

Testimony of
American Institute of Certified Public Accountants

And

360 Degrees of Financial Literacy

Before the
House Financial Services Committee

United States House/Senate

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The American Institute of Certified Public Accountants appreciates the opportunity to submit testimony to the Committee on the subject of financial literacy. The AICPA believes strongly in the importance of widely available and effective financial literacy programs and has long considered them to be a professional responsibility that we take quite seriously.

Americans of all income levels and at all stages of life today are faced with such complicated economic situations that understanding the existing financial landscape is essential to economic independence and growth. Whether a teenager just entering the workforce who needs to learn the fundamentals of bank accounts and credit cards, a young married couple trying to ensure their child will be able to attend college, or an older investor thinking about retirement and elder care, all Americans are in need of financial education.

We'd like to share with you some startling facts that showcase the current condition of Americans' financial literacy and how it directly affects economic prosperity.

Americans are on a collision course with financial disaster. According to a March 2008 Gallup Poll:

- 43% of 50-64 year-olds worry they will have to retire later than they had planned due to lack of savings.
- 53% of both 30-49 year-olds and 50-64 year-olds say they are similarly worried about outliving their money.
- 26% of Americans consider the debt they are carrying to be unmanageable, according to a Harvard Business School survey.

Clearly, the need for financial education is greater than ever. A 2008 Harris Interactive Poll conducted on the behalf of the AICPA found that many Americans feel they are having a harder time getting by and are nervous about the future of the economy.

- Four-in-ten (41%) American adults indicate that they have delayed major life decisions for financial reasons. These decisions include homeownership, higher education, retirement, medical procedures, marriage, or children.
- Half (52%) of Americans are more worried about their personal financial condition compared to one year ago. This number rises to 64% among those with total annual household income below \$50,000.
- As further evidence of Americans' concerns over the economy, one-in-four (24%) indicate they are considering a second or part-time job to cover current expenses (representing approximately 55 million Americans). This marks a significant increase from the March 2007 study when 16% of adult Americans indicated they were considering a second or part-time job to meet current expenses.

Americans today face great financial uncertainty. Twenty and 30-somethings are unprepared to save and manage money. Forty to 50 year-olds cannot get out of the debt incurred when they were younger. And seniors are finding themselves with barely enough money to retire comfortably let alone at the standard at which they have been living.

This means that with a basic education and understanding of the financial playing field, individuals and families face can radically and positively affect the economic health of those individuals and Americans and our nation as a whole.

It is encouraging that Congress has recognized the significance of financial literacy education. Senate Resolution 495, which designates April as Financial Literacy Month, and House Resolution 1079, which supports financial literacy goals in general, are an excellent start.

But legislation and official recognition will not be enough. Expanding awareness of and support for nonprofit initiatives will be critical to bringing Americans up-to-speed on the complex world of personal financial management.

As Certified Public Accountants who are trained to understand this landscape and who have a responsibility and requirement to stay up-to-date through continuing professional education, we are in a unique position not only to explain why financial literacy is important, but to design and implement programs that are widely available.

AICPA is not suggesting a massive infusion of federal dollars to create these programs - the infrastructure and educational foundation for teaching Americans fundamental financial skills are already in place.

AICPA's comprehensive effort—360 Degrees of Financial Literacy—is a broad-based program that helps Americans from childhood to retirement. In offering basic resources for understanding money management for college, marriage, parenthood and other major life events, 360 Degrees of Financial Literacy is a blueprint for the type of financial instruction more Americans should be receiving.

The AICPA and state CPA societies launched 360 Degrees of Financial Literacy in 2004 as a national volunteer effort of the CPA profession to improve the financial understanding of all Americans. CPAs, either through state societies or individually, volunteer their time and expertise to help Americans gain knowledge and power over their personal finances. The initiative sends the message that financial education should be a lifelong endeavor—from encouraging children to learn the habit of saving to helping adults plan for a secure retirement.

As the national professional organization for all CPAs, the AICPA provides CPAs with the resources to help Americans gain knowledge and power over their personal finances. At the local level, CPAs offer financial education courses on a range of topics and to a variety of audiences. Under the umbrella of 360 Degrees of Financial Literacy, the state CPA societies conduct workshops, host seminars, contribute to radio shows and newspaper columns and more.

These workshops offer Americans an opportunity to learn about the financial complexities and choices that affect their daily lives.

All 50 states plus the District of Columbia and Puerto Rico are homes to state CPA societies devoted to this issue. CPAs that are members of local organizations volunteer their time to work with individuals and families, giving them the necessary tools to manage their money.

Thousands of CPAs are volunteering their time nationwide.

The AICPA's award-winning financial literacy Web site (www.360financialliteracy.org) is the centerpiece of the campaign, where consumers can find extensive free resources to help them make sound financial decisions. The site features free, valuable information for Americans at all stages of life. Information is available in the forms of articles, reports, surveys and studies.

Tools such as savings and budget calculators and checkbook balancers are available. Frequently Asked Questions on issues related to the financial aspects of marriage, student loans, retirement and entrepreneurial investments help consumers gain additional knowledge.

The site receives an average of more than 100,000 visitors each month and is ranked highly on all major search engines. The site is free from advertising, sales, promotions and branding.

In addition, the AICPA offers free resources and opportunities for all state CPA societies and thousands of CPAs volunteers. Together, the work of the AICPA, states societies and CPAs has benefited hundreds of thousands of Americans. Grassroots programs that are having an impact on the communities they serve include:

- The **California Society** arranged for CPA volunteers to offer free financial counseling to victims of the wildfires that seared Southern California in late 2007.
- **Georgia Society** members, in partnership with the Atlanta Prosperity Campaign, volunteer to prepare free tax returns at a Volunteer Income Tax Assistance (VITA) site at the Goodwill Training Center in Decatur.
- The **Massachusetts Society** (MSCPA) partnered with Boston College to bring college seniors the “Successful Start Financial Literacy Program.” The goal of the program was to educate college undergraduates on the importance of financial planning. Due to the seminar’s huge success, the MSCPA plans to hold additional seminars during the fall semester.
- The **New Jersey Society** offers a program titled “Retirement Planning for Dummies” throughout the state. In the last year, more than 125 attendees visited five of the state's leading public accounting firms to hear tips on retirement planning.
- The **Virginia Society** offers the “Ask a CPA E-mail Program” as part of its Financial Fitness initiative. CPA volunteers provide answers to personal financial planning questions within three business days. This free e-mail program is open to all Virginia residents.
- The **Wisconsin Institute** and its Young Professionals committee travel to local colleges and universities to present a financial literacy seminar on the importance of saving, budgeting and credit cards. Recent graduates teach students how to wisely save and spend their money after they graduate and start their first jobs.

These initiatives demonstrate the collective commitment of the AICPA and the state CPA societies to reach out to Americans in order to help improve their financial situation.

In an effort to build on these successes and extend the reach of 360 Degrees of Financial Literacy, in 2006 the AICPA joined forces with the Ad Council, an organization with a history of raising awareness about significant public issues, to launch a national public service campaign focused on financial literacy.

The campaign, Feed the Pig™, targets 25-34 year-old working men and women, known as “Career Builders.” Their need is particularly great. These young people have been called Generation Debt. On average, they leave college with more than \$20,000 in combined student loan and credit card debt.

In addition, 25–34 year olds are not saving enough according to an AICPA-commissioned study by Dr. Christopher Thornberg and Dr. Jon Haveman, economists with Beacon Economics in Los Angeles. Their research reveals:

- The median net worth of Americans in the 25–34 age group is significantly lower than it was 20 years ago, despite increases in income: In 1985, it was \$6,788; in 2004, it was \$3,746.
- On average, net worth for 25–34 year-olds was 99% of income in 1985; by 2004, it was 92%.
- The number of people in this demographic maintaining an interest-bearing account or other savings instrument is declining, from 65% in 1985 to 55% in 2004. Notably, the ownership of the most accessible of these instruments, a simple savings account with a bank, fell from 61% to 47% between 1985 and 2004.
- There is an increased willingness among Americans in this age group to acquire unsecured debt: The average level of debt in 1985 was \$3,118, whereas in 2004, it climbed to \$4,733.

Finally, Career Builders are often grappling with monumental new life stages, such as marriage and parenthood and they're beginning to think about their own retirement or their parents' future health. These are all critical life stages requiring specific financial knowledge and actions.

Young working Americans cannot afford destructive financial behaviors. They must take steps to improve their finances and prepare for the future.

Feed the Pig inspires its target audience to reignite the savings habit by taking small, easy steps to take control of their finances. By drawing upon a traditional image of savings, the piggy bank, the campaign takes that icon and makes it relevant for young Americans. The campaign reaches the target audience through a variety of media including TV, radio, print, outdoor and Web public service advertisements (PSA), as well as through demographic-appropriate media such as podcasting and social networking Web sites. All media placements are donated.

The target audience can find free financial information and tools to help them make positive changes by visiting www.feedthepig.org. The site receives 100,000 visitors each month. More than 82,000 have signed up to receive weekly reminders featuring easy and practical tips to pay down debt and increase savings. For more in-depth information, visitors are directed to the highly successful 360 Degrees of Financial Literacy consumer Web site, www.360financialliteracy.org, as it offers additional guidance and information on financial literacy programs in their communities.

Research indicates that if they're given the right message and the right motivation, Career Builders are likely to change their saving and spending behaviors. And because their retirement

is in the relatively distant future, their current financial decisions have a greater impact—positive or negative—on their long-term financial security. Feed the Pig is reaching its target audience with the right message and making an impact.

According to a study conducted by the Ad Council in late 2007, individuals who have seen or heard a Feed the Pig PSA are more likely to change their financial behavior for the better.

- Respondents who recalled seeing or hearing the PSAs were more likely than those who had not to report that, in the past six months, they have taken action to learn more about managing their finances. Reported activities include:
 - Discussing ways to save money with friends and family (84% vs. 67%)
 - Visiting a website to get more information about how to save money (62% vs. 34%)
 - Calling a toll-free number to get more information on how to save money (32% vs. 4%)
 - Contacting a financial counselor (45% vs. 13%)
- Respondents who recalled seeing or hearing the PSAs were more likely to claim they always take certain actions to save money, such as:
 - Keeping a budget of their expenses (33% vs. 19%)
 - Saving for long-term financial goals such as education, a house or retirement (30% vs. 18%)
 - Bringing a bagged lunch to work and/or eating leftover meals (29% vs. 21%)
 - Comparison shopping for the purchase of most items (49% vs. 23%)
 - Increasing savings when they receive a salary increase (27% vs. 16%)

Feed the Pig is resonating with Americans of all ages:

- “I want to thank you for having something like this available to millions who need to hear it... I'll be sending this info to my friends and family. We were struggling financially (badly) early in our marriage, but, through reading books and going to seminars, we learned how to get our act together and make a brighter financial future for ourselves. That was 12 years ago and we're still going strong.”
- “Your commercial...is one of the best ads that I have seen. Hopefully it is having a similar impact on others as it had on me. I am a 70 year-old-man so it really hits home when I see my 45 year old children buying these TV sets [and other big ticket items] on credit.”
- “I heard your ‘Feed the Pig’ announcement on a rock station recently in North Central Illinois. I’d like to say thank you for send out a message to the youth of the country that you don’t have to spend every dime you earn!”

Feed the Pig is making an impact in large part due to state CPA society involvement:

- The **Florida Institute** participated in the annual Children’s Capitol for a Day Rally in celebration of Florida’s Children Week. Children of all ages participated in games designed to promote the Feed the Pig campaign while teaching smart money habits. A popular exercise was the ‘piggy bank toss’ where children tossed money bean bags into a large piggy bank to earn interest in the form of chocolate coins.
- To raise awareness about the importance of financial literacy, Benjamin Bankes and Nick Nauman, the **Iowa Society**’s Vice President, threw the first pitch at the Iowa Cubs minor league baseball game on August 20. The ISCPA also gave away five piggy banks with \$10 cash in each before the second inning.

- The **Minnesota Society** participated in Radio Disney Move It! during the summer of 2007. The flying pig balloon that attracted shoppers and children to the society's table was the highlight of the event. Society staff spoke to parents and kids about the importance of saving money while they handed out Feed the Pig items.
- The **Oregon Society** sponsored the fifth-annual Chalk It Up for Literacy on August 4 in Portland. Activities included financial literacy trivia for adults and a piggy bank bean bag toss for kids. Attendees received piggy stress balls, bubblegum coins and stickers.
- In April 2007, the **Pennsylvania Institute** and Benjamin Bankes hosted a breakfast meeting for freshman members of the Pennsylvania State Legislature to discuss financial literacy. Later that day, Governor Edward Rendell proclaimed April as Financial Literacy Month in Pennsylvania. As part of its financial literacy month activities, the Institute organized a seminar for college students where CPAs provided information to help prepare them for life after graduation. Topics included repaying student loans and managing credit card debt.
- Governor Joe Manchin III attended the **West Virginia Society** press conference announcing the state's involvement in the Feed the Pig campaign. In his remarks, the Governor spoke about the importance of financial literacy to West Virginians and encouraged public education on the topic. The previous evening, the society introduced Benjamin Bankes to legislators who attended the society's Annual Legislative Reception.

During fall 2008, the next round of Feed the Pig PSAs will be released. These ads will seek to continue to change the thinking the campaign's target audience has about money and saving and offer simple steps to start saving. The campaign also will be extended to a younger audience through the release of a curriculum for 4th-6th graders. The program will teach and enforce smart saving and spending habits with in-class, online and take-home activities.

The success of 360 Degrees of Financial Literacy and Feed the Pig relies on partnerships with many other organizations offering financial education opportunities. These relationships allow the AICPA and state CPA societies access to new resources and audiences while providing partners with the benefit of CPA volunteers' knowledge and involvement:

- The AICPA is an underwriter of the **Employee Benefit Research Institute's** 2008 Retirement Confidence Survey as well as a sustaining partner of the **American Savings Education Council** (ASEC). In April 2008, ASEC and AICPA will release a joint press release to promote the savings messages of ASEC's Choose to Save campaign and Feed the Pig.
- This year, the AICPA participated in **America Saves Week**. The Institute encouraged all state societies to promote the effort in their communities. A special America Saves Week/Feed the Pig Savings Tip was distributed to over 65,000 individuals via email.
- Through an ongoing partnership with the **Department of Labor's Employee Benefits Security Administration** (EBSA), small business owners and their CPAs attend free seminars as part of the EBSA's Health Benefits Education Campaign. The AICPA hosts EBSA's, www.choosingaretirementsolution.org, a Web site to help small business owners understand the many retirement plans available and to assist in the selection that is best suited for their business and their employees.
- The AICPA supports the national **Jump\$tart Coalition** and many state CPA societies partner and their members volunteer with **Jump\$tart state coalitions**.

- To help Americans regain financial balance following disaster or to establish a plan to prepare for one, the AICPA and the **National Endowment for Financial Education** (NEFE), jointly developed two guides: *Disaster Recovery: A Guide to Financial Issues* and *Disaster Planning: A Guide to Preparedness*.
- A partnership with the **Federal Deposit Insurance Corporation** promotes its “Money Smart” financial education program to state CPA societies and CPA volunteers and encourages use of its materials to reach out to the program’s target audience, the unbanked.
- Each year, AICPA members volunteer as tax experts to answer questions received on **USA Today's** Web site.

We know from our experience that these programs can be successful and that they are well received. We encourage Congress to support programs like this throughout the country and especially consider formally implementing aspects of financial literacy education in public schools. The need may exist for high school seniors to be more financially literate, but we cannot wait for someone to enter the 12th grade to begin that education.

Citizens need access to financial education that addresses the issues they experience at specific life stages. What people need to know about money management changes as they journey through childhood, college, career, parenthood, home ownership, and retirement. Life crises, such as job loss or disaster, can affect finances at any moment. Without the benefit of financial literacy, American individuals and families are less likely to save for their futures, prosper economically and avoid poverty.

The CPA profession is united and committed to helping Americans develop the skills they need to take charge of their finances. The AICPA, the state CPA societies and CPA volunteers are beginning a revolution within our country. This revolution aims to empower Americans to change their own financial destiny and the financial destiny of future generations.