

(1) Have you attended, or does your organization operate, organize, sponsor, promote, or host, any investor education programs? Please describe the program, including its duration, target audience, and any measurable goals and objectives aimed at changing investor behavior. What specific topics are covered in its curriculum?

NEFE Background

The National Endowment for Financial Education® (NEFE®) is the leading private, nonprofit, national foundation dedicated to inspiring empowered financial decision making for individuals and families through every stage of life.

NEFE accomplishes its mission primarily by partnering with other organizations to:

- Provide practical, reliable, and unbiased financial education to members of the public
- Accomplish research in the field of financial literacy education
- Create demand for financial education

NEFE's activities place special emphasis on those who face financial challenges that are not being addressed by others. Among our target audiences are:

- Youth
- Low-income individuals and families
- People in difficult or unusual life circumstances

NEFE's partnerships and the foundation's own efforts result in a wide range of free activities and materials, including:

- Resources for consumers
- Materials for educators and facilitators
- NEFE High School Financial Planning Program® (HSFPP)
- Joint efforts with numerous nonprofit and government entities to develop financial literacy resources for specific audiences
- Research, conferences, and think tanks on a variety of financial literacy topics
- Grant awards to organizations and academic institutions whose work can contribute to the field of financial literacy
- Resources for the media

Because NEFE believes in financial education across the life span, we have several wide-reaching programs and Web resources, each serving a unique audience or life stage. Our programs address investor education in a holistic manner, providing a context of where investment understanding fits into other necessary competencies, capabilities, and knowledge of the financial experience.

NEFE Programs with Investor Education Components:

The NEFE High School Financial Planning Program® (HSFPP) (<http://hsfpp.nefe.org>) is a financial literacy program designed for high school students; however, the fundamental concepts are applicable to middle grade students as well as adults. The HSFPP is NEFE's longest-standing public service effort. Introduced as a public service project in 1984, the program annually reaches over half a million students in just over 7,000 classrooms and workshop settings in every state in the country, as well as over 100 U.S. military bases outside the U.S. Over the years, authorized versions of the program have been created for use in Canada, Australia, New Zealand, and Japan. Since 1984, NEFE has fulfilled over 93,600 orders reaching nearly 8 million students.

This award-winning, noncommercial financial education program is designed to teach and lead students in grades 9-12 toward a practical understanding of financial literacy knowledge. The student-centered, performance-based program was developed, and is consistently updated, by expert curriculum designers, and it is crosswalked to national financial education standards and personal finance requirements in all 50 states. Students are introduced to the fundamentals of personal financial management as they outline personal financial plans, create budgets, propose a personal saving and investing plan, select strategies to use in handling credit and managing debt, demonstrate how to use various financial services, create a personal insurance plan, and examine how a choice of career and lifestyle will affect a financial plan. The program is designed to be used within the context of existing courses and can be presented in part or whole in 2–45 hours of instruction. All of the materials and training for this program are provided to schools and organizations at no charge. These materials include student guides (English and Spanish versions), instructor manuals with detailed lesson plans, data CDs containing PowerPoint visuals, and website content and downloads.

The NEFE High School Financial Planning Program was developed by teachers and financial professionals who know how to move students from knowledge to the kinds of positive action that will help them begin to take control of their finances. The HSFPP personalizes learning so students can immediately begin to apply learned skills in their own life and continue to apply the skills in later life stages. The turnkey curriculum was designed and developed so students take what they learn and apply it directly in the course of each unit. Carefully designed exercises and activities move the student step-by-step toward each of the seven core competencies that the program teaches. Along the way to building these seven competencies, students also practice and apply goal setting and decision-making skills to help them manage their resources throughout their lives.

Students who complete the program, either in part or in full, show positive financial behavior changes that provide the foundation for greater personal financial capability. The program is evaluated routinely by academic researchers for effectiveness. Examples of successful outcomes three months after studying the program include:

- Increased confidence in making financial decisions
- Changed savings patterns to consistently save for short-term and long-term goals
- Shared financial knowledge learned with family and/or friends

The HSFPP - Saving and Investing Module

The NEFE High School Financial Planning Program includes a module specifically focused on saving and investing. This module can stand alone or form the foundation for more in-depth study and practice relating to investment options and strategies. Approximately 3-5 hours of instructional activities and content are built around a target competency to propose a personal saving and investing plan. The module outline is provided below.

HSFPP Unit 3. Investing: Making Money Work for You

Target Competency: Propose your own saving and investing plan

Supporting Learning Objectives	Supporting Learning Activities & Content
A. Differentiate between saving and investing	Discuss reasons for saving or investing Differentiate between saving and investing Examine how savings and investing relate to financial planning
B. Assess the time value of money	Explain how time affects the value of money Compare results of time, interest rates, and amount of money saved and invested Explain the Rule of 72 and solve problems using the rule Review how to calculate simple interest Calculate compound interest Determine how interest rate affects investment returns over time
C. Compare investment options	Describe types of saving and investment options List sources of reliable and timely savings and investment information Explain the process to save or invest for each type of saving and investment option Identify costs associated with various types of investments Compare and contrast features of saving and investment options
D. Compare the relationship between risks and returns related to savings and investments	Explain the risk-to-return principle Weigh the risk and potential return associated with savings and investing Explain how savings and investments are protected and regulated
E. Recommend ways to integrate savings and investing strategies into your financial planning	Examine the value of diversifying savings and investing options Justify the value of paying yourself first (PYF) Examine how dollar cost averaging impacts investing Consider opportunity costs associated with investments Use the decision-making model to select savings and investing options aligned with personal financial goals

CashCourse® (www.cashcourse.org) is a Web-based financial education program targeting college students and young graduates. CashCourse provides a high-quality, free, noncommercial financial education resource to colleges and universities in order to meet their needs in providing financial education tools to their students. Our goal is that through CashCourse, these students develop the skills and knowledge to become financially healthy adults.

This free website provides students with unbiased, noncommercial financial information for every stage of college life, from paying for college to navigating the world of work post-graduation. CashCourse provides an overview of investing in both its content and interactive

calculators. Specifically, CashCourse provides an introduction to a variety of retirement plans and investment options, information on figuring out how much to save for retirement, and tips for evaluating possible retirement benefits offered by potential employers.

CashCourse was piloted with Big Ten schools in 2007 and has continually evolved through feedback and focus groups from students and administrators alike. CashCourse features tools such as an interactive budget wizard for students, and free additional resources for administrators such as customizable marketing materials, seven workshop kits, and templates for campus-wide social media outreach and promotional contests. Branding of the school can be integrated into the website, and as of June 2011 over 560 colleges and universities use CashCourse.

Smart About Money (www.smartaboutmoney.org) is a consumer website that helps people make sound financial decisions throughout life's ups and downs. Launched in 2005 and constantly updated, the site features practical articles, worksheets, tips, and other valuable resources to help people understand and manage money. Many NEFE resources are available in the Smart About Money Resource Library, including the **Wealth Care Kit** (www.smartaboutmoney.org/wealthcarekit). NEFE's Wealth Care Kit is an easy-to-use guide for taking charge of all that's important and giving consumers practical ways to manage money. The kit helps consumers evaluate their current financial situation, identify both short- and long-term goals, and develop a plan to reach their goals. The kit covers five specific financial planning areas: insurance, investments, income tax planning, retirement planning, and estate planning. The investments section contains information on: the difference between saving and investing; investment risks and how to control them; the different types of investments available; how to match investments with your goals; and 10 keys to successful investing.

Spendster (www.spendster.org) was launched in 2008 and showcases people's stories of impulse buying, overspending, and wasting money on stuff they don't need. Spendster increases the capacity of people to set aside savings and know where spending is going so they have more to save for investments and longer-term goals, instead of short-term purchases they may later regret. Spendster features the Spendster calculator, which shows users how much money they are wasting and where the money could be going instead. Additionally, users can upload and view videos, join online conversations, and access resources such as a blog with helpful spending tips.

Financial Workshop Kits (www.financialworkshopkits.org) is a new site undergoing development. It provides community-based education tools for pro bono planners, community educators, financial educators, workplace educators, and social services professionals to help them help others with financial education and capability. These practitioners can create customized presentations and programs using free resources, toolkits, templates, and ideas for teaching various underserved audiences. Where applicable, investment education is applied for both the educators and the end user to promote capacity building.

Jump\$tart Teacher Training Alliance (www.jumpstart.org) also includes investor education as part of teacher training. NEFE helped develop teacher training pilots with the Jump\$tart Teacher Training Alliance, which in part was a response to NEFE-funded research on K-12 teacher

preparedness. This research was conducted by the University of Wisconsin-Madison and was completed in March 2009. Some findings:

- Less than 20 percent of teachers surveyed feel competent to teach financial education topics
- 63.8 percent of teachers surveyed feel unqualified to use state financial literacy standards
- More than 70 percent of teachers surveyed say they are willing to get formal financial education training

Collaborative Projects encompass the nearly 100 financial education projects with nonprofit organizations that target specific audiences. Aging, diversity, general financial education, health and disability, human services, low income, youth, workplace, and special situations are just some of the subjects NEFE has covered. For example, NEFE partnered with Habitat for Humanity to create informational resources for first-time homebuyers; American Red Cross for victims of natural disasters; and American Cancer Society for those who are affected by cancer. While investor education is not always an area of emphasis, these programs help people gain a basic understanding of money issues and cover fundamentals such as budgeting, creating and setting up emergency funds, spending and savings, and the time value of money. This increases people's capacity to build savings and free up money to take advantage of employee benefits and investment opportunities including retirement savings.

My Retirement Paycheck (www.myretirementpaycheck.org) is a one-stop spot for information about retirement decisions. The information on the site is based on research; developed by a team of experts; relevant regardless of income, age, or level of preparedness; and takes a holistic approach to interrelated decision areas. The comprehensive website is dedicated to optimizing choices and decisions for a population that is underserved, under-saved, unprepared, and uninformed. My Retirement Paycheck is based on the idea that the choices you make now affect what you'll earn later, and there are ways to make most of what you have. These decisions are categorized into eight interrelated areas: work, Social Security, home and mortgage, insurance, retirement plans, savings and investments, debt, and fraud.

Investor education is not confined to just several decision areas; however, it is most applicable to retirement plans, savings and investments, and fraud.

- The retirement plans section focuses on the question: "How should I use my employer retirement plan?" and provides general guidelines and messaging around these decisions. This section contains more in-depth information on defined benefit plans, payment options, defined contribution plans, IRA and rollover accounts, required minimum distributions, and Roth conversions.
- The savings and investments section focuses on the question: "How do I manage my savings and other assets?" and provides general guidelines and messaging around these decisions. This section contains more in-depth information on immediate annuities, asset allocation, sequencing asset liquidation, surviving a tough economy, your investment mix during retirement, managing expenses, and controlling income and estate taxes.

- The fraud section focuses on the question: “As a retiree, how do I avoid scams and fraud?” and provides general guidelines and messaging around these decisions. This section contains more in-depth information on common types of investment fraud and steps to achieve financial security.

The concept for My Retirement Paycheck was born in 2006 when NEFE hosted a roundtable gathering of national retirement experts and thought leaders. In 2007, NEFE commissioned a comprehensive research survey of academic literature conducted by the Center for Retirement Research at Boston College and later convened national retirement experts from diverse backgrounds for the Retirement Income Decumulation Think Tank. In 2009, NEFE published a white paper and launched a website after receiving feedback from focus groups and conducting market research.

(2) What do you consider the most important characteristics of an effective investor education program?

The following characteristics are important for an effective investor education program:

- Timely and relevant. Can the person participating in the investor education program see that what is being offered relates to their financial life, goals, and aspirations? Is it timely in terms of being appropriate for their current life stage? Is it clear how it relates to future life stages?
- Free of conflicts of interest. If conflicts exist, are they disclosed? Is there a place to verify the nature of conflicts and the particulars about the investor educators and their organization? Is there a place to report complaints?
- Builds on fundamental core competencies. Does the program reference and build on fundamental core competencies in investments and personal finance by continually referencing examples such as time value of money, risk and return, asset classes, investor goals, and periodic saving and investment contributions? Core competency knowledge should be reinforced and built upon in the minds and experience of the investor.
- Explores history. Is financial and market history explored and referenced to provide long- term insight and perspective into market volatility and what could go right or wrong within investor time horizons? This places risk and return in a longer term context that is appropriately aligned with retirement and health care goals of an individual.
- Covers costs and regulations. Are costs of investment products and investment advice covered? Are regulatory, competency, and recourse information on investment products and advisory sources (people and institutions) covered?
- Avoids potentially risky strategies. Programs that teach trading strategies and “fast money” short-term tactics and strategies should not be labeled as core or basic financial or investor education.

- Program format should:
 - Be tailored to audience demographics and needs
 - Be age-appropriate (especially for youth) and life-stage appropriate
 - Be hands-on and interactive
 - Include skill practice in a nonthreatening environment and practical application for immediate action
 - Feature foundational accepted practices in an unbiased, noncommercial manner
 - Be readily accessible and “just in time” to accommodate individuals

- Sample program content should include:
 - Set saving and investing goals and objectives
 - Compare and contrast risks and rewards of various income and growth investment options
 - Gauge personal risk tolerance
 - Be knowledgeable about own investments
 - Discern the reliability and timeliness of resources
 - Evaluate trustworthiness when seeking expert advice
 - Apply sound, fundamental principles to strive for maximum returns and minimal risk such as:
 - Establish saving and investing goals
 - Don’t wait to establish regular saving and investing routine
 - Diversify investments
 - Employ the dollar-cost-averaging strategy
 - Make use of dividend reinvestment opportunities
 - Match investment options with realistic risk tolerance and goals
 - Consider opportunity costs of investment options
 - Regularly monitor and adjust portfolio to align with current and future life situation and goals

(3) What programs do you view as most effective?

Investor education programs that are most effective connect the learner with a pathway to take action and thus change behavior. This point needs to be distinguished from any quick or high pressure decision from a presenter or educator that is unethical, inappropriate, or nonconforming

to a standard of care. What we suggest is something more fundamental, such as in a workplace context where an existing employee or new hire can take action to set up an account to start automatic and periodic contributions or automatic escalation. Subscribing to simple and automatic features of investing reflects the best aspects of behavioral finance. In this way, people participating in programs not only learn about investing, but also have the opportunity to take action through actual long-term dollar cost averaging and periodic automatic contributions.

For new employees, automatic enrollment and default investment choices based on the age of the investor can be effective mechanisms. The employee can opt out later if he or she chooses to do so, but the education provided before and after the default option is implemented allows the employee's saving and investment momentum to start and keep going.

When there are no benefits for retirement or health care savings offered by the employer for employees and independent contractors, effective programs become even more important. In this case, alternative structures linked to IRA platforms should be taught and encouraged as a fundamental part of investor education. Many Americans, because of their workplace setting or stage of life, are not captive audiences for financial or investor education. However, many people can be reached through innovative financial products with automatic features promoted in behavioral financial and public awareness campaigns through community education settings, associations, Social Security, and the IRS.

We feel that a program model developed on research by Lusardi, Keller, and Keller (2009) is very effective in the workplace. The research revealed barriers to saving among new employees of a nonprofit institution. William G. Gale and Ruth Levine summarize the findings of this study in their paper "Financial Literacy: What Works? How could it be more effective?":

"The three main barriers were a lack of information about how to save, too little income, and a lack of self-control in following through with savings goals. In response, the authors developed a simplified plan selection process to make the steps easier and more concrete, and the information more accessible; specifying the minimum and maximum amounts allowable for contributions to an account and demonstrating the relative sizes of those amounts; and offering commitment plans for year-long savings. Among respondents who received these "planning aids," election rates of retirement plans tripled over a 30-day period."

Periodic statements on investment saving and returns progress also are important, as is teaching the investor what to look for when reading statements. Understanding the tax and financial planning rules and the time-goal horizon needs to be considered as well.

As an investor ages, his or her capacity for financial and investment decision making declines or diminishes. This phenomenon happens around the time that investment choices and management obligations become more complex. There is an increased potential for fraud, chasing returns, and poor judgment based on regret, timing, life circumstances, and outside influences from advisors or family.

To protect investors, we believe that simplicity in packaging, product structure, and communication needs significant attention in investor education. Having more choices is rarely helpful for investors, and as Pamela Herd of the University of Wisconsin–Madison finds in a recent study entitled “The Challenges with more Choice: Cognition and Late Life Financial Literacy,” it is especially troublesome for older investors. Among those 60 and older, the incidence of cognitive impairment ranges from 10-50%.

(4) Has your organization or an independent third party evaluated any of your organization’s programs? If yes, please describe the findings of the evaluation, including any statistical evidence of how your program effectively changed one or more investor behaviors among participants.

NEFE’s High School Financial Planning Program (HSFPP) was independently evaluated by the University of Minnesota in 1997, 2004, and most recently in 2011. This research measures three critical indices: knowledge, confidence, and behavior change. The evaluations show significant increases in all three indices. Some sample data:

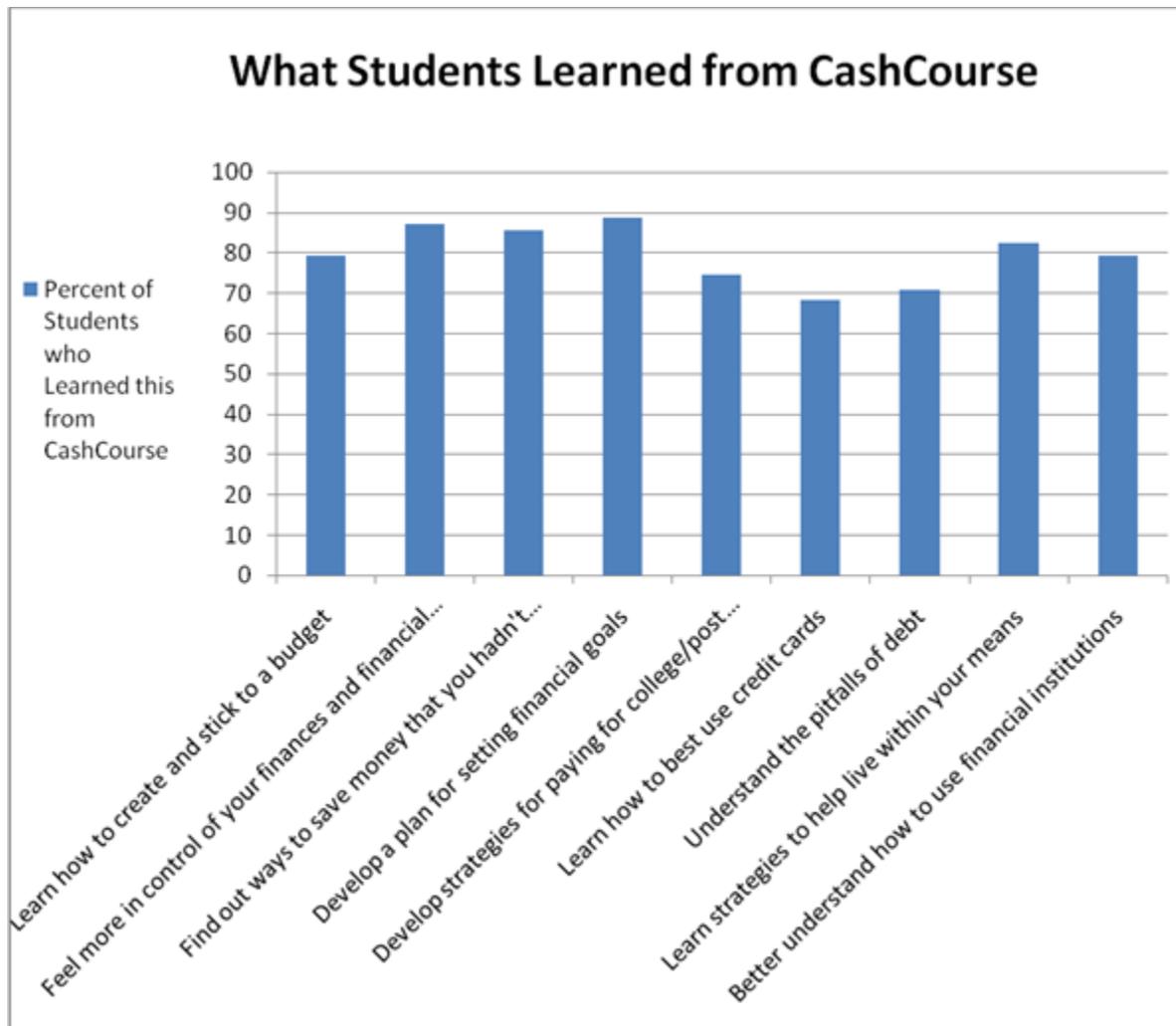
		<u>Strongly Agree</u>		
	Before	After	3 Months Later	
Know difference between needs and wants	41.7%	66.9%	80.5%	
Understand costs of buying on credit	12.2%	31.1%	48.9%	
Set aside money for future needs and wants	18.5%	27.9%	36.2%	
Believe the way I manage money will affect my future	33.1%	58.6%	73.0%	

For the full reports, visit <http://hsfpp.nefe.org>.

CashCourse was independently evaluated by the TCC Group in May 2010. Key findings from the evaluation include:

- CashCourse is effective in increasing student awareness of financial fundamentals, especially regarding debt management and gaining a sense of control over one’s financial future.
- CashCourse has been very successful in helping students learn more about financial fundamentals.

The chart below illustrates how CashCourse has increased the knowledge of students who completed the online survey:



(5) Are any of your organization's programs national in scope? If not, could any of these programs be replicated or expanded to reach a national audience?

All of NEFE's programs are national in scope.

- The NEFE High School Financial Planning Program annually reaches over half a million students in just over 7,000 classrooms and workshop settings in every state in the country, as well as over 100 U.S. military bases outside the U.S. Over the years, authorized versions of the program have been created for use in Canada, Australia, New Zealand, and Japan. To date, NEFE has fulfilled over 93,000 orders for nearly 8 million books.
- CashCourse uses a national institutional subscription model, which is used by over 560 colleges and universities nationwide as of June 2011, and is free to any nonprofit college or university.

- Web-based resources such as My Retirement Paycheck and Smart About Money are available and promoted nationally.

(6) What types of investor behaviors or other topics do you think investor education programs should focus on? Why?

More attention should be paid to the diminished capacity of older investors. Not only do they become less adept at managing finances as their investment options become more complex, but also their situational awareness of the process declines. Therefore, a stance of simplification should be taken in packaging, product structure, and communication.

Additionally, there is a need to reach Americans who are not in captive educational settings. While investor education is important in the workplace, school, and community group settings, it needs to have a broader reach.

(7) Which best describes you or your organization?

Not-for-profit Foundation

- a. *Public, federal government*
- b. *Public, state or local government*
- c. *Not-for-profit*
- d. *Foundation*
- e. *Private/business*
- f. *Individual*
- g. *Other (describe)*

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

Cooperation is needed among nonprofit organizations, government agencies, and the private sector to subscribe to the core competencies of earning/income, spending, saving and investing, borrowing, and protecting.

Basic training and orientation should be provided to intermediaries such as teachers and social services professionals for their own knowledge and financial empowerment, and so they are

better equipped to teach, coach, and counsel on personal finance and investor education. Pro bono financial advisors need to be leveraged in community settings to provide this training.

A need exists for government websites and resource directories to list nonprofit materials and resources for the benefit of the American people instead of limiting this information, in many cases, exclusively to other government financial and investor educational resources.

More research is needed regarding the effectiveness of behavior change, audience segmentation, and diminished capacity within the context of investor and financial education.

While some investor education programs and resources are readily offered and available to consumers, NEFE supports and recommends efforts to develop and promote a public awareness campaign highlighting the needs and relevance of financial and investor education, and providing education and information covering investment basics, such as those in NEFE's HSFPP, CashCourse, and Wealth Care Kit.