

Treasury

# Financial Education Messenger

An Office of Financial Education Quarterly Publication



## Message from Secretary Snow

**F**inancial education is extremely important for all Americans. As the President's Jobs and Growth Plan puts more money into the hands of consumers through lower marginal tax rates, an increased child tax credit, and accelerated marriage penalty relief, Americans have a chance to save, invest, or spend that extra money wisely. Yet without access to financial education resources, many people may miss out on this golden opportunity.

In a proactive step to address this important issue, the Department of the Treasury established the Office of Financial Education (OFE) in May 2002 to make consumers aware of the multitude of personal finance programs and materials – many at no cost – that are available to the public. Everyone – from the youngest student just entering the school system to a senior living on a fixed income – needs to have the practical knowledge and skills that enable them to make informed financial choices throughout their lives.

As young adults learn to make

money, they must also learn how to manage money. In 2001, teenagers spent more than \$172 billion. More than twenty percent of teens have their own credit card. And individuals under the age of 25 are the fastest growing group of individuals filing for bankruptcy. Financial education contributes to young people beginning their adult lives in good financial shape, not under the burden of unmanageable debt that keeps them from getting an education, buying a home, or even being hired for a good job.

The Treasury Department recently presented a Certificate of Recognition to a program that helps college

freshmen avoid these very problems. The Society for Financial Education and Professional Development teaches incoming students at historically black colleges and universities good credit management skills during freshmen orientation seminars. It is these types of programs that will have a real impact on financial education across the United States and a real impact on individuals' lives.

I am proud that the OFE, through its policymaking function, its outreach efforts, and its partnerships with public and private sector entities, will continue to be an important part of the effort to improve financial education for all Americans. ■

## Treasury and Federal Reserve Identify Top 5

**T**he Treasury Department and the Federal Reserve Board announced the top five fundamental practices that consumers should follow to manage their personal credit. During a May 22, 2003, credit management panel discussion hosted by Treasury and the Federal Reserve and attended by representatives of financial services organizations and community and

consumer groups, consensus was reached on the five fundamental practices.

“These fundamentals are an important first step toward educating all Americans about the importance of responsible credit management,” said Treasury Assistant Secretary for Financial Institutions Wayne A. Abernathy. “Wise management of

*Continued on Page 4*

### Top 5 Fundamentals

1. Build savings to avoid high-cost debt and improve payment options.
2. Pay bills on time.
3. Pay more than the minimum payment.
4. Comparison shop for credit and obtain only the credit you need.
5. Understand your credit history and how it affects you.

# Treasury Department Salutes Financial Education Programs



Marin

## Office of Financial Education Recognizes Ohio CUL Latino Financial Education Program

On June 23, 2003, former U.S. Treasurer Rosario Marin formally saluted the Ohio Credit Union League's Latino Financial Literacy Program at an event organized by the Office of Financial Education. Treasurer Marin presented a certificate of recognition signed by Secretary Snow to the League to

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Fisher, Chu

## DoD Measures Results

More than 26 financial literacy public and private partner organizations attended the official launch of the Department of Defense's Financial Readiness Campaign kickoff in the Department of the Treasury's Cash Room on May 8, 2003. David S. C. Chu, Defense Under Secretary for Personnel Readiness, defined the objective of the Campaign, which is a financial literacy program that gives servicemembers and their families a chance to learn more

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Abernathy, Daniels, Brown

## Certificate Presented for National Program

Treasury Assistant Secretary for Financial Institutions Wayne Abernathy and Community Development Financial Institutions (CDFI) Fund Director Tony Brown traveled to Virginia State University, Petersburg, VA, on August 18, 2003, to present the Society for Financial Education and Professional Development with an honorary Department of the Treasury certificate of recognition signed by Secretary

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## Eight Elements of a Successful Financial Education Program

### Content

1. focuses on *basic savings, credit management, home ownership* and/or *retirement planning*.
2. is *tailored to its target audience*, taking into account its language, culture, age and experience.

### Delivery

3. is offered through a *local distribution channel* that makes effective use of community resources and contacts.
4. *follows up with participants* to reinforce the message and ensure that participants are able to apply the skills taught.

### Impact

5. *establishes specific program goals* and uses performance measures to track progress toward meeting those goals.
6. *demonstrates a positive impact on participants' attitudes, knowledge or behavior* through testing, surveys or other objective evaluation.

### Sustainability

7. *can be easily replicated* on a local, regional or national basis so as to have broad impact and sustainability.
8. is *built to last* as evidenced by factors such as continuing financial support, legislative backing or integration into an established course of instruction.

## *The Director's Corner...*

### **2003 Wisconsin Institute for Financial and Economic Education**

On August 4, Kristin Smith, Director of the Office of Financial Education, addressed approximately fifty teachers regarding the importance of improved financial education and the Federal government's efforts in the area at the 2003 Wisconsin Institute for Financial and Economic Education's week-long program on Credit and Money. Through the Credit and Money Series, which is in its third year, teachers of personal finance, family and consumer science, social studies, economics, math, business, and other courses are offered relevant strategies, practical materials, hands-on experience, and applicable information for teaching financial education in their classrooms. In addition, teachers have the option to earn graduate credits for participating.

Presented by the Wisconsin Jump\$tart Coalition and sponsored by the CBM Credit Education Foundation, Inc., the Wisconsin Department of Financial Institutions, and the Wisconsin Bankers Association, the Institute offers sessions on the Basics of the Market Economy, the Urge to Splurge and Consumer Credit, the Social Psychology of Credit, Budgeting in the Real World, and Credit Education. The Office of Financial Education was invited to participate as part of the Welcome Ceremony and to present a national perspective on the state of financial education.

In addition to the Credit and Money Series, the Institute offers a program on Saving, Investing and Insurance and is one of just a few programs around the country that provides targeted financial education training for teachers. ■

### **2003 Economic & Financial Literacy Conference Sponsored**

On August 20, the Hawaii Council on Economic Education and Senator Daniel K. Akaka co-hosted the First Annual Economic & Financial Literacy Conference in Honolulu, Hawaii. The Conference brought together Federal, State, and local government decision makers, educators, school administrators, and business and community leaders to increase awareness about the importance of, assess the current climate for, and identify strategies to improve economic and financial literacy in Hawaii.

Kristin Smith, Director of the Office of Financial Education, participated on a national panel that included representatives of the National Council on Economic Education, the Jump\$tart Coalition for Personal Financial Literacy, the Department of Education, and the Federal Reserve Bank of San Francisco. The Conference also included an opportunity for more than fifteen organizations to exhibit their financial education materials and resources, as well as Roundtable Sessions on Thinking Outside the Classroom, Researching Underserved Populations, the Outreach Challenge, and Curriculum Development. ■



Kristin Smith, Director, Treasury's Office of Financial Education (OFE), and participants attending the 2003 Wisconsin Institution for Financial and Economic Education



personal credit is vitally important to reaching goals such as homeownership, higher education, and small business development.”

“Credit must be managed carefully and these concepts offer guidance on how to do so,” said Federal Reserve Board Governor Edward M. Gramlich. “The fundamentals of money management can help people make smart decisions that promote their own well-being and, on a broader scale, foster a more efficient economy.”



Abernathy



Gramlich

Participants in the May 22 panel discussion, chaired by Assistant Secretary Abernathy and Governor Gramlich, included representatives from the National Foundation for Credit Counseling, the Association for Financial Counseling and Planning Education, the In-Charge

Institute, the American Bankers Association, America’s Community Bankers, the Credit Union National Association, the Fannie Mae Foundation, Freddie Mac, American Express, MasterCard, Visa, the Community Financial Services Association of America, the Consumer Federation of America, the National Council of La Raza, AARP, and College Parents of America. ■

[www.treasury.gov/financialeducation](http://www.treasury.gov/financialeducation)

### Ohio CUL Program, from page 2

recognize their efforts in teaching financial education to the Hispanic Community in Columbus, Ohio.

The awards ceremony took place before the class began at the Shepard Church of the Nazarene in Gahanna, Ohio. Following the awards ceremony, Treasurer Marin assisted course instructor, Ruben Nieto, in teaching the Spanish-Language Financial Education Class where students are learning about saving, managing money, setting financial goals, and handling credit.

The Latino Financial Literacy Program is a four-session course that provides instruction on financial goals and spending; developing a budget; establishing and maintaining a good credit history; and managing a bank account and other financial instruments. In its first year, 225 people attended the course and received a certificate of graduation.

The program is sponsored by the Ohio Credit Union League in partnership with the Ohio State University Extension Office. The

Latino Financial Literacy Program meets the criteria for effective financial education programs identified by the Department of the Treasury’s Office of Financial Education.

### DoD, from page 2

about personal finances and to encourage them to better manage their money.

At the event, former Treasury Undersecretary for Domestic Finance Peter Fisher officially recognized the Department of Defense for its exemplary program that contains the critical elements for a successful financial education program, including measurable results. ■

### National Program, from page 2

Snow for its efforts in teaching financial education to students attending historically black colleges and universities.

The Society for Financial Education and Professional

Development, established in 1998, is a non-profit organization that teaches financial education to students attending black colleges and universities in more than 34 states. Theodore Daniels, the Society’s president, developed the program utilizing his 30 years of experience in the area of financial management and investments. Five financial advisors currently offer the program at more than 50 schools each year.

The program consists of two seminars: “Credit Card Management—Credit Cards: Learn to Use them Wisely” and “Money Watch—Personal Money Management Seminar for College and University Students.” The first seminar is provided in a mandatory orientation for students entering college to help them avoid problems associated with accumulating an overwhelming amount of credit card and student loan debt. The second seminar is provided to students nearing graduation to help prepare them for post-college live in the working world. ■

## Office of Financial Education Announces Online Directory

The Treasury Department's Office of Financial Education (OFE) announced in August the availability of a new online "Federal Financial Education Resources" directory that will make financial education information more accessible to government entities, community-based organizations, and the general public.

The directory, available at [www.treasury.gov/financialeducation](http://www.treasury.gov/financialeducation), provides access to the many resources available within the federal government to assist in the implementation of financial education initiatives. More than twenty-five separate resources are listed, and

programs are catalogued by subject area, program name, and sponsoring organization.

"Throughout the federal government, agencies are sponsoring and developing financial education initiatives directed to a broad and diverse constituency, and for the first time, this wealth of resources is available in a single location," said Treasury Assistant Secretary for Financial Institutions Wayne A. Abernathy. "This directory is a great first step in providing access to financial education for all Americans." ■



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### Editor's Notes:

I am truly excited about working in the Office of Financial Education (OFE), and being a part of publishing the *Treasury Financial Education Messenger*, our quarterly newsletter. This newsletter is a coordinated effort of several offices within the Department of Treasury. Therefore, I would like to thank the Public Affairs staff; the Printing and Graphics staff, especially Douglas Yates; staff photographer Chris Taylor, and the OFE staff for their assistance. Next quarter's newsletter will feature an article about our new Deputy Assistant Secretary for Financial Education Dan Iannicola Jr. For more information about the OFE, please visit our website at [www.treasury.gov/financialeducation](http://www.treasury.gov/financialeducation).

Melinda Graves, Editor



## Areas of Focus

### Savings

Did you know that the personal savings rate as a percentage of the gross domestic product (GDP) fell from 24% during World War II to 7.5% during the early 1980's to 2.4% in 2002? (Bureau of Economic Analysis (NIPA), 2003)

### Credit Management

Did you know that 93% of Americans agree that it's "very important" to pay bills on time, but only 80% of Americans say they do it all the time? (Bankrate.com, March 16, 2003)

### Homeownership

Did you know that mortgage borrowers who receive homebuyer counseling have lower delinquency rates than homebuyers who have received no counseling? (Sandra Braunstein and Carolyn Welch, "Financial Literacy: An Overview of Practice, Research, and Policy," Federal Reserve Bulletin, November 2002)

### Retirement

Did you know that Americans spent more time last year planning for holidays and social events than they did planning their retirement? (Humberto Cruz, "Retirement Plans at Risk for Some," Chicago Tribune, May 27, 2003)

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