This brief memorandum contains recommendations for implementing President Obama's vision for improving the financial literacy of the American people. In particular, it outlines the most pressing priorities and challenges for Treasury's OFE&FA during the next 12 months and makes recommendations for some new initiatives that the Office could engage in. The underlying assumption is that the staffing for the OFE&FA will remain relatively constant and that the funds available to carry out these tasks will be limited. With that caveat in mind, below are key recommendations for the strategic direction of the OFE&FA.

1. FULFILLMENT OF CREDIT CARD ACT- SECTION 510

Within this legislation is a series of mandates for the OFE&FA which are due to Congress. Some examples include a report on the findings of the evaluations of all existing Federal financial and economic literacy programs, ways to incorporate and disseminate best practices, and a presentation to Congress on the Office's strategic plan.

One of the first steps should be a review of these various mandates to ascertain whether all have been accomplished or if there are still unfinished tasks in order to fulfill these statutory requirements.

2. USE OF THE BULLY PULPIT

Goal #1 in the National Strategy for Financial Literacy is to "increase awareness of and access to effective financial education." This is an area that Treasury can influence in an impactful way through the use of media interviews, speaking engagements, and op-ed pieces. All can be effective channels to deliver information to the consumer about the Federal financial education resources that already exist (i.e. www.mymoney.gov). In fact, the problem in the U.S. is not lack of supply of financial education resources and materials. Rather, the problem is that they are not being accessed since there is insufficient awareness of their availability. If Americans knew where to locate free or low-cost assistance, there would be an exponential uptake in demand.

Another important message to convey through the media are the main findings uncovered through both Treasury and FLEC research initiatives. For example, messaging around new research findings on small dollar credit located at http://www.treasury.gov/resource-center/financial-education/Pages/default.aspx.

A concerted campaign to craft messages and outreach to the media to transmit them should be undertaken. The fact that the Treasury Department is courted by the media adds ease to the delivery of these messages. Furthermore, invitations to significant speaking events, should be considered as an additional venue where the word could be spread through the bully pulpit. As much as possible, these messages, when appropriate, should be embedded within speeches and written commentary by senior Treasury officials. So, coordination with other offices in Treasury, particularly Public Affairs, is essential.

3. INVOLVEMENT OF THE PRIVATE SECTOR

With more than 20 years of corporate and non-profit experience in this field, my overall conclusion is that most financial services companies do not commit significant resources to advance financial literacy. Although there are a few laudable exceptions, the majority don't do anything substantial in this area, even though a financially literate consumer is consistent with their business interests.

Ironically, instead of seizing upon a major lesson learned during the recent recession (that poor consumer financial decision making actually exacerbated the recession's impact) and become MORE involved in financial education, there has been an industry-wide trend to do just the opposite. Many companies have retrenched their efforts, since they are not profit-generating.

Given persistent federal budget deficits, the Treasury Department cannot afford to fund an aggressive nationwide financial education campaign. Therefore, this strategy proposes public-private partnerships with the goal of consumer improvements in the core competency concepts that Treasury has already identified (earning, spending, saving, borrowing and protecting).

These partnerships may entail seeking the voluntary commitment of financial services companies to at least one of the ***guidelines*** outlined below. A public recounting of the companies' efforts should be made available annually to create not only a sense of peer pressure but also generate opportunities for the companies to receive positive press.

Guidelines may include the following options for corporate involvement in financial education:

a. SUPPORTING NON-PROFITS
b. INCORPORATING WITHIN BUSINESS STRATEGY
c. WORKPLACE EDUCATION
d. VOLUNTEERISM

To further expand on just one guideline- *volunteerism*, "Who better than financial professionals to volunteer teaching this topic?" Many non-profits rely on volunteers to execute their programs and to expand their reach. Organizations such as Junior Achievement are not able to function at full capacity because the demand far outweighs their supply of presenters. But, with an ample supply of volunteers, these non-profits can grow and ultimately educate more consumers.

In this context, the OFE&FA becomes the vehicle for teaming with the financial services industry to assist relevant non-profit organizations, while generating resources for financial education efforts targeting key communities (i.e. minority, low-income, unbanked).

4. HARNESS TREASURY'S CONVENING POWER

Evidenced by the overflowing attendance at the FLEC and President's Advisory Council meetings, in addition to numerous OFE&FA conferences, it is easy to conclude that if Treasury convenes a meeting, it will be a success. Capitalizing on this strength, Treasury should look to collaborate with important constituencies to convene meetings or conferences that will bring together groups that could benefit from collaboration.

As an example, States could be encouraged to convene financial literacy summits that would be co-hosted by the State Treasurer and the State Superintendent of schools. Little persuasion would be necessary for State Treasurer involvement since most are already involved in financial education-- many through annual *Money Conferences for Women*. However, securing the involvement of the educators at financial education conferences has always been a challenge. But, with the strong support of the U.S. Department of Education, the State Superintendents could be persuaded to co-host these summits. Once their involvement has been secured, the attendance by District Superintendents and Principals is decidedly more probable.

The agenda for such a summit could be to examine current public education K-12 state requirements to ascertain where, if at all, financial education instruction is included. Ways to increase and improve this education could then be discussed. Additionally, communities that are most at risk could be a key focus. Emphasis on collaboration, dissemination of resources, and elimination of duplicate services should be key components of the agenda.

Furthermore, research has been a main priority of FLEC in the past several years. After repeated calls for "evidence" that financial education works, FLEC convened a *National Research Symposium on Financial Literacy and Education* in October 2008. This gathering highlighted an enormous amount of research that has been conducted in this area. Since then, with the addition of the grants given by SSA to several research consortiums, there is now an abundance of research findings. This abundance however has led to confusion of just what the research has discovered.

Therefore, a Treasury sponsored conference to attempt to answer the question of "what works" in a clearly definable way would be immensely helpful to the field. The goal would be to sort through the quantity of research in existence and come to some conclusions. More importantly, craft the key findings in a plain language, non-academic way so that they can be understood by non-researchers alike.

5. INCREASE FINANCIAL ACCESS

The portion of U.S. households that are underbanked (approximately 30 million) and unbanked (estimated at 9 million) varies considerably among different racial and ethnic groups, with certain racial and ethnic minorities more likely to be unbanked. For example, an estimated 21.7% of Black households are unbanked. CNN's latest installment of "Black in America" further puts a face of color on the economic crisis as Black Americans lose their homes and their jobs at rates much higher than Whites.

Treasury's Community Financial Access Pilot was designed to enhance local capacity to build collaboratives that would increase the availability and use of mainstream financial services and financial education for the low- and moderate-income (LMI) population. The best practices of this pilot need to be shared with other LMI communities, outside of the eight pilot cities. They can then learn from the successes in this pilot instead of reinventing the wheel.

Further, the need to work with the non-profits, faith-based groups, and other community organizations that are on the ground in the LMI communities is essential to reaching this constituency. So, outreach to groups such as the National Bankers Association, the National Urban League, the National Council of La Raza, and the National Baptist Convention, USA, Inc. with 5 million members, is critical. Without the involvement of these distribution networks, the LMI communities will not be reached with either relevant financial education or mainstream financial products.

6. COORDINATE WITH THE CFPB

Housed within the new Consumer Financial Protection Bureau is a similarly named Office of Financial Literacy. Coordination with this office is paramount in order avoid duplicative actions and to concentrate both Treasury and the CFPB's efforts in their respective areas of strength. The offices are both similar but different enough in mission to create synergies with one another instead of competition.

Specifically, financial education can complement the CFPB's efforts to protect consumers by making financial products more understandable and, in the words of Elizabeth Warren, eliminate "trick and traps." Ultimately, the OFE&FA seeks to instill knowledge, confidence, skills and a toolkit of resources that cultivate a more financially secure population.

Regulation alone is usually not sufficient enough to prevent negative consumer outcomes. True, for some financial decisions, such as investing in a company retirement plan, there has been proof that changing the rules from an opt-in system to an opt-out one has resulted in higher participation rates. The logic behind this is that consumers will always default to the choice that involves the least effort. Therefore, since it is easier to stay in a retirement contributions plan than do the paperwork to get out (opt-out), most will stay in.

However, this opt-in/ opt-out evaluation framework cannot be applied to many of our most common money decisions. One still needs to learn how to create and stay within a budget, negotiate for the best car deal or keep credit card balances at a safe level. These decisions are more apt to be made wisely once one has received education in these areas. Regulations are needed to keep fraud and predatory practices out of the market place, but at the same time, well-educated consumers can also be effective in keeping the predators at bay. Therefore, a holistic approach is necessary where both regulation and education work hand-in-hand. The marriage of the two can be quite potent.

I'd be happy to answer any questions about this document or expound upon any of my recommendations.

Sincerely,

Dara Duguay

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