

Establishing an Office of Personal Financial Education

Policy Options Related to New Hampshire House Bill 1462

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EXECUTIVE SUMMARY

House Bill 1462 would establish an Office of Personal Financial Education in New Hampshire's Treasury Department. If passed, the bill would provide financial literacy resources to New Hampshire's citizens and equip the State Treasurer with the authority to coordinate current efforts to improve financial literacy within state. This policy brief aims to explain the issues surrounding financial literacy and the policy options currently available to address them.

Although the definition of financial literacy remains somewhat ambiguous, authorities generally agree that a financially literate individual is one who can:

- Make informed decisions about money
- Manage basic financial instruments such as savings accounts, and
- Avoid obvious scams

The primary questions addressed in this report are:

- Why is there a need for financial literacy education?
- What kinds of financial literacy programs currently exist?
- What guidelines might help New Hampshire ensure the success of this office?

Over the past fifteen years, American consumers have found it increasingly complicated to manage their personal finances. Predatory lending, sophisticated marketing, and technological advances have created a fast-paced, overcrowded environment that many consumers struggle to navigate. As a result, more and more Americans find themselves fighting to stay out of debt. These trends are found in New Hampshire and throughout the United States.

In response to these changes, a growing movement has emerged to help tackle these problems by improving financial literacy through education. National, state, corporate and non-profit entities have implemented financial literacy education programs in an effort to teach individuals about money management with the expectation that increased education will result in wiser choices about spending and savings.

If the New Hampshire Legislature establishes an Office of Personal Financial Education, certain performance benchmarks may help to ensure adequate progress. A range of "best practices" may aid the New Hampshire Legislature in creating important accountability standards. They include:

- Disinterested third-party evaluations,
- Clear articulation of legislative intent, and
- Assessment of resources.

1. FINANCIAL LITERACY NEEDS IN NEW HAMPSHIRE AND THE NATION

1.1 Increasing Complexity of Financial Systems

In today's economy, individual consumers must choose from a highly diverse array of potentially complex assets and financial instruments in managing their personal finances. Moreover, the range and complexity of financial instruments has increased in recent years. For example, banks currently offer a much wider variety of financial accounts and services than they did in previous decades. To complicate matters further, American consumers find themselves in a global marketplace with many economic agents in play, and technology has given individuals ready access to financial transactions via the Internet. The decline in costs and relative ease of trading stocks and bonds online has led to a huge increase in the number of Americans actively managing their savings portfolios over the Internet. While this development certainly provides a great degree of freedom, it also eliminates the safety of using a more traditional stockbroker who can provide useful advice and guidance to the inexperienced consumer.

As an illustrative example, the percentage of United States employees enrolled in defined benefit pension plans was eclipsed by those enrolled in defined contribution plans in 1995. In a defined benefit pension plan, enrollees receive a guaranteed amount of money in perpetuity during retirement. The amount of money they receive is usually a function of their salary in their final years of employment. By contrast, employees enrolled in a defined contribution pension plan pay money out of their paycheck into a personal retirement account and choose how this account is invested. Often, employers will match some percentage of employee contribution. In 1985, 80 percent of US employees were enrolled in defined benefit plans.¹ By 2003, merely 36 percent of United States employees could count on a check every month from their former employers during retirement.²

Given the trend of transferring personal financial responsibility to the average working American, it is in the interests of both private citizens and the state to increase levels of financial literacy. Financially literate individuals have a higher likelihood of managing the complex financial landscape in the most profitable manner and amassing wealth over time. Those citizens who fail to become financially literate are at greater risk for dependence on public services and government support, thereby generating negative societal ramifications.

1.2 Indicators of Financial Illiteracy

Despite the importance of financial literacy to financial security and well-being, the results of numerous studies highlight an overwhelming and widespread lack of financial literacy in virtually every segment of the American population. According to a 2004 survey, Americans receive borderline passing scores on assessments of financial literacy.³ The survey measured: 1) the importance that respondents attributed to 12 tasks that are basic to financial well-being and 2) whether the respondents actually performed the tasks (which included such measures as paying bills on time, contributing to a

retirement account, and following a monthly budget, etc). With an average score of 66, Americans mustered an unimpressive “D” in the two consecutive years that the survey was conducted (Figure 1).

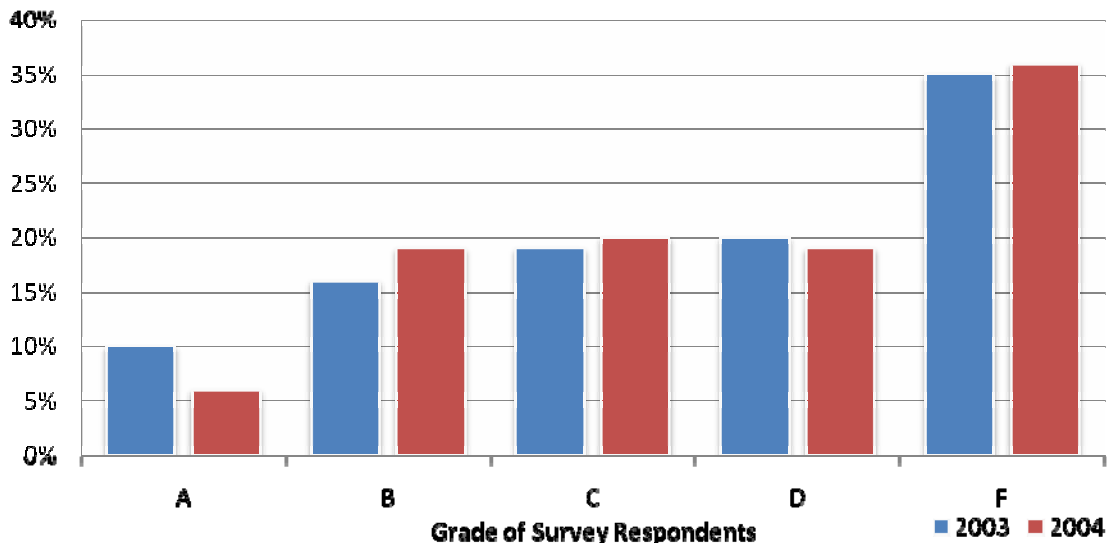


Figure 1. Financial Literacy Grades for Americans, based on a Financial Literacy Survey.

Source: Bankrate.com

Results from the survey also revealed:

- Those who received the highest scores, and thereby demonstrated financial literacy, were able to find mortgages with an average interest rate of 5.95 percent, compared to an average loan interest rate of 6.80 percent for individuals who received an “F”.⁴
- Similarly, the average income of those who scored an “A” or a “B” on the financial literacy survey was \$66,200, which dropped to \$37,200 for individuals who scored an “F”.⁵
- There is a correlation between age and level of financial literacy: the average age of individuals who received an “A” or a “B” was 49 years old while the average of those who received an “F” was only 41 years old.⁶

The last finding—regarding the correlation between age and financial literacy level—suggests that younger individuals are at greater risk of financial illiteracy and are therefore more vulnerable to poor financial decision-making, highlighting the need to begin financial education efforts at earlier ages. Various other studies have reached

similar conclusions about the existence of widespread financial illiteracy in the United States.

Another indicator of financial illiteracy within the general population is a rise in consumer bankruptcies and debt over time. Figure 2 depicts the number of consumer bankruptcies and the household debt service ratio in the US, a measure of debt payments as a percentage of disposable personal income. There has clearly been a general upward trend in the number of consumer bankruptcies with each passing year (with 2006 being a noteworthy exception). These data suggest that consumers are increasingly unable to effectively manage their finances and must resort to the emergency relief measure offered by declaring personal bankruptcy. However, this fallback option was largely removed when the Bankruptcy Abuse Prevention and Consumer Protection Act took effect in late 2005.⁷ While this legislative change may have helped prevent bankruptcy abuse, the changed definition of bankruptcy requires that conditions be even more dire before people can qualify for personal bankruptcy, a development that could potentially place many in compromising financial positions. The stricter guidelines for declaring bankruptcy may therefore make it even more critical that individuals are able to make wise financial choices well in advance of potential troubles. Finally, the continuing rise in the household debt service ratio shown by the red line indicates that the decrease in 2006 personal bankruptcies was not due to any systematic behavior change on the part of consumers but rather to the changed definition of bankruptcy.

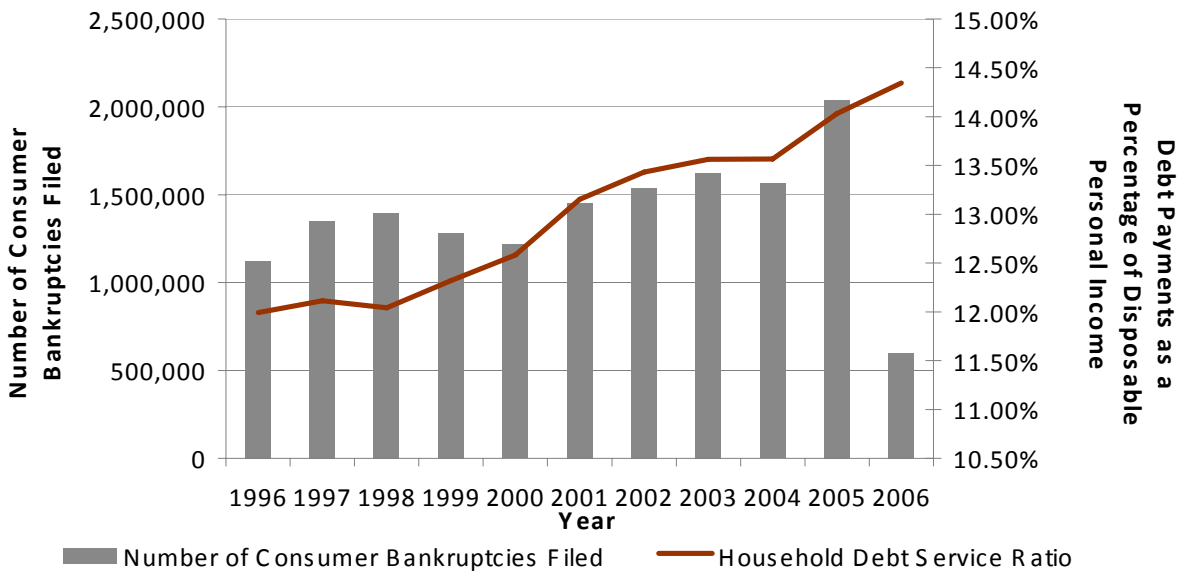


Figure 2. US Consumer Bankruptcies and Household Debt Service Ratio, 1996-2006. Note: In October 2005, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 went into effect. This law made filing for personal bankruptcy more difficult by introducing more rigorous standards and qualifications, thereby accounting for the sharp decrease in personal bankruptcies in 2006.

State level data, which closely parallel the national trend, appear to indicate that a sizable percentage of New Hampshire's population exhibits characteristics of financial illiteracy. Specifically, the personal bankruptcy rate has increased in every year since 2000 (even when accounting for population increases, with 2006 again being the special exception).⁸ From 2000 to 2005, annual New Hampshire personal bankruptcy filings increased by 66.3 percent. Over that same interval, the average annual increase in personal bankruptcies filed per year was 10.8 percent. Although there are no specific data on household debt service ratios for New Hampshire, there is no reason to believe they would not mirror the national trends.

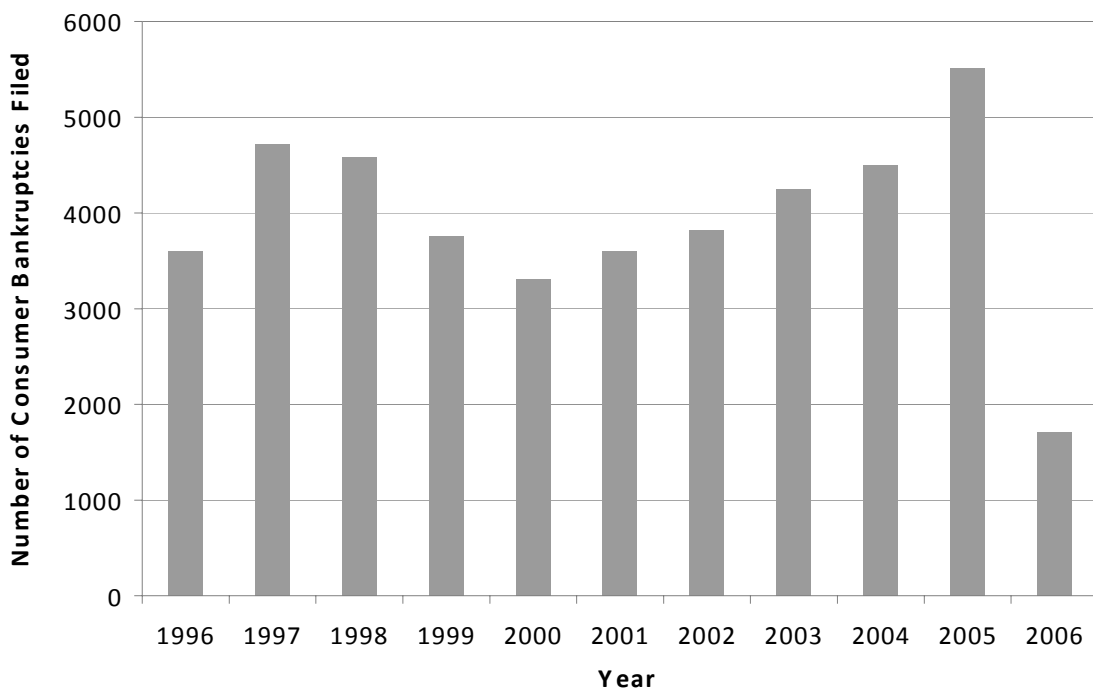


Figure 3. Number of Personal Bankruptcies in New Hampshire, 1996-2006. Note: In October 2005, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 went into effect. This law made filing for personal bankruptcy more difficult by introducing more rigorous standards and qualifications, thereby accounting for the sharp decrease in personal bankruptcies in 2006.

Given the new personal financial management burdens faced by Americans, New Hampshire may choose to take actions to prepare its citizens to successfully navigate the complex financial landscape. Furthermore, data on personal bankruptcy and household debt service ratios indicate that the current lack of financial literacy has already started to affect the state's at-risk population. These factors may provide an incentive for legislators to enact meaningful legislation aimed at increasing financial literacy in the state with the goal of promoting healthy financial practices among its citizenry.

2. CURRENT POLICY OPTIONS

A variety of financial literacy education programs currently exist. This section aims to provide information on the sources of these programs, the audiences they serve, and the material they cover. Finally, a few programs are highlighted in greater depth as examples New Hampshire may consider as it explores the possibilities for an Office of Financial Education.

2.1 Financial Literacy Education Providers

A number of providers currently offer financial literacy education programs. They can be categorized as governmental, independent, and educational entities. In general, the government level programs tend to be broad umbrella resources while the independent and educational programs tend to have a more targeted, specialized focus. However, these programs are best characterized by their diversity, making it difficult to generalize.

2.1.1 Government Programs

Both federal and state governments offer financial literacy education. For example, in 2003 the federal government established the Financial Literacy and Education Commission under the United States Treasury Department.⁹ Services include a website with links to a variety of resources and a hotline that interested parties can use to obtain further information. Likewise, the Consumer Protection and Antitrust Bureau at the New Hampshire Department of Justice provides a state level program that offers publications and a website to help consumers avoid financial scams and fraud.¹⁰ Both of these providers aid consumers primarily through their websites, which supply information and links to further services.

2.1.2 Independent Programs

“Independent program” refers to any non-government program offered by either non-profit organizations or for-profit entities. Non-profit groups constitute the major providers of financial literacy education. These groups consist primarily of concerned citizens who have joined forces to help others navigate the increasingly challenging hurdles of money management. Of the for-profit ventures, many find their roots in companies with a natural interest in financial betterment (e.g., banks, financial planner). One example of an independent program is Consumer Credit Counseling Service NH/VT, a non-profit organization that serves ten New Hampshire counties. Services include individualized financial counseling as well as public group seminars. The company charges fees using a sliding scale based upon customers’ ability to pay.¹¹

2.1.3 Public Educational Programs

Schools are another venue for financial literacy education programs. For example, Southern New Hampshire University’s Center for Financial Literacy offers eight modules for high schools looking to incorporate financial literacy education into their

curriculum.¹² Using one of these tools, high schools can build courses on personal finance that educate students on the basics of credit cards, savings and loans, and investment. Indeed, as discussed below, many states have begun exploring variations of this option in recent years.

2.2 Target Audiences for Financial Literacy Programs

Most currently available financial literacy programs target one of three age-based groups: students, adults, or seniors. Additionally, many financial literacy programs target special interest groups. Intentionally targeting a segment of the population allows providers to tailor their services to the needs of that group, thereby increasing effectiveness.

2.2.1 Student Audiences

Programs geared toward student audiences generally appear in the public school system. Seven states currently include a financial literacy course as a requirement for graduation.¹³ Others recently introduced a requirement that elective financial literacy courses be offered in the high school or middle school curriculum. Close to forty states offer some version of a personal finance course to high school students.¹⁴ Currently, the state of New Hampshire neither requires schools to offer nor students to take financial literacy courses; however, in many schools, economics courses are available.¹⁵

2.2.2 Adult Audiences

The majority of financial literacy programs target an adult audience, the largest and most diverse of the three groups. Programs geared toward adults offer interested parties the opportunity to gain more information about the basic tenets of sound financial planning and money management. The Neighborhood Reinvestment Corporation (NRC) offers a strong example of one such program. A national organization established by Congress in 1979 to revitalize communities through localized efforts, the NRC thrives from government and non-government partnerships. In the 1990s, NRC introduced Homebuyer Counseling to help families and individuals purchase homes without falling into a spiral of debt. The program currently operates in five New Hampshire counties, offering prospective homebuyers comprehensive, local workshops to guide them through the home-buying process from start to finish. In Littleton, for example, the NRC branch offers a day-long program for forty-five dollars. The workshop covers credit and budgeting, the mortgage application process, shopping for a home, home inspection, and foreclosure prevention.¹⁶ Afterwards, program participants have the option of signing up for individualized counseling from trained educators.

2.2.3 Senior Audiences

Some programs target seniors, helping them to transition into full retirement and manage the challenges that come with age. For example, Senior Lending Network (SLN) provides seniors with educational resources and coaching to help them obtain reverse mortgages.¹⁷ This program is a national education campaign financed by a leading provider of reverse

mortgages, World Alliance Financial.¹⁸ SLN claims to have counseled 15 percent of reverse mortgage recipients in the United States, and their services include a free informational DVD, individualized counseling by a national network of trained counselors, and a website complete with facts about reverse mortgages. The site also provides links to other relevant organizations, such as the National Reverse Mortgages Lenders Association.

2.2.4 Special Audiences

Many providers design their programs for special audiences. Some of these programs aim to help participants through a particular financial hurdle, such as buying a home. Others cater to a particular demographic, such as former inmates. One example of a specialized program is the Women's Institute for Financial Education (WIFE).¹⁹ Founded in 1988, this California based company provides women with the resources they need to become financially savvy. Services include a Second Saturday workshop series focused on helping women manage the financial hurdles of divorce in a supportive and compassionate manner. Along with informational materials, the WIFE website includes fun features such as an online financial calculator to help women calculate their savings needs. From the substance of their seminars to the colors of their graphics, WIFE works diligently to attract female customers in order to help them become better financial planners.

2.3 Components of Financial Education Programs

Financial literacy education programs tend to fall into one of two categories: specific or general. Specific programs cover a narrow area, such as how to successfully budget for buying a car. While these programs tend to be detailed, their nature prohibits them from providing their participants with an understanding of financial planning beyond the area of immediate concern. One example of a specific program is Bonnie Car Loans and Counseling (CLAC), a non-profit based in Lebanon, NH. The program essentially serves as an intermediary, helping consumers work with lenders and car dealerships in order to successfully purchase cars.²⁰ General programs provide a broader base in the principles of financial management. However, general programs vary widely in the topics they cover and the depth of their instruction. One example of a general program is the mandatory personal finance course Utah recently adopted into its mandated high school curriculum.²¹ The state outlined eight areas this course must incorporate. These include planning and goals, career preparation, spending and credit, consumer protection, saving and investing, and risk management.

2.4 Examples of Financial Literacy Programs

The following programs serve as examples of strong financial literacy education programs. The first program highlighted here, the UNH Cooperative Extension program, is a local New Hampshire venture with thorough measures and a variety of services that exemplify the potential of financial literacy education to reach interested parties through a range of media and methods. The following two, the Indiana Investment Watch and the

Pennsylvania Office of Financial Education, most closely approximate the office that would be created in NH by House Bill 1462. By examining these models, New Hampshire policymakers may be better able to understand the potential of such an office.

2.4.1 University of New Hampshire's Cooperative Extension

University of New Hampshire (UNH) Cooperative Extension provides one strong example of a general financial literacy program. A large organization that uses a combination of state, federal and local funding, UNH Cooperative Extension aims to increase the quality of life for New Hampshire's citizens. They have offices in all ten New Hampshire counties and work to promote their resources to inspire local interest. With respect to financial literacy, UNH Cooperative Extension offers resources through a wide range of media, including (but not limited to) online and on-site workshops, a website with guidelines and information on a variety of topics, a seven-part newsletter series, and links to relevant websites from other sources. Most resources outside of the website involve a small fee, generally no more than twenty-five dollars.²²

One of the noteworthy strengths of the UNH Cooperative Extension's efforts lies in the reinforcement built into its programs; many of their workshops involve repeated encounters with participants. For other general programs, however, no such follow-up exists. For example, the U.S. Financial Literacy and Education Commission website relies heavily on links from external sources to provide visitors with information on personal finance topics. However, the website lacks mechanisms of reinforcement or assessment that would help programmers determine whether or not individuals actually gain knowledge from visiting the website.

2.4.2 Indiana Investment Watch and Pennsylvania Office of Financial Education

Indiana Investment Watch provides a strong example of a program similar the one New Hampshire is considering creating. Created through the Indiana State Department, Indiana Investment Watch serves as a government resource to help Indiana citizens gain information about managing their finances.²³ In order to best serve the state's constituency, Indiana Investment Watch conducted a statewide survey to determine areas of need. Their extensive website provides services based on the results of this survey. In addition to a number of informative online brochures covering a range of topics, the site includes features like downloadable educational cell phone games for teenagers. Furthermore, Indiana Investment Watch offers events such as the "Protect Your Pockets" workshops, which teach the basics of saving, investing, and guarding against fraud.

In addition, Indiana Investment Watch found opportunities to connect existing resources with potential audiences. For example, the office connected town clerk offices with a group that was already producing a brochure on managing financials as a newlywed couple. As a result, the helpful information would be easily accessible as couples procured their marriage licenses.

In 2004, the Governor of Pennsylvania created an Office of Financial Education to help the state's teachers, employers, and communities orchestrate better financial counseling and services for Pennsylvania's students, employees, and general citizens.²⁴ Like Indiana, the state first examined the needs of its population, in this case by creating task forces in different communities. The Office's website contains a variety of services that include informative brochures, a glossary of financial terms, and a number of financial calculators for different purposes such as car maintenance and college costs. Furthermore, the Pennsylvania website connects citizens to existing programs through a feature that allows visitors to enter their zip code to view the organizations and services available in their local area.

3. MEASURING OUTCOMES

According to proponents, the creation of an Office of Personal Finance Education within the New Hampshire Treasury Department may result in more effective coordination of limited state resources. Ideally, this Office would:

- Eliminate the duplication of governmental services related to financial literacy,
- Provide a more efficient public infrastructure to deploy financial literacy resources, and
- Facilitate an overall increase in the state's financial literacy rate.

Should the Legislature choose to create such an Office, accountability measures should be established to assess effectiveness. Evaluations of past public financial literacy initiatives indicate a set of "best practices" that may prove useful in determining performance.

Before continuing, it should be noted that public financial literacy initiatives and campaigns are still in their early stages. Consequently, there are a limited number of public entities singularly devoted to the promotion of financial literacy. Even less evaluative data exists. As a result, it is difficult to present empirical data showing what makes a "successful" public financial literacy initiative. However, guiding principles have been established that may be helpful for the Legislature to consider.

3.1 Guiding Principles: Past Performance as Future Indicators

A recent Governmental Accountability Office (GAO) report evaluated the effectiveness of the U.S. Treasury Department's Financial Literacy and Education Commission (FLEC), the federal equivalent of New Hampshire's proposed Office of Personal Financial Education. FLEC is charged with the creation of an effective national strategy for improving financial literacy. While the GAO report highlighted several positive outcomes of the program, it also highlighted many concerns that may prove useful in creating performance measures to evaluate the effectiveness of a New Hampshire Office.

3.1.1 Financial Literacy and Education Commission

To date, FLEC has:

- Established a national strategy to coordinate financial literacy efforts among 20 federal agencies,
- Launched a website and toll-free hotline that offers a directory of federal resources regarding financial literacy,
- Launched a pilot multimedia campaign directed toward the nation’s youth population, and
- Assembled a collection of informational brochures, written by federal agencies, that broach a wide range of financial literacy concepts including insurance, investment security, and retirement savings.

In evaluating FLEC’s national strategy, the GAO used performance measures originally designed to assess the country’s national strategy on the War Against Terrorism. The following chart summarizes the GAO’s evaluation:

Table 1. Extent the National Strategy for Financial Literacy Addresses GAO’s Desirable Characteristics of an Effective National Strategy

Desirable Characteristic	Generally Addresses	Partially Addresses	Does Not Address
Clear purpose, scope, and methodology	X		
Detailed discussion of problems and risks		X	
Desired goals, objectives, activities and performance measures		X	
Description of future costs and resources needed		X	
Organizational roles, responsibilities, and coordination		X	
Description of integration with other entities		X	

Due to these concerns, the GAO writes, “[The] national strategy [on financial literacy] is descriptive rather than strategic, limiting its value in guiding the nation’s financial literacy efforts.”²⁵ However, an Office of Financial Education such as FLEC or the office proposed by Bill 1462 may be beneficial in advancing financial literacy efforts. The GAO explains, “In the relatively short period since its creation, the Commission has played a helpful role by serving as a focal point for federal efforts and making financial literacy a more prominent issue among the media, policymakers, and consumers.

[FLEC's] national strategy is a useful first step in highlighting key issues and surveying the landscape of existing financial literacy efforts."²⁶

3.2 Guiding Principles from Best Practices

In addition to the GAO's findings, the research for this report included an analysis of the successful elements of programs such as Indiana's Investment Watch program and Pennsylvania's Office of Financial Education. From this research, we established a set of guiding principles for creating optimal performance benchmarks:

- **Set clear, reasonable goals.** Such expectations should go beyond descriptive indicators and should incorporate objective, behavior oriented measures (e.g., increasing the number of bank savings accounts within a targeted demographic, such as women). As a part of goal-setting, "financial literacy" must be properly explained, defined, and adjudicated, as this definition is essential to measuring "success."
- **Establish clear roles and responsibilities to effectively coordinate and consolidate duplicate state services in financial literacy efforts.** The GAO highlighted the difficulty of FLEC's attempts to coordinate the financial literacy efforts of 20 different federal agencies. Problems included competing interests and indicated the need for a clearer articulation of FLEC's role and definition in coordinating financial literacy efforts.
- **Make benchmarks strategic, not descriptive.** Descriptive measures merely describe the status quo and are best classified as "calls for action," as opposed to action-oriented strategic performance benchmarks. A strategic benchmark may elaborate specific goals for the Office of Personal Financial Education to work toward. For example, the Office of Personal Financial Education could establish partnerships with non-profit entities to recruit help in heightening public awareness of its resources. Non-profit entities could enhance efforts to run a multi-media outreach campaign.
- **Performance benchmarks should be both quantitative and qualitative in nature.** A qualitative indicator would measure "softer" aspects of financial literacy, such as comfort levels with certain investments, or attitude levels towards savings. A quantitative measure would incorporate numerical progress or other outcomes that may be more tangible. For example, if the New Hampshire Legislature decided to focus financial literacy resources on high school students, a quantitative and qualitative benchmark may measure the number of college students graduating with bank accounts and actively saving salary wages.
- **Benchmarks should incorporate a realistic timeframe.** Performance evaluators must allow a sufficient amount of time to pass. Otherwise, assessments may not capture the true results of financial literacy efforts.

3.3 Policy Options Related to HB 1462

Based on the “best practices” of public financial literacy proposals, several options are available that may increase the effectiveness of an Office of Personal Financial Education established by legislation such as HB 1462. Research suggests that the following policy options may result in a higher probability of success, but it should be noted that the PRS does not advocate for any particular option. In addition, the following policies may be enhanced when coupled with the aforementioned guiding principles for performance benchmarks, such as the need to create clear and reasonable goals for the Office.

- **Disinterested third-party evaluations:** The GAO’s evaluation of the National Strategy on Financial Education suggested that the use of a disinterested third-party evaluation may provide more objective data to gauge performance. Legislation could include language that would codify the engagement of a disinterested third-party to effectively evaluate performance.
- **Legislative intent:** To implement the Legislature’s clear and reasonable goals, legislative intent language may be inserted to guide the Office of Personal Financial Education efforts. For instance, if the Legislature determined that retirement savings should be the primary target of financial literacy outreach efforts, legislative intent language would guide efforts to the satisfaction of the New Hampshire Legislature. However, it should be noted that such an amendment may constrict effectiveness, as legislative intent language that is too narrow may prevent notable achievements by preventing any efforts outside the established parameters. Flexibility may be important to true effectiveness.
- **Legal authority:** Direct language mandating cooperation among New Hampshire’s public agencies and the Office of Personal Financial Education may result in quicker responses and action. The GAO’s evaluation of the National Strategy on Financial Education indicated that the Commission’s lack of a legal mandate necessitated “consensual operation,” which may have made it difficult to coordinate efforts among federal agencies in a time-efficient manner. Explicit language would provide the Office of Personal Financial Education with a legal mandate that could elicit quicker responses for the State’s efforts to launch financial literacy programs. In addition, specific legislative language may grant the Office of Personal Financial Education the authority to compel reallocations in relevant state departments’ resources, which may be necessary for a particular financial literacy effort. However, legally mandating other state agencies cooperation may also result in increased tensions or friction among state personnel.
- **Appropriate resource considerations:** Many different funding methods can be used to create the Office of Personal Financial Education, including a “budget-

neutral” option (in which the Office’s creation may not have immediate and/or long-term fiscal impacts on the Treasurer’s budget). Indiana’s Investment Watch program is funded entirely by fines collected by the state from firms who violate financial security regulations; New Hampshire may tap into existing revenues or reallocate existing resources to fund a “budget-neutral” option. However, if the New Hampshire Legislature creates a set of clear and reasonable goals that necessitate large expenditures, adequate resource allocation is important to fulfill the Legislature’s intent. For instance, if the Legislature mandates that the Office of Personal Financial Education directly conducts financial literacy seminars in every New Hampshire elementary school, adequate resources must be considered. In determining the appropriate resources needed, the NH Legislature could consider past “best practices” that improve financial education and act accordingly (See PRS’s “Enhancing Retirement Saving in New Hampshire” for specific “best practices”).²⁷

4. CONCLUSION

In an increasingly fast paced and technologically reliant economy, Americans are struggling to manage their money. Low scores on financial literacy tests and rising levels of personal debt illustrate the broader trend toward growing financial trouble both in New Hampshire and throughout the United States.

At both the state and national level, programs exist that aim to help people navigate this complex economic landscape. Through seminars, workshops, personal counseling, and websites, these programs provide information on a variety of topics ranging from buying homes to managing credit cards. Especially of note are the examples of state level programs in both Indiana and Pennsylvania that serve as coordinating centers for citizens to find the help they need.

However, empirical evidence regarding the success of these programs remains scarce. This is largely due to the relatively recent nature of the problem; only in the past decade or so have programs to help address financial literacy been developed. Despite this difficulty, studies have produced a set of basic guiding principles for successful programs.

To be effective, a state Office of Personal Financial Education should incorporate these basic principles and establish clear methods for evaluating results. This report concludes that the office proposed in House Bill 1462 has the potential to help equip New Hampshire’s citizens with the tools they need to build an economically sound future, if the policy goals for the office are clearly articulated and appropriate resources are provided.

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- ²² University of New Hampshire Cooperative Extension, available online: <http://extension.unh.edu/Money/Money.htm>.
- ²³ Indiana Investment Watch. Available at: <http://www.in.gov/sos/securities/investmentwatch/>.
- ²⁴ Pennsylvania Office of Financial Education. Available at: <http://www.moneysbestfriend.com/>.
- ²⁵ Government Accountability Office “Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy” p7.
- ²⁶ Government Accountability Office “Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy” p34.
- ²⁷ PRS Policy Brief 0607-03.