



FOUNDATION

COMMENTS ON THE EFFECTIVENESS OF INVESTOR EDUCATION PROGRAMS

Submitted by the SIFMA Foundation for Investor Education

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(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?

In these unprecedented economic times, we are witnessing first-hand the importance of and need for greater financial literacy. At the SIFMA Foundation, we believe that investor education can and should be available to people of all backgrounds. Access to investor educational tools and resources enables individuals to harness the opportunities inherent in the global marketplace, to make smart choices, and to lead financially independent, successful lives that deliver long-term benefits to themselves, their families and their communities.

The SIFMA Foundation, through the generous support of its donors and partners—many of whom comprise the membership of SIFMA—develops and distributes investor educational materials and programs that empower people with financial skills and knowledge. We tap industry and other experts to volunteer their time, expertise, and compassion to work with individuals in need. And we work in partnerships across the sectors to ensure that we provide people with the information they need, free of charge, to achieve their financial goals.

Like others working towards these objectives, we believe in the long-term dividends that come with starting investor education early in life. By equipping young people with tools to achieve financial independence, we can serve them throughout their lives, from saving for college, to buying their first home, to planning for their retirement. As the Jumpstart Coalition determined in its high school survey of financial literacy, the most effective way to do this is through programs that make learning fun, relevant, real-world, and practical, like the SIFMA Foundation's Stock Market Game.

The SIFMA Foundation's Stock Market Game (SMG) is an online educational program for students. Serving more than 13 million students in grades 4-12 since its inception in 1977, SMG's integrated curriculum has introduced students to the financial markets as they learn math, economics and the importance of long-term saving and investing. Students invest a hypothetical \$100,000 in real stocks, bonds and mutual funds as they work in teams, learning cooperation, communication and negotiation.

The Stock Market Game program challenges students to work collaboratively to create and manage an investment portfolio of stocks, bonds, and mutual funds. It culminates with the SIFMA Foundation's national essay-writing competition, InvestWrite, which reinforces research, analysis, literacy and writing composition skills, while requiring students to project a long-term view of saving and investing.

During the academic school year (August-December, January-June) teachers have the option of enrolling their students in 10-week, 15-week, or year-long trading sessions. Multiple sessions are offered each semester to provide flexibility to teachers. Students work in teams of 2-5 members. Together, they allocate their virtual \$100,000 across asset classes using a state-of-the-art Internet-based trading platform.

Online research tools provided through the program enable students to better understand their investment options and make decisions to increase their portfolio's value. As students manage their accounts, their teachers conduct lessons created by the SIFMA Foundation to better structure and support learning through the program. Teachers use these tools to help their students make meaningful connections between the skills and content they learn in the classroom and what is needed in the real world they will encounter as adults.

The core curriculum of The Stock Market Game program addresses 12 rudimentary questions such as What is risk? What is diversification? What causes stock prices to change? What are buy, sell, and hold? A year-long study of The Stock Market Game funded by FINRA and conducted by Learning Point Associates found that The Stock Market Game had a positive impact on student financial knowledge, math achievement and teacher investment behavior. The study provided data to support decades of teacher testimonials praising the program for the positive difference it has made in their classrooms.

The success of the SIFMA Foundation's Stock Market Game program has led to the development of numerous educational resources, including the Stock Market Game Teacher Support Center, an online library of lesson plans, projects, and activities, regular newsletters for teachers providing insights into current events and their economic underpinnings and/or implications, webinars and seminars with industry experts speaking in-depth about investing and personal finance, and small, local competitions to encourage teachers and students to deepen their understanding of the global capital markets. The Stock Market Game has also inspired extended programming and national competitions, such as InvestWrite or the Capitol Hill Challenge, which matches members of congress with Stock Market Game teams in their jurisdictions and fuses fiscal policy-making with the world of investing.

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

Highly effective investor education programs such as the SIFMA Foundation's Stock Market Game program, share a variety of characteristics. They are affordable, flexible, measurable, and replicable in varied conditions and across geographic location. They are easy to teach and able to incorporate multiple partners across the public, private and nonprofit sectors. Successful programs are relevant to their target audience, providing immediate value and significance in one's personal life, and they are tracked and measured through rigorous independent evaluation conducted by experts and demonstrating statistically significant outcomes

In the case of youth investor education, the content must have immediate, real-world application. The learning must be interactive. The experience must give youngsters an opportunity for hands-on engagement. Participants must sincerely believe that the task they are engaged in is meaningful and useful in their personal daily lives.

Instructors must find relevance and immediate real-world applicability for the lessons they are teaching. They must be able to demonstrate the academic and social relevance of the tools they bring into the classroom. This includes but is not limited to the program's correlation to federal and state education requirements and standards across the curriculum.

The Stock Market Game achieves all of the above. The program also effectively balances students' needs for personal meaning and engagement with teachers' needs to demonstrate academic rigor and results.

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

There is no shortage of high-quality investor education programs for individuals of all ages, backgrounds, and needs. SIFMA member firms spanning the securities and financial industry generously offer cost-free educational programming, outreach, and websites that empower individuals of all ages, financial circumstances, geographic location, and need for information. Topics span personal investing and its contribution to long-term savings and retirement planning, tools for understanding asset allocation, diversification, risk and opportunity, factors that drive investments, the economics of life changes, and the considerations of investing for families. Through their generous contribution of time and talent, financial and banking professionals representing SIFMA member firms volunteer to work grass-roots in their communities to promote financial education through schools, community centers, and cross-sector partnerships. Millions of lives have benefitted from this work.

Specific to elementary, middle and high school students, evidence suggests that the SIFMA Foundation's Stock Market Game program is leading in its impact and efficacy. While not specifically an investor education program, Virtual Enterprises is an excellent example of an effective program that prepares young people for their financial futures. Where the SIFMA Foundation's Stock Market Game program simulates a real-world investment portfolio, Virtual Enterprises engages students in running a simulated real-world business. Just like in the Stock Market Game program, through applied learning, Virtual Enterprises offers students a real-world context to which they apply core academic content and practice essential life skills that prepare them for effectiveness in school, college, and careers. Virtual Enterprises students are placed in real-world roles associated with the management of a business (from CEO to VP of Marketing, to VP of Sales, etc.). They pay corporate taxes, invest in employee 401Ks and trade virtual goods across a global network of other student-run virtual businesses via an Internet-based global bank. They also incorporate the use of the SIFMA Foundation's Stock Market Game program to teach about investing.

(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.

On August 2009, Learning Point Associates announced the results of a year-long FINRA funded study of the educational impact of The Stock Market Game program. The study found "Playing The Stock Market Game™ Yields Substantial Gains for Student Achievement in Mathematics and Financial Literacy" (from the title of their press release, 2009-08-27).

The study found

In tests to measure investor knowledge, elementary school students who played the game scored on average above the 68th percentile, compared to an average score above the 42nd percentile for students who did not play the game. Students playing the game in both middle and high school scored on average above the 58th percentile, while their peers scored above the 42nd and 40th percentiles respectively. (*Learning Point Associates Press Release 2009-08-27*)

Students who participated in The Stock Market Game program also demonstrated gains in math achievement:

students in Grades 4–6 who played The Stock Market Game scored on average above the 55th percentile on the mathematics tests, while students who did not play the game scored on average above the 43rd percentile. Students in Grades 7–10 who played the game scored on average above the 54th percentile, while students who did not play the game scored on average above the 46th percentile. (*Learning Point Associates Press Release 2009-08-27*)

In addition to academic achievement and student financial knowledge, the Learning Point Associates study also measured The Stock Market Game's impact on teacher investment behavior. The result included in their Brief Report was 36% – 48% of teachers who engage in finance planning reported The Stock Market Game had a moderate to major influence on their doing so.

Additionally, the first Nation's Report Card on Economics found in 2007 that students participating in a stock market game scored a statistically significant higher score than students who had not participated. Moreover, in six consecutive reports over a 12 year period, Jump\$tart Coalition's biennial survey of high school financial literacy also found that students who participated in a stock market game score higher than students who did not participate.

(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?

The SIFMA Foundation's investor education programs are national in scope with some reach internationally.

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

Investor education programs should provide participants with the mindset and skills to actively strategize about their financial resources. Participants should be able to effectively research, weigh, and make decisions related to their personal financial lives. For example, participants in The Stock Market Game should be more adept at "rebalancing" their fiscal decisions in reaction to current market and economic conditions and forecasts. Stock Market Game participants should also have a working grasp of risk and diversification and its application to their personal real world finances. They should be able to translate knowledge into behavior and recall and apply key concepts such as the rule of 72, compound interest, and factors that drive value and demand. Further examples include Stock Market Game participants being able to evaluate potential investment and savings prospects critically by asking the proper agents informed questions about them. They will be able to understand the role of an agent and the means of protecting themselves in their financial lives.

(7) Which best describes you or your organization? a. Public, Federal government, b. Public, State or local government, c. Not-for-profit, d. Foundation, e. Private/ business, f. Individual, g. Other (describe)

The SIFMA Foundation, an affiliate of SIFMA (Securities and Financial Markets Association), is a 501(c)3 educational organization dedicated to fostering knowledge and understanding of the financial markets for individuals of all backgrounds.

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

Meeting investor education needs will continue to be an evolving, complex challenge. Our experience is that effectiveness requires the building of partnerships, networks, and multiple programs and initiatives to fill unmet needs whenever possible. We believe in partnering and networking with other organizations including the Jumpstart Coalition, National and State Councils on Economic Education, school districts and superintendents, principals, teachers, students and volunteers nationwide. The SIFMA Foundation advocates for sharing best practices and learning from evaluations and other tools to continuously improve the impact of our efforts. We focus on supporting community-based initiatives and leadership to provide financial literacy outreach and programming, realizing that no single organization can do everything and that it is often more effective and appropriate for us to highlight the work of others. By teaming up to promote investor education, we can find new ways to unleash the potential of our global economy, enabling individuals and communities to prosper long into the future.