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June 20, 2011

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: **File Number 4-626**, Comment Request on Existing Private and Public Efforts to
Educate Investors

Dear Ms. Murphy:

The Investment Company Institute Education Foundation (ICIEF) appreciates the opportunity to respond to the SEC's comment request on existing private and public efforts to educate investors, in connection with a study regarding financial literacy among investors as mandated by the Dodd-Frank Act. The request seeks responses to eight questions. The questions and ICIEF's responses are set forth below.

Questions 1 and 7: Describe your organization and its investor education programs.

ICIEF is a nonprofit corporation organized under Section 501(c)(3) of the Internal Revenue Code to be operated exclusively for charitable, educational purposes. ICIEF is an affiliate of the Investment Company Institute (ICI), the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds, and unit investment trusts. Founded in 1989, ICIEF has partnered with schools, nonprofits, and government agencies to sponsor, develop, and deliver investment education programs to underserved Americans. ICIEF also participates in financial education advocacy coalitions, conferences, and initiatives that promote saving and investing nationwide.¹ Although there are now many nonprofit organizations and coalitions devoted to financial literacy and capability, only a handful (including ICIEF, the FINRA Foundation, the Investor Protection Trust, SIFMA Foundation, and the Alliance for Investor Education) focus on investment education.

Our thinking with respect to how to provide effective investment education programs has evolved over the years, as both the need for financial literacy and the resources available to meet that need have mushroomed. Initially, in the early 1990s, ICIEF commissioned market research to identify priority audiences and potential partnership organizations who could help us reach those audiences. We then developed our own programs targeted to those groups and promoted and distributed the programs through those partnership organizations. Examples of these programs included:

¹ ICIEF is represented on the boards of the American Savings Education Council, Alliance for Investor Education, and Greater Washington Jump\$tart Coalition for Personal Financial Literacy. ICIEF is also a partner of the national Jump\$tart Coalition.

- A mutual fund investing seminar developed by ICIEF and presented by fund industry leaders at SEC Investor Town Meetings held across the country during Chairman Arthur Levitt's tenure,
- An awards program for journalists, administered by American University's School of Communications for more than a decade, to recognize excellence in educating the public on personal finance issues,
- *Mutual Fundamentals*, a training program for secondary school teachers, in partnership with the SIFMA (then SIA) Foundation, to incorporate information about mutual fund investing in classroom curricula in selected school districts across the country, operated for a half-dozen years (subsequently, ICIEF underwrote the inclusion of mutual funds in the SIFMA Foundation's Stock Market Game™),
- Sponsorship of personal finance seminars, in partnership with the Society for Financial Education & Professional Development, for incoming freshmen and graduating seniors at Historically Black Colleges and Universities in the early 2000s, and
- *Investing for Success*, a workshop and web program to teach the basics of investing to underserved African-American and Hispanic communities in partnership with the National Urban League and the Hispanic College Fund, conducted in communities across the country for seven years beginning in 2000 (SEC's Office of Investor Education and Advocacy participated in many of these workshops).

Microgrants for Investor Education

Today, ICIEF is no longer directly involved in developing materials or conducting seminars. Since ICIEF was founded, the critical need for financial literacy has been recognized at the highest national levels through the formation of such groups as the federal interagency Financial Literacy and Education Commission, the President's Advisory Council on Financial Capability, and the Congressional Financial and Economic Literacy Caucus. ICI members and other financial service companies have made a wealth of financial information accessible virtually anytime, anywhere from a host of electronic devices. Nationwide organizations and coalitions dedicated to financial literacy have proliferated, including the FINRA Foundation, the National Endowment for Financial Education, the American Savings Education Council, and the Jump\$tart Coalition for Personal Financial Literacy, among many others. Several state education departments (including Virginia and Maryland) have adopted financial literacy requirements.

In 2008, after a strategic review,² ICIEF's Board decided that, rather than continuing to create new content in search of distribution channels, we could reach a broader and wider audience much more cost effectively by leveraging existing resources within the financial literacy community. We also determined that by focusing our efforts locally – on the Washington, DC region – we could maximize our cumulative impact. We reaffirmed our specific commitment to investment education, finding that many financial literacy programs

² Research underpinning this review was conducted by Dr. Lois Vitt, Founder of the Institute for Socio-Financial Studies, and Dr. William Anthes, former President of the National Endowment for Financial Education.

focused on saving, credit, and debt, and gave investing short shrift. Research indicates³ and our grantees tell us that many of those who are providing financial education are least comfortable teaching the investing portion. Yet investing education is essential to help people meet long-term financial goals, such as home ownership, education, health care, and retirement.

In 2009, ICIEF launched a microgrant program within the Washington, DC region, offering grants of up to \$25,000 each to schools and nonprofits to start or strengthen investor education in existing financial education courses, programs, or activities. To date, we have awarded seven grants, all of which are at least a year's duration, to the following organizations:

- Junior Achievement of the National Capital Area, to sponsor an investment storefront within Finance Park where all Fairfax County, VA 8th graders will set budgets for investing as part of a personal finance simulation (this is the first of 14 Finance Parks nationwide to include bonds and mutual funds, as well as stocks, in the simulation),
- STRIVE DC, to incorporate retirement investing education into job training and placement programs for unemployed DC residents,
- United Negro College Fund, to develop, in partnership with EverFi (an online personal finance simulation), a Financial Scholars program in five Prince George's County, MD high schools,
- SIFMA Foundation for Investor Education, to conduct two professional development days for Washington, DC school teachers, including a personal finance component as well as instruction on how to implement the Stock Market GameTM in the classroom, with implementation followup,
- Arlington County Office of Virginia Cooperative Extension, to develop and deliver four five-week series of investment lessons for adults at Northern Virginia libraries and for students at four Northern Virginia middle schools,
- University of Maryland, to develop and deliver a series of workplace retirement investing seminars for university faculty and staff, with emphasis on lower-income, ESL staff, and
- Fairfax County Public Schools, VA, to develop and deliver, through workshops and online videos, investment education for teachers, as well as to develop student lessons in investing.

As a condition of funding, all grantees must agree to evaluate the success of the project, including an assessment of the knowledge, attitudes, or skills acquired by the participants and an explanation of how these were measured. For more information about the microgrant program and grantee evaluations of funded projects, please see www.icief.org.

³ See, for example, a study funded by the National Endowment for Financial Education, "Teachers' Background and Capacity to Teach Personal Finance," by Drs. Wendy Way and Karen Holden at the University of Wisconsin, available at <http://www.nefe.org/LinkClick.aspx?fileticket=q9Ahp7m5Cbg%3d&tabid=246>.

National Financial Capability Challenge Awards for Washington, DC High Schools and Students

This year, in response to the results of the 2010 National Financial Capability Challenge,⁴ where Washington DC ranked last among all states in both scoring and participation, ICIEF worked with the U.S. Departments of Treasury and Education (sponsors of the Challenge) to encourage DC participation by underwriting an awards program. We awarded \$1,000 each to five of the highest-scoring DC high school students with scores above 70 percent; each of their schools also received an award of \$1,000. In addition, we awarded \$1,000 each to the two DC high schools with the highest student participation rates. Both scoring and participation improved significantly; we expect continued improvement in years ahead.

Questions 2 and 3: What do you consider the most important characteristics of an effective education program and what programs do you view as most effective?

We believe the most effective programs incorporate these characteristics:

- Well-defined, measurable, and research-driven objectives,
- Resources adequate to meet the objectives,
- Leveraging of resources through appropriate partnerships, including media,
- Curriculum adapted and relevant to the audience, and including opportunities for experiential learning,
- Delivery methods that ensure the greatest accessibility,
- Knowledgeable and enthusiastic educators,
- Targeted outreach efforts,
- Periodic evaluation with follow-up modifications as indicated,
- Scalability, and
- To the extent possible, delivery at “teachable moments,” when people are most receptive to learning – e.g., when personal circumstances change or when a specific financial decision is required.

Question 4: Has your organization or an independent third party evaluated any of your organization’s programs? If yes, please describe.

As mentioned above, our grantees must agree to evaluate their programs as a condition of funding. In addition, the curriculum used by some of our grantees has also been evaluated by third parties. For example, Junior Achievement’s Finance Park curriculum was evaluated by the Evaluation and Training Institute,⁵ SIFMA

⁴ For more information about the Challenge, please see <http://www.challenge.treas.gov/>.

⁵ For more information, please see <http://www.myja.org/financepark/evaluation/>.

Foundation's Stock Market Game™ was evaluated by Learning Point Associates,⁶ and Cooperative Extension System's "Investing for your Future" was evaluated by Dr. Barbara O'Neill at Rutgers University.⁷

ICIEF's previous investment education programs, *Mutual Fundamentals* and *Investing for Success*, incorporated pre- and post-knowledge testing at workshops, participant evaluations, and annual follow-up with teachers. All of this feedback was used to continuously refine and update the workshops, materials, and presentations.

Question 5: Are your programs national in scope? If not, could they be replicated or expanded?

All of ICIEF's previous investment education programs were national in scope. Our current grant and awards programs are focused on the Washington, DC region, but could easily be replicated or expanded. For example, the Departments of Treasury and Education have encouraged other states to follow our lead in setting up regional awards for the National Financial Capability Challenge.

Question 6: What types of investor behaviors or other topics do you think investor education programs should focus on and why?

In general, investing fundamentals include such topics as saving vs. investing, the importance of getting started, setting realistic goals, matching goals to appropriate investments, asking questions, understanding and evaluating risks, developing realistic expectations, taking the long-term view, diversifying assets, and tax-advantaged investing. Because of the dynamic nature of the investing marketplace, resourcefulness in seeking and assessing information is an important skill to develop. However, despite repeated calls for a standardized knowledge and skill set, both the diversity and disparate needs of the population and the breadth and complexity of investing suggest a "one size fits all" approach is not as likely to succeed as a multi-pronged educational strategy. For example, those who don't even recognize the need for investing education present a far different challenge from those with specific and immediate investing questions who are overwhelmed attempting to parse the available information. Just within ICIEF's own grant program, both the educational materials and their presentation vary considerably for, say, eighth graders compared to ESL retirement plan participants compared to secondary-school teachers. Investment education programs need to take into account not only traditional education concerns, such as differences in learning styles and interaction preferences, but also language and cultural barriers to learning. Both the manner in which information is presented and the source of that information can influence the effectiveness of the presentation and enhance its appeal. Finally, especially when working with lower levels of financial literacy, attempting to document behavioral change may be premature unless and until the education is occurring at "teachable moments."

Question 7: Describe your organization. See Question 1, above.

⁶ For more information, please see http://www.sifma.org/uploadedFiles/Education/SIFMA_Foundation/Education_SIFMA%20Foundation_Learning%20Point%20Study%20Brief%20Report.pdf.

⁷ For more information, please see <http://www.joe.org/joe/2003june/rb6.php>.

Question 8: Do you have any other comments regarding the effectiveness of existing private and public efforts to educate investors?

Today, only half of all states have any requirement for personal finance instruction in public schools.⁸ The benefit of a lesson in the time value of money increases as the age of the audience decreases – so the schoolroom is an excellent place to start. Moreover, research has confirmed that those who are exposed to financial education in high school have higher levels of financial knowledge later in life, higher levels of savings later in life, and are more apt to plan for retirement.⁹ The number one recommendation of the 2008 President’s Advisory Council on Financial Literacy emphasized the importance of formal education: “The United States Congress or state legislatures should mandate financial education in all schools for students in grades Kindergarten through 12.”¹⁰ Although financial literacy is a lifetime goal, requiring new knowledge and skills as the financial marketplace and personal circumstances change, it’s never too early to begin laying the foundation.

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ICIEF appreciates the SEC’s attention to our comments. If you have any questions, please contact me at 202/326-5880 or duncan@ici.org.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sue Duncan".

Sue Duncan
Vice President
Investment Company Institute Education Foundation

⁸ The Jump\$tart Coalition for Personal Financial Literacy tracks these state requirements; see <http://www.jumpstart.org/state-financial-education-requirements.html>.

⁹ See, for example, “The Importance of Financial Literacy,” by Dr. Annamaria Lusardi of the National Bureau of Economic Research at <http://www.nber.org/reporter/2009number2/lusardi.html>.

¹⁰ This report is available at http://www.jumpstart.org/assets/files/PACFL_ANNUAL_REPORT_1-16-09.pdf.