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FORUM

HIGHLIGHTS OF A GAO FORUM

The Federal Government's Role in Improving Financial Literacy

November 2004

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Highlights

Highlights of GAO-05-93SP.

HIGHLIGHTS OF A GAO FORUM

The Federal Government's Role in Improving Financial Literacy

Why GAO Convened This Forum

Research has shown that many Americans lack the knowledge of basic personal economics they need to make informed financial judgments and manage their money effectively. Yet financial literacy is increasingly important in a world where consumers must choose from an array of complicated financial products and services and employees must take on more responsibility for their retirement savings. Title V of the Fair and Accurate Credit Transactions Act of 2003, known as the Financial Literacy and Education Improvement Act, created the Financial Literacy and Education Commission, comprised of 20 federal agencies, and charged it with coordinating federal efforts and developing a national strategy to promote financial literacy.

The act also mandated that GAO report on recommendations for improving financial literacy among consumers. To help in developing our work, on July 28, 2004, GAO hosted a forum on the role of the federal government in improving financial literacy. Forum participants included experts in financial literacy and education from federal and state agencies, the financial industry, nonprofit organizations, and academic institutions. Participants discussed the topics federal efforts should cover, populations that should be targeted, methods of delivering information, and the role of program evaluation.

www.gao.gov/cgi-bin/getrpt?GAO-05-93SP.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Thomas J. McCool at (202) 512-8678 or mccoolt@gao.gov.

What Participants Said

Forum participants offered a number of suggestions regarding the federal government's role in improving Americans' financial literacy:

- *The federal government should serve as a leader.* The federal government should use its influence, authority, and "bully pulpit" to make financial literacy a national priority. However, given that a wide array of state, local, nonprofit and private organizations already provide financial education, the federal government's role should largely be supportive, filling the gaps left by others and serving as an unbiased source of information.

- *Increased public-private partnerships and interagency coordination are needed.* Partnerships between federal agencies and other organizations are the best way to use scarce resources efficiently, facilitate the sharing of best practices, and help federal agencies reach targeted populations at the community level. In addition, federal financial literacy efforts should be integrated across agencies and consolidated to focus on those agencies with the most expertise and best track records in this area.

- *Consumers need financial information on a broad range of topics.* Among the most important topics for financial education are basic skills—such as budgeting, planning, and managing money—as well as information on saving for retirement, investing, and managing credit. Financial education should be delivered at "teachable moments" when the information is applicable to a person's life. Participants' views varied on the need to incorporate into financial education broader issues such as the implications to individuals of the budget deficit and long-term fiscal challenges facing the nation.

- *A variety of methods are needed to deliver financial education effectively.* Participants said that the federal government should sponsor a major media campaign with a clear and simple message and find ways to ensure that existing financial education materials are more widely disseminated. Participants also emphasized the importance of personal interaction—such as one-on-one counseling—and of including financial education in school curriculums. To this end, they said the U.S. Department of Education needs to deepen its commitment to financial education.

- *Financial literacy programs need to be evaluated.* Program evaluation ideally should assess outcomes, such as the impact on participants' personal savings. The federal government can facilitate others' evaluation efforts by developing or supporting standardized evaluation tools, serving as a national clearinghouse for evaluation efforts, and disseminating best practices.

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United States Government Accountability Office
Washington, D.C. 20548

November 15, 2004

The Honorable Richard C. Shelby
Chairman
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Ranking Minority Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Michael G. Oxley
Chairman
The Honorable Barney Frank
Ranking Minority Member
Committee on Financial Services
House of Representatives

Subject: *Highlights of a GAO Forum: The Federal Government's Role in Improving Financial Literacy*

Faced with growing evidence that large numbers of Americans lack knowledge about basic personal economics and financial planning, policymakers and others have begun to focus increasing attention on the state of financial literacy in the United States. Financial literacy can be defined as the ability to make informed judgments and to take effective actions regarding the current and future use and management of money. It includes the ability to understand financial choices, plan for the future, spend wisely, and manage the challenges that come with life events such as a job loss and saving for retirement or a child's education. A lack of financial literacy affects consumers' economic well-being and security in a variety of ways. Poor money management and financial decision making can lower a family's standard of living and interfere with crucial long-term goals, such as buying a home and financing retirement.

Financial literacy has broader public policy implications as well. The financial markets work best when consumers understand how financial services providers and products work and know how to choose among them. Further, informed consumers can help discipline markets by choosing appropriate financial investments, products, and services. In addition, our income tax system requires citizens to have an adequate understanding of the tax system and financial matters in general. Educated consumers are also essential to well-functioning retirement systems—consumers must understand, for example, that Social Security is not intended to be an individual's only source of retirement income. Finally, financial literacy is important in ensuring that Americans who receive public assistance successfully transition to greater self-sufficiency.

However, there is evidence that financial literacy in America needs to be improved. For example, a 2003 national survey by AARP of consumers aged 45 and older found that they often lacked knowledge of basic financial and investment terms. Only about half of respondents, for instance, reported knowing that diversification of investments reduces risk. Similarly, in a recent survey of 4,000 high school seniors conducted by the Jump$tart Coalition for Personal Financial Literacy, students correctly answered an average of only 52 percent of questions on basic personal finances. Yet a number of trends have emerged in recent years that underscore the importance of financial literacy in everyday life.

- Consumers are faced with a wider and increasingly complicated array of options for managing their personal finances and selecting investments and credit products.

- Technological advances have increased the capacity for targeted marketing to consumers, potentially increasing some consumers' vulnerability to predatory lenders and other unscrupulous providers of financial services.

- Consumers are increasingly responsible for their own retirement savings, with traditional defined-benefit retirement plans becoming increasingly rare.

- The personal saving rate has fallen dramatically, declining from nearly 7 percent of gross domestic product in the 1970s and 1980s to around 2 percent in recent years.

- Household debt as a percentage of income hovers at record high levels. In addition, bankruptcy rates have more than quadrupled in the past 20 years.

Finally, I believe that a clear understanding of the country's overall financial condition and future fiscal outlook is an indispensable part of true financial literacy. The financial futures of the American people are shaped not only by their own personal planning and individual investments but also by the fiscal choices made in Washington. The official U.S. gross debt now stands at more than $7 trillion, and that does not include tens of trillions in unfunded Social Security and Medicare benefits, veterans' health care, and a range of other commitments and contingencies. Due to current demographic trends, rising health care costs, and other factors, we face the possibility of decades of mounting deficits, which left unchecked will threaten our economic and national security, while also adversely affecting the quality of life and opportunities available to future generations. Americans must be aware of these developments in planning for their own financial futures, since, for example, we can no longer assume that current federal entitlement programs will continue indefinitely in their present form.

Currently, about 20 different federal agencies operate about 30 different programs or initiatives related to financial literacy. In addition, federal agencies often partner with the multitude of nonprofit, industry, state, and local entities that sponsor, fund, or operate their own financial literacy initiatives. These efforts cover a wide variety of topics, target a range of audiences, and include classroom curricula, print materials, Web sites, broadcast media, and individual counseling. In Title V of the Fair and Accurate Credit Transactions Act of 2003, known as the Financial Literacy and Education Improvement Act,[1] Congress created the Financial Literacy and Education Commission (the Commission). The Commission is made up of 20 federal agencies and is charged with developing a national strategy to promote financial literacy and education for all Americans. The Commission is also charged with coordinating financial education efforts among federal agencies and between the federal government and state and local governments, nonprofit organizations, and private enterprises. The Commission is to identify areas of overlap and duplication among federal financial literacy activities.

The act also mandated that GAO report on recommendations for improving financial literacy among consumers.[2] On July 28, 2004, GAO hosted a forum to develop recommendations on the role of the federal government in improving financial literacy among consumers. The forum's participants included a select group of individuals with expertise in financial literacy and education. They included representatives of federal and state agencies, the financial industry, nonprofit organizations, and academic

[1] Pub. L. No. 108-159, Title V, 117 Stat. 2003 (codified at 20 U.S.C. §§ 9701 – 08).

[2] See 20 U.S.C. § 9706(b). This provision also mandated GAO to assess the extent of consumers' knowledge and awareness of credit reports, credit scores, and the dispute resolution process. This issue will be addressed in a forthcoming GAO report.

institutions. Participants were asked to consider the appropriate role of the federal government in financial literacy, particularly in relation to the role of state and local government agencies, nonprofit organizations, and financial services institutions. Participants discussed how the federal government could coordinate its efforts and partner with others more effectively. They also discussed the appropriate topics, target populations, and methods of delivery for federal financial education efforts and the role of program evaluation.

Following is a summary of the discussion among the forum participants. Appendix I provides a list of the participants. Appendix II lists GAO products on issues related to financial literacy. This report will be posted on our Web site at www.gao.gov. For additional information on our work related to financial literacy, please contact Thomas J. McCool, Managing Director, Financial Markets and Community Investment, on (202) 512-8678 or at mccoolt@gao.gov. Key contributors to this report include Allison Abrams, Jason Bromberg, Davi M. D'Agostino, Debra Johnson, Yvonne Jones, Mona Nichols, and Wendy Wierzbicki.

I wish to thank all of the participants of this forum for taking the time to share their knowledge and insights on financial education and on the role of the federal government in improving America's financial literacy. I look forward to working with them and others on this important issue in the future.

David M. Walker
Comptroller General
of the United States

Financial Literacy: Highlights of Forum Discussion

On July 28, 2004, GAO hosted a forum to develop recommendations on the role of the federal government in improving financial literacy among consumers. Participants discussed the federal government's overall role in financial literacy as well as issues of coordination and partnership, topics for financial education, target populations, methods of delivery, and the role of program evaluation. The following summarizes the collective discussion of the forum participants as well as subsequent comments received from participants based on a draft of this report.

The Federal Government Should Serve as a Leader in Efforts to Improve Financial Literacy

Forum participants discussed the appropriate role for the federal government in improving financial literacy. They emphasized that the federal government should use its influence and authority to make financial literacy a national priority. In large part, its role should be to fill gaps left in the financial education efforts of the nonprofit and private sectors.

- *The federal government should serve as a leader.* Participants emphasized that for a federal financial literacy effort to be successful, the driving force must come from the highest levels, such as the President or a cabinet secretary. Efforts to make financial literacy a prominent national issue can not come solely from the grassroots level but require exercising the "bully pulpit" of federal leadership. Further, this leadership must have a strong enough passion about financial literacy to keep the nation focused on the issue. One participant said that an important figure or agency must take the issue of financial literacy as a "life purpose," noting that the success or failure of federal efforts could depend on the effectiveness of the Department of the Treasury's Office of Financial Education. Some participants noted that making financial literacy a sustained priority would be difficult, particularly given the federal government's current focus on terrorism and foreign issues. Participants were complimentary of Congress's creation of the Financial Literacy and Education Commission. However, one participant noted that given the large number of issues that Congress takes up, it can be a challenge to keep its attention focused on any one issue for an extended period of time.

- *The federal government's role in financial education should be to fill the gaps left by others and serve as an unbiased source of information.* Participants said that the federal government exists to serve its citizens by addressing a broad set of needs. With regard to improving financial literacy, the government should direct its efforts to the gaps in coverage—topics and populations that are not being addressed adequately by the financial education initiatives of the nonprofit and private sectors. Some participants noted that while the corporate world has some very good financial education initiatives, the private sector is ultimately driven by the bottom line and may not always be motivated to devote resources to broad-based, noncommercial consumer financial education. For this reason, it is important for the government to serve as an objective and unbiased source of information, particularly in terms of helping consumers make wise decisions about the selection of financial products and services. Many participants also said that consumer protection is a natural role for the government, especially in those cases where the private sector does not have a vested financial interest of its own at stake. One participant noted that the federal government should ensure that the mandated disclosures on many financial products, such as mutual fund prospectuses and mortgage forms, are useful and readable—that is, that they actually serve to help inform and protect consumers rather than simply protect companies against legal liability.

Increased Public-Private Partnerships and Interagency Coordination Are Needed

Federal agencies often partner with nonprofit and industry organizations that sponsor, fund, or operate financial literacy initiatives. Participants said that such partnerships are essential and suggested measures the federal government can take to facilitate them. Participants also recommended that the federal government improve coordination of the many financial literacy programs that exist among multiple federal agencies. They suggested that the federal effort be streamlined to avoid duplication and concentrate resources on those federal agencies best equipped to provide financial education.

- *Public-private partnership is key.* Participants said that there are many benefits to the development of partnerships involving the federal government, the states, industry groups, and nonprofit organizations in efforts to improve financial literacy. They noted that partnering

  - makes the most efficient use of scarce resources,
  - facilitates the sharing of best practices among different organizations,
  - helps the federal government reach targeted populations via community-based organizations at the grassroots level, and

- facilitates coordination of the increasing number of financial literacy programs that exist nationwide.

Participants felt that in general the federal government should seek to build on rather than duplicate the financial education efforts that have been undertaken at the community level. Finally, organizations should understand their comparative advantage. For example, one participant noted that while the Federal Reserve System is good at creating financial education materials, community groups are good at distributing them. With effective partnerships, each organization has a role and can focus on what it does best.

- *The federal government can take measures to increase public-private partnerships.* Two participants said that the federal government should provide stronger incentives to corporate America to support financial literacy programs, because the private sector will not necessarily provide such programs otherwise. The Community Reinvestment Act is one example of the federal government's efforts to encourage financial institutions to support financial literacy in communities they serve.[3] One participant also cited the Department of Defense's Financial Readiness Campaign as an example of effective partnering, noting that the campaign brought together 26 agencies and organizations from the private and public sectors to help improve financial literacy among members of the military. Another participant cited Jump$tart as an effective model of partnership because it brought together a variety of players.[4] One suggested that the federal government consider more collaboration with financial planners, who have direct contact with consumers and thus are well positioned to provide financial information. Because financial planners and other private parties often sell financial services and products, however, public agencies need to establish ground rules for such collaborations that address any potential

[3] The Community Reinvestment Act (CRA) holds banks and savings institutions accountable for meeting the credit needs of all communities they are chartered to serve, including low- and moderate-income communities. Under the legislation, federal banking agencies periodically evaluate banks to ensure that they are attentive to community needs. A bank's efforts to improve financial literacy in the community may be taken into account in assessing CRA performance.

[4] The Jump$tart Coalition for Personal Financial Literacy is a Washington D.C.-based nonprofit organization whose mission is to improve the personal financial literacy of young adults. Jump$tart has more than 140 participants, including government, nonprofit, and corporate entities.

conflicts of interest. One participant also said the federal government should facilitate more intergovernmental partnering. States and localities tend to look to the federal government for leadership, and federal agencies can do more to bring together state treasurers, state securities commissioners, governors, and others in support of efforts to improve financial literacy.

- *Federal interagency and intra-agency efforts should be better coordinated.* Participants generally believed that the federal government is doing good work providing financial education and promoting financial literacy, but some were concerned about the possibility of duplication among programs and the number of federal agencies involved in these efforts. It was felt that the federal financial literacy effort should be streamlined so that agencies with the most expertise and best track records in this area would be doing the work. One participant stated some federal programs were being managed by individuals with insufficient background in financial education issues. Another participant noted that the Department of the Treasury's Office of Financial Education, created in 2002, represented a good first step because it served as a central point of contact for federal financial literacy efforts. Participants also believed that the federal Financial Literacy and Education Commission would play a beneficial role in coordinating federal activities. The Commission, participants said, would raise the profile of the financial literacy issue among agency leadership, coordinate the work of multiple federal agencies, and create an overall federal strategy for improving financial literacy. One participant also noted that coordination of financial literacy efforts *within* federal agencies needed to be improved. As an example, the participant cited an incident involving staff who were working on a financial literacy initiative, unaware that a similar effort was under way elsewhere in the agency.

Consumers Require Financial Information on a Broad Range of Topics

What topics should federal efforts to promote financial literacy emphasize? Forum participants said that basic money management skills are most essential and that individuals should be educated on meeting future financial obligations. Investment and retirement savings were also commonly cited as important topics. But participants views varied on the need to incorporate into financial education broader issues such as the budget deficit and long-term fiscal challenges facing the nation.

- *Consumers need some basic knowledge if they are to make responsible and informed financial decisions.* Participants agreed that federal financial literacy efforts should first and foremost aim to give consumers the basic financial knowledge and skills needed to make responsible financial decisions. Budgeting, saving, money management, and basic financial planning were frequently cited as the most essential topics for a financial education strategy. Participants also thought that consumers would benefit from more education on credit, including the cost of credit and how to use and manage credit responsibly. Two participants discussed the importance of encouraging consumers to do more research into products and services before making a purchase, noting that many consumers make imprudent decisions because they fail to comparison shop. Several participants also cited the importance of providing education on consumer protection issues, especially on avoiding fraud.

- *The federal government should prepare consumers for future financial challenges.* Participants said that the federal government should educate individuals on meeting future financial obligations such as paying for health care and saving for retirement. For example, participants said that consumers need more information on planning for health care expenses in an era of rising medical costs and increasing longevity. One participant commented that the best way to prepare consumers for a financially sound future is to help them find and retain employment. As part of this effort, youth and new immigrants should be educated on the nation's entrepreneurial business culture so that they are better prepared to enter the workforce.

- *Investing and saving for retirement should be an important focus of financial education.* In an era when employees are increasingly expected to take responsibility for funding their retirements, several participants stressed the importance of educating consumers on investing wisely and saving for retirement. Participants said that consumers need instruction on basic investment principles, such as the comparative risks of different types of investments and the need to diversify investments to reduce risk. In addition, consumers need more information on saving to accumulate enough retirement funds to last the duration of their lives. One participant encouraged the federal government to reach workers who are on the cusp of retirement with information on making the transition from saving for retirement to living off of investment income and Social Security. Several participants recommended that the federal government use the annual statements that the Social Security Administration sends to most Americans as a means of delivering some of this financial education.

- *Views differed on the need to educate consumers about the budget deficit and long-term fiscal challenges facing the nation.* Participants were asked whether the federal government should include, as part of its financial literacy effort, information on issues such as the federal budget deficit and the implications of the nation's long-term fiscal imbalance. Some participants felt the topic was too complex for the average consumer to understand or to factor into the financial decision-making process. They encouraged the federal government to keep the messages related to financial literacy simple in order to reach as many people as possible. Others noted that most consumers do not care about issues like the budget deficit because they do not believe that such issues have a direct impact on their lives. Moreover, consumers may suspect that any federal campaign related to the budget deficit is politically motivated, potentially undermining the campaign's credibility. But some participants supported including these macroeconomic issues in financial education efforts. One noted that whether or not consumers care about national fiscal matters, they *should* care. The federal government has a responsibility to inform consumers that entitlement benefits cannot realistically be sustained at current levels for the long term, and consumers should plan for their futures accordingly.

While All Consumers Need Financial Education, Certain Populations Need to Be Targeted

Participants said that all consumers need to be financially literate, but their specific needs for financial education change over the course of their lives. In addition, many participants recommended that federal financial literacy efforts target certain populations.

- *People's information needs vary over the course of their lives.* Participants said that financial education is needed among all age groups and income levels but cautioned that consumers need different kinds of financial information at different phases of their lives. For instance, one participant commented that young people need to learn how to be prepared to enter the workforce, while working adults need information on managing credit and investing for retirement. Retirees, however, may need information on managing their retirement funds. Participants said that financial education should come at the right time—that is, at the "teachable moments" that occur when the information is applicable to events in a person's life.

- *Many participants advocated targeting certain populations.* While participants recommended that the federal government conduct a broad financial education effort, many participants said special efforts should be made to reach certain groups. Among these were

  - low- and moderate-income individuals and families, who typically have less experience with complicated financial transactions such as buying a home and may be more susceptible to deception or fraud;

  - low-income women, who usually do not have an employer-provided retirement plan and often are entitled to relatively little Social Security income;

  - immigrant populations, who may require information on operating within our nation's economic system, which may be unfamiliar to them; and

  - young people, who need to learn how to make responsible financial decisions as adults.

A Variety of Methods Are Needed to Deliver Financial Education Effectively

Participants were asked how federal financial literacy efforts could best reach consumers. They said the government should initiate a major media campaign with a clear message that underscores the importance of financial literacy. They also said that existing financial literacy materials should be more widely distributed, but not at the expense of interaction with individuals—a key element of successful financial education. Many participants also said that the U.S. Department of Education needs to make a greater commitment to financial literacy.

- *The federal government should initiate a major media campaign on the importance of financial literacy.* Participants said such a campaign should be directed at the general population and should include a simple, clear, direct message—for example, "Financial Security for All Americans"—that would motivate consumers. Television and the Internet were cited as two potentially effective ways to deliver such a message. Participants noted the success of certain federal public service announcements, such as Department of Agriculture's Smokey Bear campaign. One participant suggested a campaign encouraging consumers to do a periodic "financial check-up." Another suggested that members of the Financial Literacy and Education Commission promote a "message of the month." For example, the Department of Labor might sponsor a message on the importance of contributing to employer-sponsored retirement plans. These messages could be delivered through channels that regularly dispense financial literacy information, such as financial planning professionals, community organizations, church seminars, and radio talk shows. In contrast, however, one participant believed that broad-based efforts to raise awareness are overly costly and are far less effective than in-depth community-led education in changing behavior.

- *The federal government should do more to distribute existing financial education materials.* A participant noted that many federal, nonprofit, and financial industry organizations create high-quality financial education materials that reach relatively few people. These materials need to be marketed more effectively, using a variety of methods to ensure that they reach as wide an audience as possible. In general, participants agreed that federal agencies need to provide credible financial information that is easy to access. Two federal initiatives could meet these criteria: the central financial literacy Web site and telephone information hotline established by the Financial Literacy and Education Commission.[5] One participant said, however, that more research is needed on where consumers obtain financial information, while another said that agencies should work with local newspapers and television stations to disseminate stories showing how financial education has helped people and potentially encouraging other consumers to tap into available resources.

- *Delivery methods for financial information should vary according to the target audience, but interaction with individuals is key.* Although participants favored using a variety of different delivery methods to reach different audiences, they added that personal interaction is often the most effective vehicle for conveying information in a way that actually impacts behavior. One participant noted that the Department of Defense incorporates person-to-person counseling in its financial literacy initiative. Another said that the government should encourage

[5] The Financial Literacy and Education Improvement Act that created the Commission required it to establish (1) a Web site to serve as a clearinghouse and provide a coordinated point of entry for information about federal financial literacy and education programs, grants, and other information, and (2) a toll-free telephone hotline available to members of the public seeking information about issues pertaining to financial literacy and education. See 20 U.S.C. § 9703(b) and (c). The Web site (www.mymoney.gov) and hotline (1-888-mymoney) were launched on October 12, 2004.

companies to make greater use of their benefits counselors to provide employees with financial counseling. The federal government could also develop a closer partnership with the Financial Planning Association, perhaps to encourage financial planning professionals to provide pro bono counseling services to individuals in need of financial expertise.[6] Certified public accountants were also seen as a potentially effective means of reaching the general population.

- *Financial education should be part of school curriculums and additional commitment by the Department of Education is needed.* Participants discussed the importance of including financial education in school curriculums at all levels. They noted that many states do not teach financial education, in part because of limited resources and because the standardized exams used to assess students and schools do not test for financial knowledge. Many participants believed the U.S. Department of Education should make financial education more of a priority. While states and localities control public schools, they noted, the department could use its influence to encourage them to incorporate financial education. A stronger commitment by the department could perhaps include funding or other incentives to schools and teachers to promote financial literacy.

The Federal Government Should Conduct and Facilitate Program Evaluation

While financial literacy programs have proliferated, research measuring the effectiveness of the programs has not kept pace. Participants were asked about the nature of the evaluation component that should be included in financial literacy programs and the role the federal government should take in facilitating effective evaluation efforts. Evaluations should generally attempt to measure changes in behavior rather than simply knowledge or skills, participants said. They also cited ways the federal government could assist in evaluation efforts, such as by serving as an information clearinghouse, setting some standardized benchmarks, and helping nonprofits build an evaluation infrastructure.

[6] The Financial Planning Association is a membership organization for the financial planning community. Its individual members include financial planners, some of whom hold the Certified Financial Planner® certification, as well as accountants, attorneys, insurance agents, money managers, investment consultants, and others involved in financial planning for consumers.

- *Program evaluation is essential.* Participants agreed that a strategy was needed to learn what is and is not effective among federal financial literacy programs. However, relatively little program evaluation and cost-benefit analysis have been done to assess these programs and determine their effectiveness. Participants said that program evaluation ensured that scarce resources were being used efficiently and were actually improving financial literacy. Moreover, demonstrating that financial literacy programs have meaningful results is important for building political and public support for these programs. At the same time, two participants cautioned against allocating too many scarce resources to program evaluation and putting an undue burden on small programs with limited resources. In addition, anecdotal evidence rather than specific outcome measures may sometimes be an adequate indicator of success in the early stages of a new program.

- *Evaluations of financial literacy programs should try to assess behavioral change, if feasible.* A number of different measures can be used to evaluate a financial literacy program, participants said. A program can be assessed by measuring such things as changes in the target audience's financial knowledge and skills or by changes in actual behavior. Ideally, any evaluation of a financial literacy program should measure the impact on behavior, such as changes in program participants' personal savings, credit scores, or homeownership rates. The Federal Deposit Insurance Corporation's Money Smart program was cited as an example of an effort that has resulted in behavioral change, as some 50,000 people have opened bank accounts after completing its curricula. One participant noted that the Department of Defense could serve as a particularly good laboratory for learning what is effective in financial education, as it already has standardized financial literacy programs and a "captive audience" that is easy to track over time. In general, someone noted, behavioral change can be measured on a micro level (the impact on individual program participants) or on a macro level (the impact on society or the economy as a whole).

  While participants said that evaluation efforts should attempt to measure behavioral change, they also acknowledged that this type of evaluation can be extremely difficult. It can require tracking actions and decisions by a program's participants over a long period of time—activities that may be unduly expensive, time consuming, or infeasible. In addition, because many variables can affect consumer' behavior and decision making, ascribing any long-term changes to a particular program is difficult. One participant emphasized that we must acknowledge programs with significant intangible benefits that nonetheless do add real value.

- *Build on existing models of evaluation.* Participants indicated that evaluation efforts should build upon, rather than duplicate, one another. Some standardized means for measuring program impact should be used to evaluate multiple programs. One participant noted that the National Endowment for Financial Education was currently funding the development of some standardized evaluation tools.[7] Another noted that the Department of the Treasury had developed a list of elements that are common to successful financial education programs. One participant pointed out that the Department of Agriculture, working through the nationwide Cooperative Extension System to deliver the Financial Security in Later Life program, had an evaluation component built into it from the beginning and that other programs may want to use this program as a model. Another participant suggested borrowing from the Office of Management and Budget's work on cost-benefit analysis and using it to evaluate financial literacy programs. Two participants said that longitudinal studies (following consumers over an extended period of time) were needed to prove that programs are having an effect. Also needed are benchmarks—baseline standards for measuring or comparing the effect of a financial literacy program. A participant said that the federal government might want to establish basic benchmarks and that Jump$tart's periodic survey of high school students' financial literacy could be used as one of these benchmarks. In addition, the federal government could use the vast amount of economic data it collects to help benchmark and measure the effectiveness of financial literacy efforts on a macro level.

- *A primary goal for federal evaluation efforts should be to facilitate the evaluation efforts of other players.* Participants said the federal government could play a constructive role by developing an evaluation infrastructure that would help local organizations build their capacity

[7] The National Endowment for Financial Education is currently funding a project to develop a Web-based evaluation toolkit aimed at helping financial educators build their evaluation capacity. The project's purpose is to develop a database of evaluation questions and planned practice changes for a wide range of financial topics and target audiences. The project also includes an evaluation manual with instructions on how to use the database to construct evaluation instruments and guidelines on how to present and use the evaluation data to show program impact.

and evaluate their programs appropriately. For example, the federal government could serve as a clearinghouse for evaluation results. At the same time, at least one participant had reservations about establishing federal standards for financial literacy programs, fearing that a top-down approach might inadvertently serve to hamper efforts at the community level. In fact, several participants said an assessment should be built into the evaluation of any federal financial literacy program to determine whether the federal government was indeed the best entity to be conducting the program. Participants noted that federal agencies should carefully consider whether they have sufficient expertise to deliver financial education effectively or whether another entity, such as a private or nonprofit organization, might be a more appropriate choice.

Forum Participants

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Related GAO Products

Consumer Protection: Federal and State Agencies Face Challenges in Combating Predatory Lending. GAO-04-280. Washington, D.C.: January 30, 2004.

Describes government, industry, and nonprofit efforts to provide consumer education on predatory home mortgage lending. Finds that consumer education efforts in general are useful, but that their ability to deter predatory lending may be limited by several factors, including the complexity of mortgage transactions and the difficulty of reaching the target audience.

Military Personnel: DOD Needs More Data to Address Financial and Health Care Issues Affecting Reservists. GAO-03-1004. Washington, D.C.: September 10, 2003.

Describes the Department of Defense's personal financial management services and education provided to reservists and their families. Finds that the department is taking steps to improve personal financial management, but has not assessed the financial well-being of reserve families, assessed the impact of reservists' financial problems on mission readiness, or determined how to tailor its programs to reservists.

Private Pensions: Participants Need Information on Risks They Face in Managing Pension Assets at and during Retirement. GAO-03-810. Washington, D.C.: July 29, 2003.

Describes the information that pension plans make available to participants at retirement and identifies a range of actions to help retiring participants preserve their pension and retirement savings plan assets. Suggests that Congress consider requiring plan sponsors to provide a notice on risks that individuals face when managing their income and expenditures at and during retirement.

Electronic Transfers: Use by Federal Payment Recipients Has Increased but Obstacles to Greater Participation Remain. GAO-02-913. Washington, D.C.: September 12, 2002.

Discusses ways of increasing the use of electronic fund transfers for benefit payments made through the Social Security Administration and other programs. Briefly describes efforts by government, industry, and nonprofit organizations to publicize the use of electronic fund transfers, often as part of broader financial literacy programs.

Private Pensions: Participants Need Information on the Risks of Investing in Employer Securities and the Benefits of Diversification. GAO-02-943. Washington, D.C.: September 6, 2002.

Finds that employees can face significant risks when investing in employer securities through employer-sponsored retirement plans, and describes the regulatory provisions for disclosures to participants of such plans. Suggests that Congress consider requiring plan sponsors to provide an investment education notice containing basic information on risk management and the importance of diversification.

Retirement Saving: Opportunities to Improve DOL's SAVER Act Campaign. GAO-01-634. Washington, D.C.: June 26, 2001.

Reviews the Department of Labor's Retirement Savings Education Campaign, which seeks to educate individuals about the importance of saving for retirement. Finds that the department has not attempted to assess the extent to which its outreach efforts have increased the public's knowledge and understanding of retirement saving and makes recommendations related to such an evaluation.

Consumer Finance: College Students and Credit Cards. GAO-01-773. Washington, D.C.: June 20, 2001.

Describes credit card issuers' practices for marketing to college students and universities' policies and practices on credit card solicitation. Discusses the advantages and disadvantages that credit cards present to college students. Includes description of financial education efforts by some universities, particularly those responding to concerns about aggressive credit card solicitations.

Social Security: Capital Markets and Educational Issues Associated With Individual Accounts. GAO/GGD-99-115. Washington, D.C.: June 28, 1999.

Discusses the public education efforts that would be needed should the Social Security program be modified to include individual investment accounts. Finds that a broad-based educational effort would be required to educate individuals on making appropriate investment decisions and to protect against misinformation.

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