

Research Committee
Tahira Hira, Chair

Report to the President's Advisory Council on Financial Literacy

November 3, 2009

Members of the Research Committee are: Tahira Hira, Robert Duval and Don McGrath

Previous Recommendations

The Research Committee has focused its work and recommendations on the following areas:

- Define the competencies, skills and behaviors that participants must exhibit to be identified as “financially literate.”
- Ensure that programs identified as financial literacy programs ensure that participants competencies, acquiring skills and exhibiting behaviors necessary to take control of their financial future.

The Committee recommended, and the Council adopted the recommendation that the private sector, state and local governments, and nonprofits should adopt the Council’s definitions for “financial literacy” and “financial education,” so that programmatic decisions are based on a common understanding of terms. The definitions recommended are those put forth by the Financial Literacy and Education Commission.

The Committee also recommended and the full Council adopted the recommendation that Treasury should identify and standardize the specific skills that a person should have upon completion of a comprehensive financial literacy program and explore the creation of a certification for such programs and for instructors of programs that meet such criteria.

New Recommendations

The Committee now proposes that the Council assign the Committee to work with the Treasury to advise on research conducted by the Treasury and other governmental and non-governmental entities regarding creating a consistent, sustainable, financial literacy infrastructure.

Additionally, the Committee identified particular research topics of note:

- What are the barriers to having financial education be a required subject in public schools, who should require it, and how can the barriers be overcome? And, if we increased financial literacy education how will it affect individual household and national economic stability?
- What role should tax policy play in affecting financial behavior, and what impacts do monetary policies have on consumers?

Update on National Baseline Survey of Financial Capability

The FINRA Investor Education Foundation has provided an update regarding the survey that they developed in consultation with the Treasury and others. The baseline data will consist of findings from three linked surveys:

- A national, random-digit-dialed telephone survey of approximately 1,500 respondents with over-sampling to enable segmentation by selected demographic variables (e.g., race, household income, education level);
- A state-by-state online survey of nearly 25,000 respondents (approximately 500 per state); and
- An online survey of approximately 700 military service members and 100 military spouses.

Data are currently undergoing analysis and validation. Key findings are expected to be released before year end. Data will be made available in 2010 to others interested in conducting further analysis.