



NASAA

---

**NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.**

750 First Street N.E., Suite 1140

Washington, D.C. 20002

202/737-0900

Fax: 202/783-3571

www.nasaa.org

May 23, 2008

Department of the Treasury  
[President's Advisory Council on Financial Literacy](#)  
Office of Financial Education, Room 1332  
1500 Pennsylvania Avenue, NW.  
Washington, DC 20220

via e-mail to [financialliteracycouncil@do.treas.gov](mailto:financialliteracycouncil@do.treas.gov)

**Attention:** Chairman Charles Schwab and Executive Director Dan Iannicola

The North American Securities Administrators Association (“NASAA”)<sup>1</sup>, respectfully submits comments to the President’s Advisory Council on Financial Literacy concerning the state of financial literacy and education in the United States. State securities regulators share the President Council’s concerns with our nation’s current level of financial literacy. We also share a belief that we can make a difference, and we are committed to pursuing constructive and proactive solutions.

### **NASAA Investor Education Section**

Recognizing that education is a key weapon in the fight against investment fraud, the NASAA Investor Education Section was created in 1997 by the NASAA Board of Directors to help support the financial education efforts of our members. The Investor Education Section, along with a network of professionals from across the NASAA membership, is responsible for developing, coordinating, delivering, and supporting financial education initiatives that can be utilized by state securities regulators in their ongoing endeavor to improve the level of financial literacy in their jurisdictions. Currently, the Section has five focus areas: Youth Outreach, Senior Outreach, Affinity and Military Outreach, General Education Program Coordination, and a new area dedicated to working adults (pre-retirees) and their families called the Sandwich Generation.

Most state and provincial securities regulators have established investor education departments or divisions within their agencies. The result is a unique network of dedicated professionals delivering financial education at the grassroots level throughout North America. Our financial education professionals can be found at work in such venues as the classroom, the workplace, senior centers, and at trade and professional organization events. They partner with teachers, employers, and peer-based volunteer groups to deliver financial education to our constituents of all ages.

---

<sup>1</sup> The oldest international organization devoted to investor protection, the North American Securities Administrators Association, Inc., was organized in 1919. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, Mexico and Puerto Rico. NASAA is the voice of securities agencies responsible for investor protection and efficient capital formation.

## Issues to Address

**(1) *How can financial literacy among young people be improved?*** Reaching our young citizens with financial education at a very early age can help them build a lifetime of good money management habits. Financial education is the first and best defense against financial fraud, abuse, and exploitation. NASAA places a high priority on youth financial literacy, and in January 2008, NASAA was elected a member of the Board of Directors for the Jump\$tart Coalition for Personal Financial Literacy, another example of state securities regulators' involvement in the arena of financial literacy for youth.

NASAA believes a fully integrated national financial literacy strategy, including partners from city, state, and the federal government in addition to private partners, would help raise awareness of the importance of financial literacy (including investor education) for youth. Truly there is no shortage of programs or material to reach our youth, but there is a lack of coordination in distributing or administrating them, and a shortage of peoplepower and financial resources to support delivery of education. We encourage lawmakers to support financial literacy and budget the resources for delivery. Again, to ensure implementation of such a strategy there should be concerted efforts by all parties to coordinate financial literacy efforts.

To better frame our discussion on how to improve youth financial literacy, we highlight three successful NASAA member programs:

**Teacher Training Academies:** The NASAA Youth Outreach Project Group created a blueprint for NASAA members to use in developing and hosting teacher-training academies. The purpose of this type of event is to train teachers on how to integrate financial education into the classroom curriculum. Through teacher training academies, we work to provide teachers with the knowledge, tools and resources they need to efficiently and effectively deliver financial education to their students. Several of our members host this type of event on an annual basis and have done so for many years. The newly created blueprint provides a step-by-step program development guide for our members, and brings together best practices from existing, successful programs. The teacher training blueprint covers everything from structuring an agenda, suggested categories of speakers, obtaining curriculum and financial resources, coordinating lodging and meals, partnering with an institution of higher education, qualifying the event for continuing education credits, and much more. One such program is North Dakota's Invest ND program which can be accessed [here](http://www.ndsecurities.com/investor-education/teacher-seminars.asp). <http://www.ndsecurities.com/investor-education/teacher-seminars.asp>

**FSI: Fraud Scene Investigator:** Teaching youth the principles of sound investing and fraud prevention is the focus of a new NASAA produced program designed for high school students titled, "FSI: Fraud Scene Investigator"--FSI is an interactive online investor education program that teaches and empowers students how to detect and stop investment fraud. The FSI program helps students learn how to fight fraud firsthand, by learning how to read newspaper stock tables, researching companies through online news, and deciphering the truth of an investment from fraudulent sales pitches. In the initial FSI program titled, "Suitable Investments," students help uncover and stop a million-dollar fraud in progress. NASAA's grassroots member investor education network is working with educators to integrate the FSI program into schools across the nation. Already, teachers from Arizona to West Virginia are finding students are getting hooked on the program, teachers like the curriculum, and students want to know what's next in the interactive game.

**InvestEd™ STARS**: Teaching youth the value of sound investing principles is the purpose of Oklahoma’s InvestEd™ STARS program. STARS stands for Students Tracking and Researching the Stock Market. This online investment education program was produced by the Oklahoma Securities Commission and the University of Oklahoma. High school teachers take a week-long training by an InvestEd™ STARS specialist who equips them with the knowledge they need to incorporate the program in their school. These teachers take the interactive STARS curriculum to the classroom where they teach students how to research stocks, study market behavior, track long-term portfolio performance and as a capstone each student ends the course with a written report on what they’ve discovered about the stock market.

***(2) How can financial education be provided in the workplace?*** As a majority of Americans have become investors, there is an obligation to ensure individuals have a basic understanding of the principles of savings and investing, as well as preserving their accumulated wealth. Every day, it becomes more apparent that there is a population of investors who are ill-equipped to make critical financial decisions. This is why NASAA members can be found educating investors in the workplace, as well as professional organizations. It’s important that financial education be provided through a variety of workplaces that encompass all segments of America’s diverse workforce.

This fall NASAA’s Sandwich Generation project group will unveil a new workplace based program, designed to answer the needs of this growing “Sandwich Generation” population—adults caring for aging parents and their young children, while handling their own financial decisions.

***What financial education issues should be addressed in the workplace?*** It is essential the information provided to employees be sound and unbiased. Employees should have knowledge of who to invest with, how to check out the background of their investment professional, and how to participate in their investment strategies by reviewing account statements and changing investment goals and risk tolerances as their life situations evolve and change. It’s possible that employers, who don’t conduct due diligence prior to inviting a financial professional to conduct a sales seminar to their employees, may be unwittingly inviting fraud in the workplace. While it is essential to discuss product information, it is also essential to discuss fraud prevention and the importance of thoroughly investigating a product to ensure it’s suitable for the employee’s needs.

NASAA members provide free, unbiased investor education information to employers of all types and sizes. This comes with an inherent benefit—if they have any questions about a broker’s past or suspect fraud they know who to contact with questions. State securities regulators currently conduct many presentations in the workplace and stand ready to expand efforts to ensure investor protection is a component of the financial information provided.

***(3) How can access to financial services be increased in underserved markets?*** NASAA believes all citizens should have access to financial services, coupled with financial education ensuring these citizens don’t become targets for predatory scams. The factors that have caused these underserved or unbanked consumers to distrust traditional financial services should not become a platform for potential affinity fraud.

***What markets are underserved for financial services?*** In our opinion, there are many underserved markets for financial services; typically these can be viewed as retail investors with assets under the threshold of service for many large financial services firms. Also, members of ethnic or affinity groups, such as the military are often underserved for financial services. In times of heightened deployment, NASAA members have seen U.S. military personnel become targets of financial scams. These scams can directly affect unit morale and readiness as well as military service members' credit history and military career. To combat this fraud head on, our member in the California Department of Corporations created the TAPS or "[Troops Against Predatory Scams](http://www.corp.ca.gov/Education_Outreach/taps/default.asp)" program, which provides an online and in-person resource to give military personnel and their family members the tools they need to invest wisely and avoid scams. In the last year alone (FY 2007), the state of California's investor education office reached 18,470 individuals through 51 presentations reaching military service members, their families and those living in military communities. [http://www.corp.ca.gov/Education\\_Outreach/taps/default.asp](http://www.corp.ca.gov/Education_Outreach/taps/default.asp)

***(4) What questions should be answered to provide a thorough understanding of the current state of financial literacy in the country?*** NASAA believes care should be exercised when taking a snapshot of "financial literacy" in America and particularly in the framing of these questions. Questions should illicit knowledge of financial topics, as well as behavioral aspects, such as, what prompts investors to seek information and what sources can they rely on when considering a financial product or purchase.

***What are the gaps in existing research on financial literacy?*** Existing gaps in financial literacy include a lack of consistency in measuring American's financial knowledge. It is important the research not be self-serving to the group that commissioned it and that it is a fair and unbiased representation of the public at large.

***(5) What are the best ways to communicate to those who lack awareness of financial education resources?*** There are many ways to reach our citizens about the financial education resources available to them. NASAA believes the personal touch is most effective and to illustrate this point—over the past year and a half, NASAA members have reached more than **293,718** consumers through **2,192** presentations. Although Internet use continues to grow, it's important to be mindful that many consumers lack access to the Internet and this face-to-face connection may be the only link that prevents potential fraud and arms consumers with the information needed to prevent them from losing their nest egg.

NASAA members do harness technology to reach consumers online whether it's our [Senior Investor Resource Center](#), [Fraud Center](#), or interactive youth outreach programs, such as, [FSI: Fraud Scene Investigator](#). NASAA is also using new media technology to reach consumers. During Financial Literacy Month 2007, NASAA launched an investor education podcast series titled, "[The Alert Investor](#)," which has served as a valuable resource for the public to learn about investing wisely, avoiding fraud and how to exercise their rights as investors. The series, available on iTunes, has grown in popularity and currently features 11 episodes and has been downloaded nearly 10,000 times by listeners.

It's clear that with all of these programs and access points, we need to be innovative in order to reach the public wherever they may be most likely to access financial information.

## Coordination of President's Advisory Council

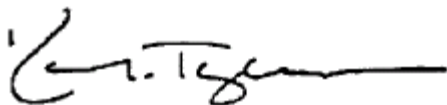
The newly created President's Advisory Council on Financial Literacy offers an opportunity to coordinate the efforts of NASAA's grassroots network with the initiatives undertaken at the national level. We encourage all 16 members of this new Advisory Council to consider the resources and experience state securities regulators and their staffs have at the local level when pursuing new programs and partnerships.

NASAA was honored to be a panelist in the April 17, 2007 inaugural meeting of the National Financial Education Network. The Federal Literacy Education Commission stated this network is intended to create an open dialogue and advance financial education at the state and local level. It is essential that this National Financial Education Network be fully integrated into the framework of how the Commission operates, thus utilizing and mobilizing the vast resources of state, private as well as nonprofit organizations and their extensive networks. Full integration of the National Financial Education Network would ensure that events held across the nation include all members of the financial literacy community that wish to participate.

Complete coordination with federal, state and local government and private organizations should not be considered just a step in the national strategy, but viewed as a crucial and integral part of the Commission and Advisory Council's mandate. The existing grassroots network available to both bodies provides the entire picture of financial literacy efforts that we believe Congress envisioned when creating the Financial Literacy Education Commission and when President Bush created the President's Advisory Council on Financial Literacy in January 2008. Both groups have a unique opportunity to unite financial literacy efforts and foster dialogue, and nothing short of complete cooperation with these groups will constitute a fully integrated National Financial Literacy Strategy.

Thank you for your consideration of our views. Please do not hesitate to contact Wayne Strumpfer, California's Deputy Commissioner of Securities and Chair of NASAA's Investor Education Section, or me if there is anything that state securities regulators or NASAA can do to assist you as the Council continues the dialogue on this important issue.

Sincerely,



Karen Tyler  
NASAA President  
North Dakota Securities Commissioner