Summary of Financial Literacy and Education Commission Meeting
February 12, 2014
U.S. Department of the Treasury, Washington D.C. – Cash Room

Webcast available at: http://treas.yorkcast.com/webcast/Play/2da53e68255341a2874eed63fcfc2cf71d

Executive Summary

Louisa Quittman, Director of Financial Education for the U.S. Department of the Treasury, opened the meeting and introduced Assistant Secretary for Financial Institutions Cyrus Amir-Mokri of the U.S. Department of the Treasury.

Assistant Secretary Amir-Morki described the impediments to economic mobility faced by families with insupportable debt and low levels of income and assets. He cited a recent finding by the Corporation for Enterprise Development (CFED) that more than 40 percent of American households are in asset poverty, meaning that they would be unable to sustain themselves even at poverty level if their current income were interrupted. He described the actions of the Department and the FLEC to address this by "starting early for financial success." These include the new myRA retirement savings product as well as the Department's recent efforts to raise awareness about income-based student loan repayment options offered by the Department of Education. Amir-Mokri articulated the target outcomes for the Commission in 2014 (see appendix). He noted that the new President's Advisory Council on Financial Capability for Young Americans would coordinate and enhance the work of the FLEC by advising the Secretary of the Treasury and the President on how to promote the financial capability of young people as they make decisions about managing their money, pursuing higher education, and beginning to plan and save for their futures.

Director Richard Cordray of the Consumer Financial Protection Bureau (CFPB) discussed the importance of working with states and local school districts to promote financial education in schools, as well as the challenges in such efforts. He noted the Bureau's support of financial education in schools. He indicated that hands-on efforts such as school banking programs, entrepreneurship training, and financial games or other simulations can help students deepen their financial knowledge and build financial capability in a more lasting way. He also described some of the CFPB's financial education resources and decision making tools.

Governor Jack Markell of Delaware provided keynote remarks on the role of state government in advancing financial empowerment. Governor Markell laid out a clear vision of how state governments can promote financial empowerment. He noted that, by fostering the financial stability of its citizens, states build their own economic vitality. Financial empowerment also makes government support programs for citizens more effective. He described a coalition of Delaware government agencies, educational institutions, non-profit organizations and businesses working together to advance financial empowerment for all citizens of the state. Activities and programs include increasing access to one-on-one financial counseling, tax filing assistance, "healthy" alternative financial products, and financial education. These initiatives are aimed at students in pursuing higher education, military service members and veterans, low-wage workers, disabled individuals and others. Governor Markell encouraged other states to learn from Delaware.

Governor Markell also made the following recommendations for the federal government to complement states' efforts:

- Establish Financial Empowerment Block Grants, which would be awarded to states with commitment by Governors to take action on this issue and to use a strategy that has proven to make a difference.
- Fund a demonstration project with three to five states over a five-year period to develop and implement a statewide, multi-sector approach to financial empowerment.
- Create an Inter-Governmental Commission on Financial Empowerment, made up of Governors and federal policy leaders to explore partnerships that can incentivize greater activity and engagement, through federal and state programs and public policy.
- Require that federal contracts with states include financial empowerment activities.. For example, states should be required to offer a financial empowerment component as part of programs involving federal public housing, community development, small business development, foster care, and Head Start.
- Examine agencies and programs to identify touch points where financial coaching and financial literacy can complement existing services and strategies.

Deputy Assistant Secretary for Consumer Policy Melissa Koide of the U.S. Department of the Treasury introduced the following **panel of state and local experts**:

- **José Cisneros, Treasurer, City and County of San Francisco**

Treasurer Cisneros described the city's efforts to promote financial empowerment, including the Kindergarten to College program, which establishes a college savings account for child entering kindergarten in the city's public schools. He noted that federal agencies could help resolve technical legal questions related to opening appropriate accounts for low-income families to save for their children, and address asset limits for certain types of programs that may inhibit saving.

- **Kate Marshall, Treasurer, State of Nevada**

Treasurer Marshall described the financial education pilots that her office sponsored in high and middle schools in the state, and shared preliminary findings on their outcomes. She also described the College Kickstart program, which provides a matched 529 plan to every kindergarten student in the state. Treasurer Marshall encouraged the FLEC to highlight savings when federal agencies encourage young people to plan for post-secondary education.

- **Eileen I. Klein, President, Arizona Board of Regents**

Ms. Klein described the need in Arizona to support low-income and minority students in attending college and completing it successfully. She detailed the new Arizona Earn to Learn Initiative, which matches federal funds from HHS's Assets for Independence Program with an eight-to-one match of scholarships and tuition assistance into the state's three universities. Low income high school students who save $500 over six months can receive $4,000 in tuition assistance when enrolling in a state university. The program boasts a 90 percent retention rate for students in their second year. Supporters credit the high retention rate to ongoing financial counseling provided to students once they are enrolled

- **Nan Morrison, President and CEO, Council on Economic Education**

Ms. Morrison provided information on the status of financial education requirements in state education standards. She noted that 43 states have standards or requirements, but that the level of financial education that students receive varies widely. Some requirements may be unfunded, and some financial education may include no testing of students' knowledge. She recommended that the federal government support efforts to enhance the implementation of financial education in the states, including by providing guidance on what approaches are effective and measures of success.

Members of the Commission raised a number of issues in a discussion with the panelists following their remarks. The discussion covered the role of games in promoting financial education, the dynamics of engaging with the philanthropic community, and how how FLEC could further support the linkage between financial institutions and school-based savings account programs for children.

In the meeting's final presentation, **Ray Boshara, Assistant Vice President and Director for the Center for Household Financial Stability for the Federal Reserve Bank of St. Louis** spoke about "**Building a Healthy Balance Sheet Early in Life."**

Mr. Boshara described the "balance sheet" nature of the Great Recession, in which young families generally had weaker and undiversified balance sheets, largely because of high levels of mortgage debt. Since the recession, young families have seen a much lower rate of recovery than have older families, whose assets are more diversified and larger in amount. It appears that lower levels of assets represent a lasting trend that persists even after the recession.

Mr. Boshara advocated a number of solutions, including offering financial education in schools and tying it to access to a savings account to enable experiential learning. He also noted the importance of saving vehicles such as myRA retirement accounts; the proposed Roth at Birth, which would enable saving for children; and an "Early Pells" program, which the College Board has proposed. Early Pells would take a small portion of what an income-eligible family would receive upon entering college and use those funds to start a college savings account while the child is still in grade or middle school. He noted that the benefits of saving early go well beyond a strong balance sheet later in life. Recent research shows that when families have savings, assets, fewer debts, and higher levels of net worth – as distinct from simply higher incomes or wages – they are more likely to see a host of other positive outcomes. These include attending college and completing it, having children with better outcomes, experiencing higher rates of intra- and inter-generational mobility, enjoying better health, and finding better labor market outcomes later in life. To conclude, he stressed the importance of offering financial education and vehicles that enable people to save early to build diversified assets and open opportunities for economic mobility.

DAS Koide closed the meeting with a review of the FLEC's activities of the last year and objectives for the year ahead. She highlighted the four primary areas of the FLEC's work, which correspond to a number of ideas raised by the panel: promoting experiential financial education for children through school banks and credit unions; providing better information for students about higher education decisions, and managing student debt; expanding availability of financial education and savings products in the workplace, and a continued emphasis on research and evaluation of financial education initiatives. (See FLEC Goals for 2014 for more details.)

In recapping the substance of the meeting, DAS Koide remarked, “What you’re really introducing is optimism.”

Committee Members Present

Michael Herndon	Commodity Futures Trading Commission
Richard Cordray	Consumer Financial Protection Bureau
Camille Busette	Consumer Financial Protection Bureau
Susan Shockey	Department of Agriculture
Brenda McDaniel	Department of Defense
David Soo	Department of Education
Jeannie Chaffin	Department of Health and Human Services
Meredith Regine	Department of Labor
Melissa Koide	Department of the Treasury
Cyrus Amir-Mokri	Department of the Treasury
Julie Schroeder	Department of Veterans Affairs
Luke Reynolds	Federal Deposit Insurance Corporation
Anna Alvarez-Boyd	Federal Reserve Board
Cristina Miranda	Federal Trade Commission
Ryan Edelstein	General Services Administration
Kenneth Worthey	National Credit Union Administration
Barry Wides	Office of the Comptroller of the Currency
Alan Sorcher	Securities and Exchange Commission
Nathaniel Bishop	Small Business Administration
Douglas Walker	Social Security Administration
Tom Kelly	White House Domestic Policy Council