resources that better meet people's needs. Research is valuable to inform federal policies, improve programs, and assist other stakeholders in the financial education ecosystem to deliver education more effectively. This enhanced coordination would also help non-governmental researchers and research funders assess gaps in the financial education field, and thus more efficiently use their own resources for research.³⁰

28. Public Law 115-435.

29. This document summarizes research as of 2016: FLEC, *Promoting Financial Success in the United States: National Strategy for Financial Literacy 2016 Update*, 2016, available at: <https://www.treasury.gov/resource-center/financial-education/Documents/National%20Strategy%20for%20Financial%20Literacy%202016%20Update.pdf>.

30. FFLR, 52-53.

Other Considerations in Implementing the National Strategy

Participation by state and local governments, private, nonprofit, and public institutions in the National Strategy. As noted in the Treasury’s 2019 report, “it is essential to leverage private-sector resources and coordinate federal activities with resources at the community level.”³¹ Treasury consulted with state and local government organizations and private and nonprofit institutions in developing the recommendations that inform this National Strategy (see Appendix 1). In implementing this National Strategy, the FLEC plans to coordinate and consult with intermediaries and groups critical to financial education such as: state, tribal, and local governments; nonprofit organizations; financial institutions and financial services industry; Federal Reserve Banks, Government Sponsored Enterprises (GSEs); and state and local education agencies and educational institutions. This coordination and consultation will build upon existing relationships between FLEC member agencies and key external entities and will focus on coordinating activities that share the common goal of improved financial decision-making and financial outcomes.

Role of technology. FLEC agencies and the financial education field must consider the quickly evolving technology landscape as they develop strategies to improve financial decision-making. Currently, FLEC agencies deploy some technology-based approaches, such as Federal Trade Commission’s email and social media campaigns on frauds and scams, ED’s interactive online resources that enable consumers to explore options for college and loan repayment and online counseling tools for student loan borrowers.³² Additionally, CFPB has created an online training program, *Misadventures in Money Management* that uses an interactive game-like virtual environment to build financial knowledge.³³

In implementing this National Strategy, the FLEC will seek to ensure its approaches are responsive to consumer demand for technology-based tools, while acknowledging the challenges that emerging technology can have on privacy and consumer access. Thus, FLEC members will be mindful of new approaches while honoring traditional methods of improving financial decision-making such as in-person counseling and guidance.

31. FFLR, 13-14, citing Cackley, Alicia Puente, *Financial Literacy: Overview of Federal Activities, Programs, and Challenges*, Testimony Before the Subcommittee on Financial Institutions and Consumer Credit, House Committee on Financial Services, U.S. Government Accountability Office, April, 2014, GAO-14-556T.

32. See <https://studentaid.gov/resources/prepare-for-college/students/career-search>, <https://nces.ed.gov/collegenavigator/>, and <https://studentaid.gov/app/counselingInstructions.action?counselingType=entrance>.

33. See <https://www.consumerfinance.gov/practitioner-resources/servicemembers/mimm/>.

4. Conclusion

Financial education has become widely recognized as an important tool for building and maintaining financially independent individuals, families, and communities. This broad agreement means that many different stakeholders – governments, private, and nonprofit organizations – have undertaken actions to educate Americans on financial concepts and products to improve their ability to make sound financial decisions and support improved financial well-being.

Expanded financial education has not always been accompanied by rigor, quality, and cost-effectiveness. Given the sizable investment by the federal government, the private sector, and others, the financial education field is in an optimal position to pursue necessary improvements on these issues. If the field focuses on assessing outcomes, measuring performance, and deploying evidence-based best practices, it can more positively influence the financial outcomes and decision-making of millions of Americans.

The federal government, through the coordination efforts of the FLEC, will support and encourage this drive by directing its efforts where it can be most effective. These actions will improve and expand financial education by promoting best practices, sharing evidence, creating expert, unbiased resources where needed, and deploying policy solutions to support the country's financial education infrastructure. By serving as a thought leader and partner, the federal government can help improve Americans' financial knowledge, skills, and decision-making, and encourage Americans to use these abilities in pursuit of a brighter financial future. Through this leadership, the federal government can work with those across the nation who are similarly committed to improving the quality and reach of financial education and promoting prosperity and better economic outcomes for all Americans.

Appendix 1: National Strategy Process and Consultations

This National Strategy 2020 builds on the research and consultations conducted by the Treasury in developing its 2019 *Federal Financial Literacy Reform report*. That process included review of the financial education and related literature, discussion and data collection from members of the FLEC, and consultation with more than 140 outside entities, including state and local governments, academic and research institutions, trade and professional organizations, and both nonprofit and for-profit financial educators and financial service providers, among others. A list of those consultations is found in Exhibit A of the 2019 report.³⁴

34. FFLR, 62-65

Appendix 2: Best Practices for Delivery of Financial Literacy and Educationⁱ

Introduction

Based on extensive review of the research, consultations with experts, and discussions with members of the FLEC, Treasury has noted a number of themes regarding effective financial literacy and education. These themes point to best practices for incorporating financial education into diverse situations, with various populations, covering a number of key topics. They are cross-cutting, rather than subject specific, and thus can be used to inform financial education policy and practice whether at home, in a community program, or when setting national policy.

Treasury has identified the following eight best practices for effective financial literacy and education programs. The first five best practices are consistent with the principles identified by CFPB in its study entitled the “Five Principles of Effective Financial Education.” The additional three best practices have been added based on Treasury’s outreach to stakeholders

Know the Individuals and Families to be Served

Financial education, information and delivery methods must be tailored to the circumstances and needs of the user. “Knowing the population” happens at two levels: understanding the demographic context of the individual, and assessing the individual’s own needs, barriers, skills and motivation.

Several studies are already produced by government agencies to help understand different populations. Some examples include the FDIC’s National Survey of Unbanked and Underbanked Households and the Federal Reserve Board’s Survey of Household Economics and Decision making and Survey of Consumer Finances. Other organizations provide more specialized understanding of distinct populations, such as the DoD’s Status of Forces Surveys of Active Duty Members.

The effective educator must also understand the individual and his or her unique situation and mindset. Attitude and needs assessments can help the educator and consumer identify gaps and motivations in order to customize the financial education approach. For example, CFPB developed a Financial Well-being Scale which helps assess a person’s perceptions about their financial well-being.

Provide Actionable, Relevant, and Timely Information

Although the academic community has an ongoing debate on the effectiveness of financial education alone, there is agreement that when financial information is delivered in an actionable, relevant and timely manner,

i. This Appendix is excerpted from FFLR.

people are more likely to retain the information and act on it. For example, a body of evidence indicates that financial education alone has had a small impact on financial behaviors, in part because financial knowledge decays within two years of the lesson. On the other hand, some academics point to the need for behaviorally based strategies such as nudges or designed choice architecture, and information provided in close time proximity to when consumers are making financial decisions, known as “just in time financial education.” This type of relevant, timely and actionable information should include concrete steps for the consumer and be directly applicable to a financial decision about to be made. For example, pre-purchase housing counseling takes advantage of what is important to the person seeking information and is typically delivered close to the purchase of a home. In another example, the benefit estimates in the Social Security Statement provided to individuals near to retirement age have been found to help people make more informed decisions about when to claim Social Security benefits, thus impacting their income in retirement.

Improve Key Financial Skills

Financial literacy and education can be more effective when it helps develop skills in knowing how to achieve their specific goals, rather than transmitting knowledge of particular facts about financial products and services. Effective financial literacy approaches are structured to: 1) help consumers know when and how to locate information for making financial decisions; 2) help consumers understand how to interpret information for decision-making; and 3) help consumers have skills and confidence to take action and implement their decisions.

Build on Motivation

Effective financial literacy and education programs capitalize on people’s motivations. People driven by intrinsic values, desires, interests or aspirations are more likely to stay focused (because they want to learn) than those forced into learning through extrinsic pressures (because they have to learn). This best practice highlights the importance of financial educators who use empathy and identify learners’ specific goals, understand the learners’ financial conditions and help learners achieve their own goals. For example, people who are strongly motivated by values of a particular faith may find programs that build on those values, such as those developed by a faith-based organization, to be particularly helpful. Similarly, one-on-one coaching and peer support have also proven effective at turning motivation into action.

Make It Easy to Make Good Decisions and Follow Through

This best practice acknowledges that it can be hard for people to stick with their goals, but the environment or context can make it easier for people to carry out their intentions. Even small adjustments to a process, such as nudges and defaults, can help make it easier for people to make sound choices. Changing the options presented, removing hassles and barriers, and adding supports can help people bridge the gap between their intentions and what they actually do. This best practice also highlights that programs can be designed to make it easier for people to get financial education, for example, by integrating financial education into programs and places where people already are, like their job or a higher education institution. For example, institutions of higher education are uniquely positioned to influence how education-related financial choices are presented,

made and executed, such as through financial aid offers, and can provide financial education through various venues and times to engage students during their education.

Develop Standards for Professional Educators

According to the National Endowment for Financial Education (NEFE): “The educator needs to be confident, competent, and knowledgeable about the topic of personal finance in order to create a learning environment that is ideal for student-learning. Fundamentally, educators should demonstrate high levels of understanding—both with the content and the pedagogy—of the topics that espouse the tenets of financial capability.” However, there are few standards or designations to denote the quality or qualifications of financial educators. This lack of standards may result in uneven quality of delivery, and makes it difficult for consumers, funders and policy-makers to select appropriate providers.

Many stakeholders point to the need for clearer guidelines and possibly standards to make financial education a more serious, evidence-based endeavor. The GAO’s 2011 report assessing the feasibility of a federal financial literacy certification process determined that a federal certification process was feasible, but a number of challenges need to be considered. These include the cost and staffing of certification, lack of consensus on definitions and standards and uncertainty that certification would improve quality and be valued by consumers. The GAO noted ways to improve quality without full certification, including voluntary certification and specific guidelines provided to federally-funded financial education programs. Financial education standards would provide a baseline for developing curriculum, include core competencies for both consumers and educators, and provide a common platform for evaluation and measurement.

Provide Ongoing Support

Financial education is most effective when it is not a one-time strategy, but rather enables continuing opportunities for people to build their knowledge and confidence, set goals, and receive feedback as action is taken. For example, there is a growing body of research pointing to the positive potential of one-on-one financial coaching and counseling as a method for teaching financial literacy and education and assisting clients with taking action to strengthen their financial health and well-being.ⁱⁱ Trained professionals collaborate with and guide clients in reaching the client’s financial goals, which may involve overcoming setbacks (like too much debt) and creating action plans (saving for a child’s education or starting a business).

Evaluate for Impact

National Endowment for Financial Education and other national stakeholders have stressed the importance of supporting research to identify and promote effective practices in financial literacy and education. The array of financial education providers (many of which are small in scale), the relative youth of the field, and the

ii. Consumers should be careful to identify coaches or counselors that provide a legitimate, fairly-priced service. The Federal Trade Commission provides guidance at: <https://www.consumer.ftc.gov/articles/0153-choosing-credit-counselor>.

diversity of goals in financial education programs create a lack of consistency that makes data collection and evaluation challenging. Researchers do not have a shared set of standards for reporting on financial education and measuring changes in financial literacy that clearly identify changes in knowledge or behavior. Despite the call for national goals, the federal government has not established a methodology for achieving common goals. In addition, the federal government has not established a strategy for evaluating the effectiveness of individual programs and initiatives nor developed a way to measure national progress towards improving financial literacy. While there may be challenges to assessing federal activities, performance metrics, gauging progress towards goals and promoting a culture of data collection, evaluation and continuous improvement should be a key focus for the FLEC moving forward.



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