



Financial Capability in the United States

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U.S. Priorities and Approach

- **Make it evidence-based**
 - **Put it where it works**
 - **Focus it where it's needed most**
 - **Increase access**
 - **Partnerships**
-

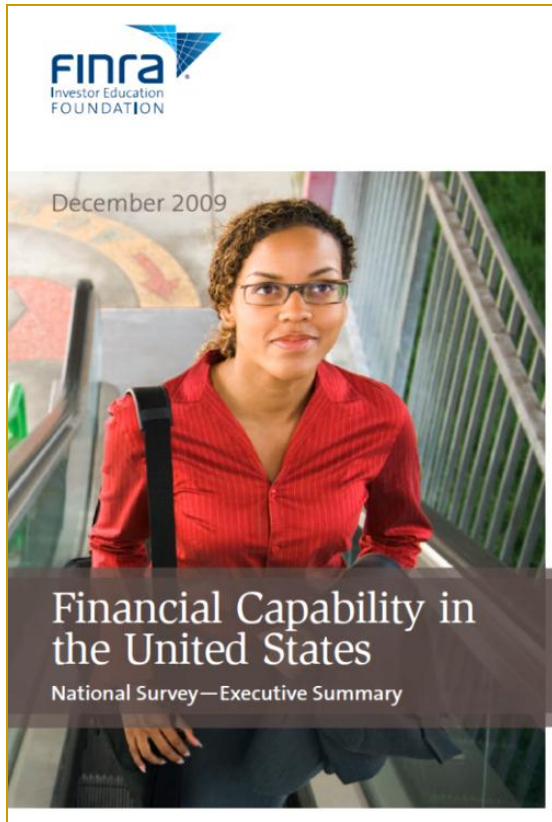
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- **Make it evidence-based**
 - Assess needs and gaps
 - FINRA National Financial Capability Survey
 - National Survey of Unbanked and Underbanked Households
 - Address the current lack of consistency
 - Core competencies and metrics
 - Identify a research agenda
 - Small dollar consumer loan research
 - National research symposium
-

FINRA National Financial Capability Survey

1. **National Survey:** Nationally-projectable telephone survey of 1,488 American adults
2. **State-by-State Survey:** Online survey of approximately 25,000 respondents (roughly 500 per state + District of Columbia)
3. **Military Survey:** Online survey of 800 military personnel and spouses

4 Key Financial Capability Components

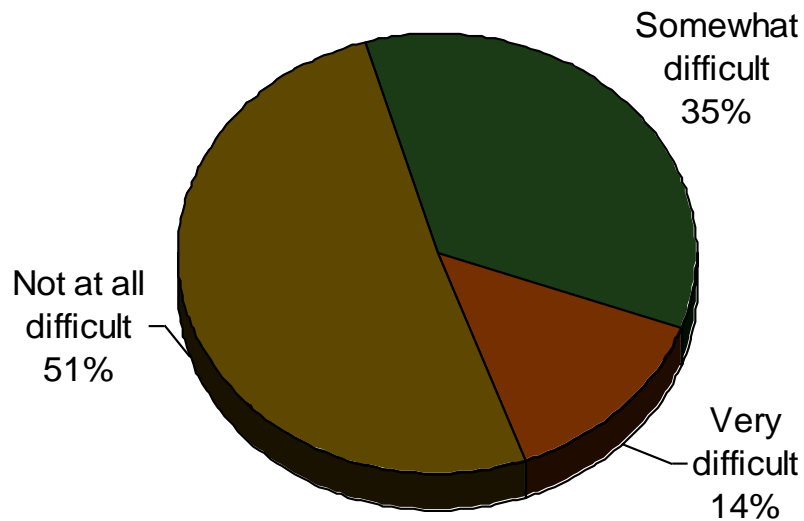


1. **Making Ends Meet**
2. **Planning Ahead**
3. **Managing Financial Products**
4. **Financial Knowledge and Decision-Making**

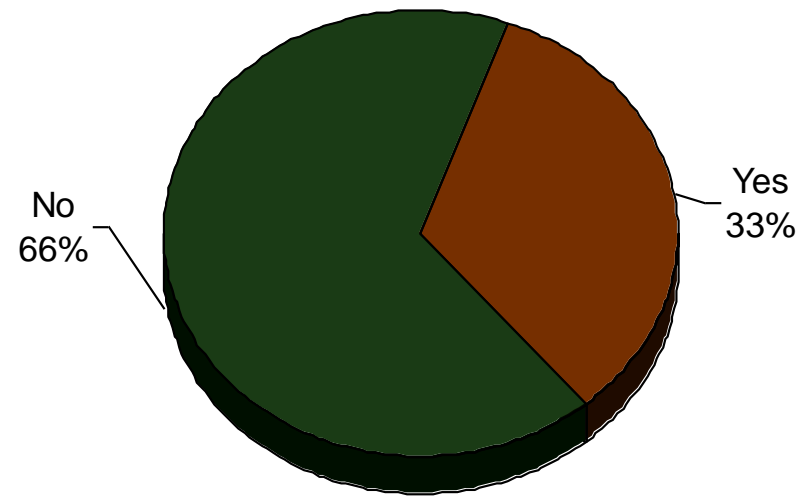
Making Ends Meet

Signs of Financial Strain

In a typical month, how difficult is it for you to cover your expenses and pay all your bills?

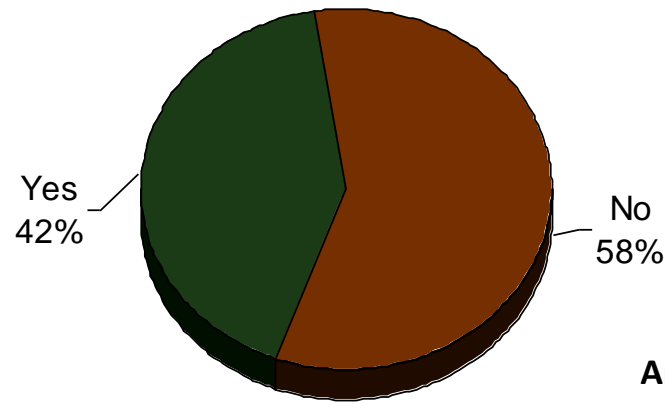


In the past 12 months, have you experienced a large drop in income which you did not expect?

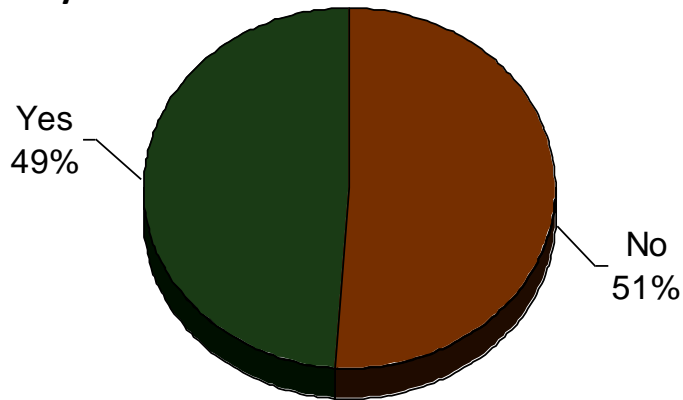


Planning Ahead

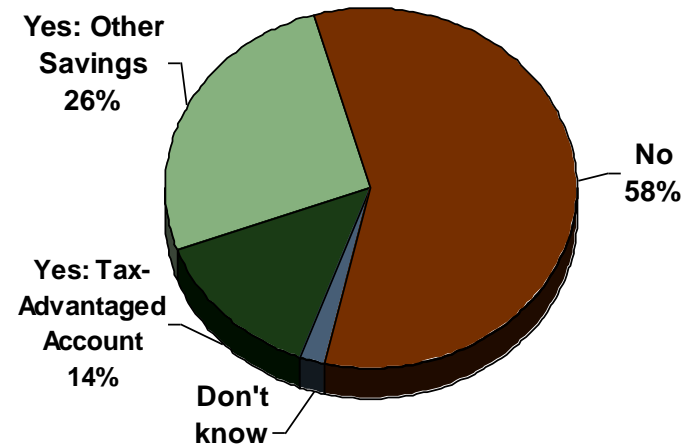
Have you ever tried to figure out how much you need to save for retirement?



Have you set aside an emergency or rainy day fund?

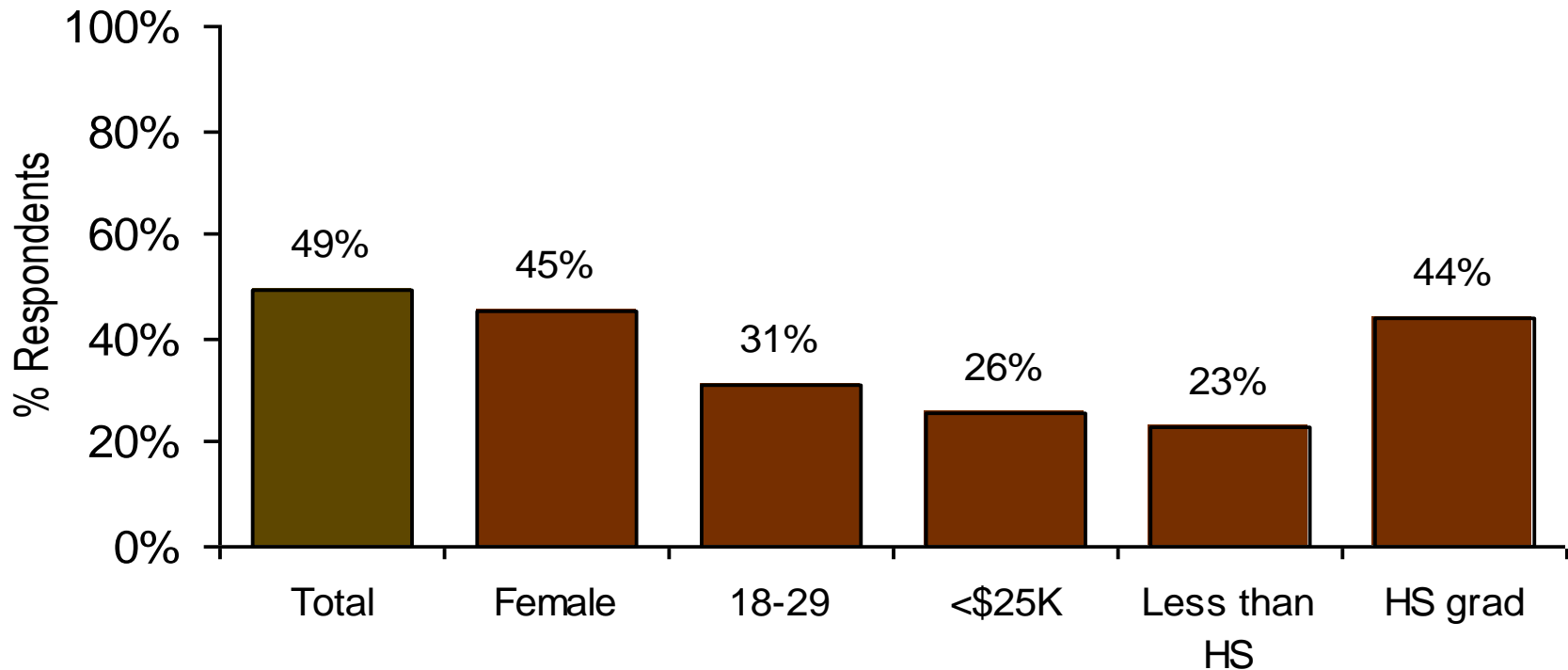


Are you setting aside any money for your children's college education?



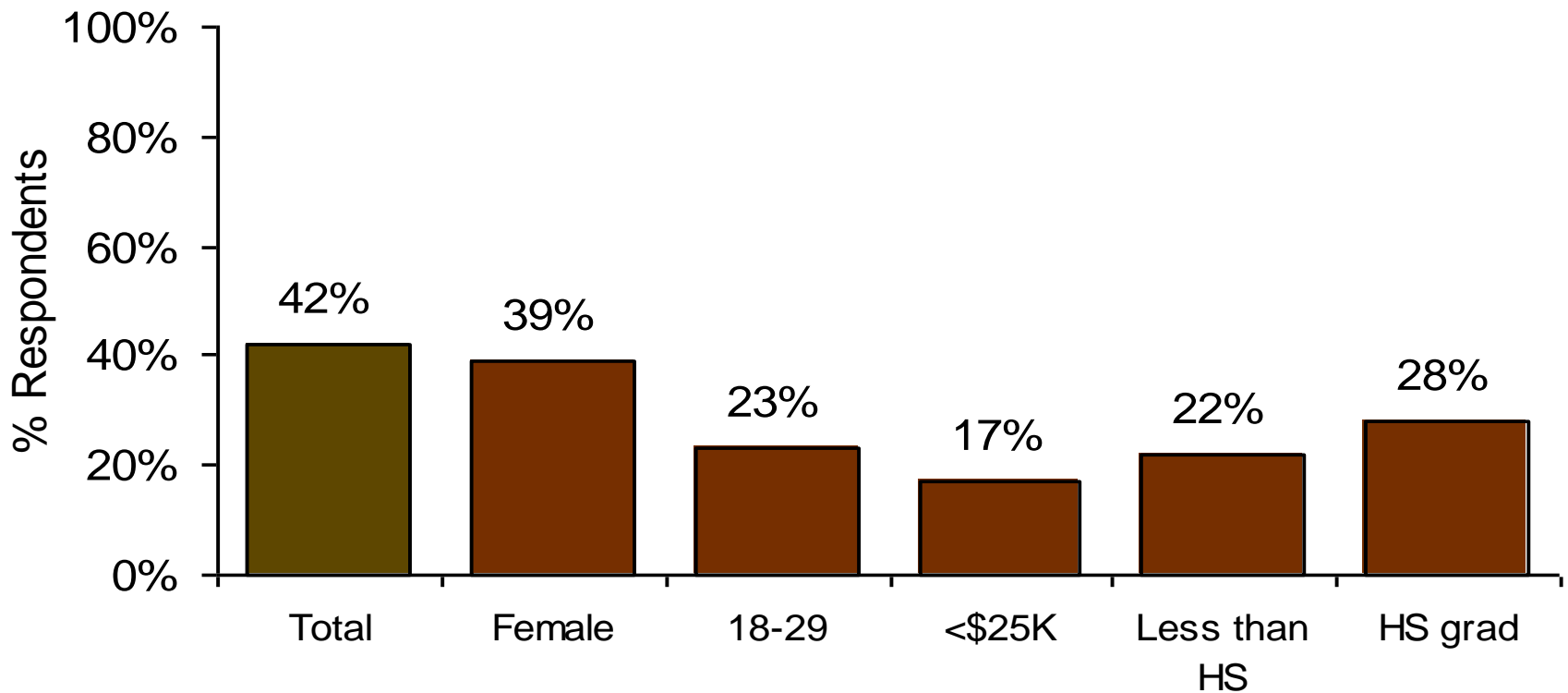
Those Most at Risk Are Least Prepared for Emergencies...

Respondents with emergency or rainy day funds that would cover expenses for 3 months



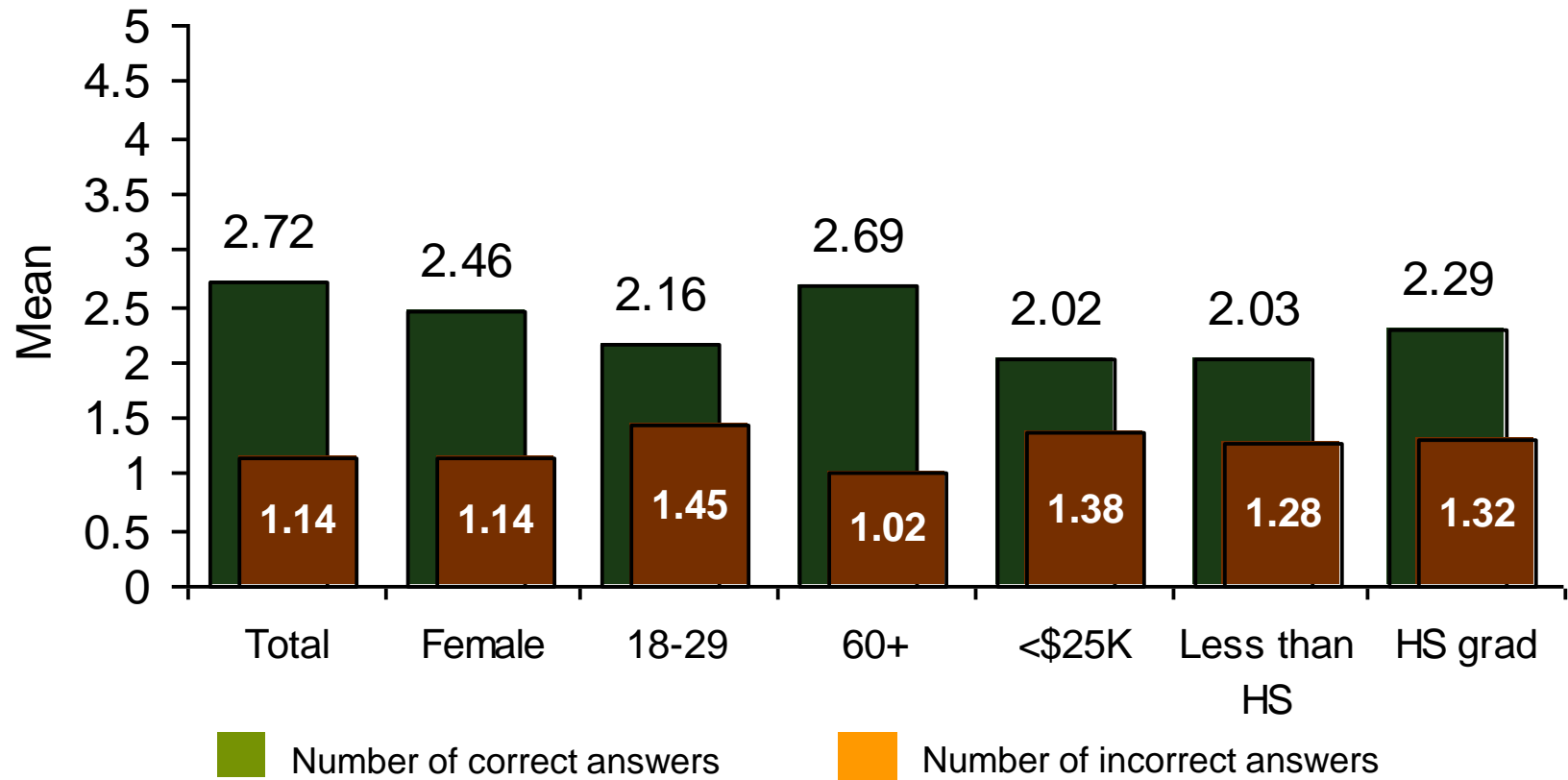
...And Least Likely to Plan for Retirement

Respondents who have tried to figure out how much to save for retirement



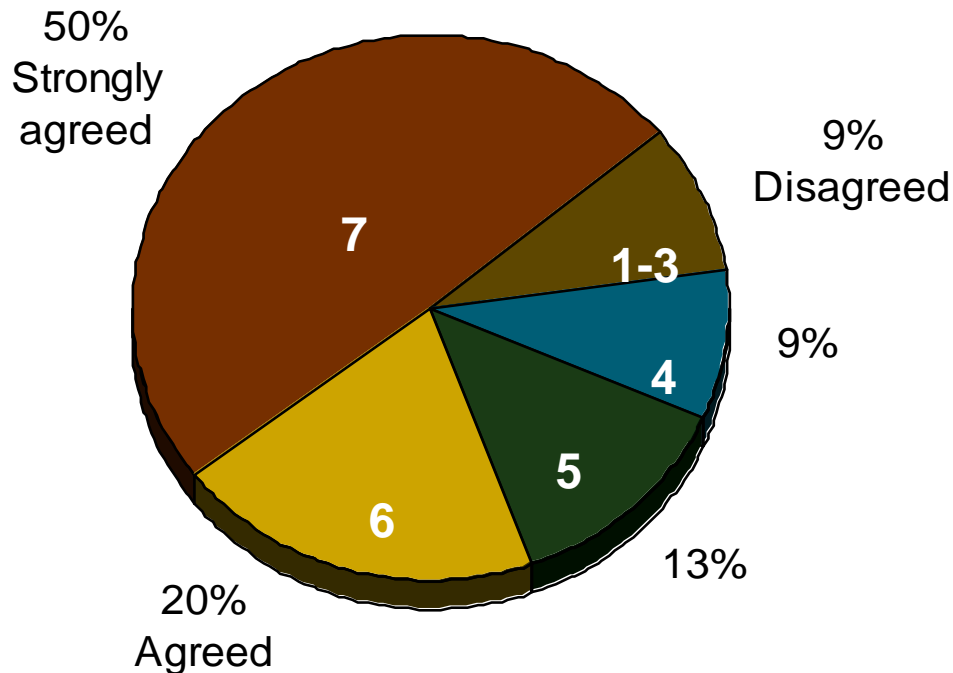
Financial Literacy

Count of correct and incorrect quiz answers (total 5 questions)



Self-Perception versus Financial Behavior

“I am good at dealing with day-to-day financial matters”
Respondents with credit cards and checking accounts



However, 24% who strongly agreed and 40% who agreed engaged in behaviors that generated fees or high costs.

National Survey of Unbanked and Underbanked Households

ECONOMICINCLUSION.GOV

FDIC

> INITIATIVES > HOUSEHOLD SURVEY > PRESS ROOM

NATIONAL HOUSEHOLD SURVEY

Results from the 2009 FDIC National Survey of Unbanked and Underbanked Households.
Read the [full report](#) and [Executive Summary](#).

NATION REGION STATE MSA

The image is a screenshot of a website with a dark blue background. At the top left, the text 'ECONOMICINCLUSION.GOV' is displayed in white. To the right is the 'FDIC' logo. Below these are three dark blue navigation buttons with white text: '> INITIATIVES', '> HOUSEHOLD SURVEY', and '> PRESS ROOM'. A map of the United States is shown in a lighter blue shade. To the right of the map, the title 'NATIONAL HOUSEHOLD SURVEY' is written in large white letters. Below the title, there is a line of text: 'Results from the 2009 FDIC National Survey of Unbanked and Underbanked Households.' followed by 'Read the [full report](#) and [Executive Summary](#).' At the bottom right, there are four light blue buttons with rounded corners and white text: 'NATION', 'REGION', 'STATE', and 'MSA'.

Source: FDIC 2009 Survey of Unbanked and Underbanked Households

National Survey of Unbanked and Underbanked Households

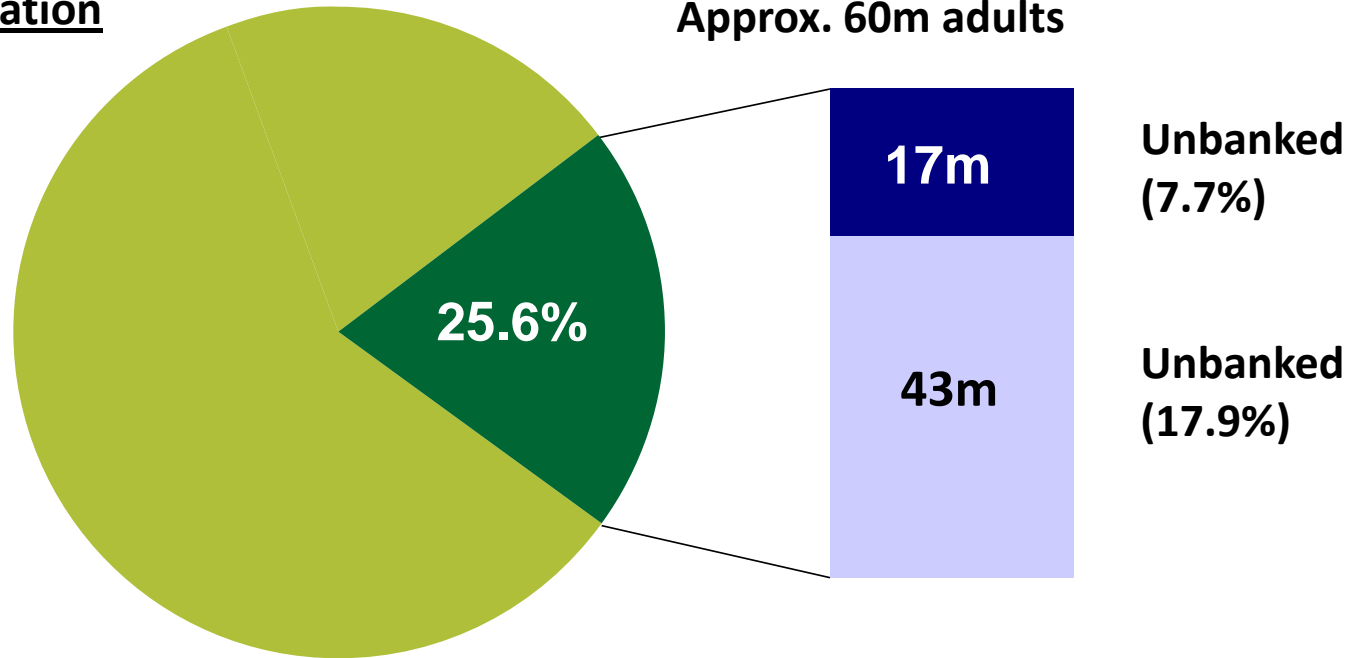
- ❑ Administered in January 2009 by Census field representatives to 54,000 households (86% response rate).
- ❑ Designed to address a gap in reliable data on the number of unbanked and underbanked households in the United States

Unbanked and Underbanked U.S. Adults

US Adult Population

Over 25%
Unbanked &
Underbanked

Approx. 60m adults



Unbanked - Have no bank or credit union account

Underbanked - Have a bank or credit union account, but use alternative financial services, such as: non-bank money orders, check cashing, payday loans, rent-to-own, and/or pawn shops

National Survey of Unbanked and Underbanked Households

- Lower-income and minority populations are disproportionately represented among both groups.
- The proportions vary widely across regions, states and large metropolitan statistical areas.
- Many of unbanked and underbanked households use nonbank products such as money orders, check cashers, money wiring, payday loans, and pawn shops.

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Addressing Current Lack of Consistency: Draft Core Competencies

Core Competency	Knowledge	Action/Behavior
EARNING	<ul style="list-style-type: none"> • Gross versus net pay • Benefit and taxes • Education is important 	<ul style="list-style-type: none"> • Understand your paycheck • Learn about potential benefits and taxes • Invest in your future
SPENDING	<ul style="list-style-type: none"> • The difference between needs and wants 	<ul style="list-style-type: none"> • Develop a spending plan • Track spending habits • Live within your means • Understand the social and environmental impacts of your spending decisions
SAVING	<ul style="list-style-type: none"> • Saved money grows • Know about transaction & liquid accounts • Know about financial assets (checking and saving accounts, bonds, stocks, mutual funds) • How to meet long-term goals and grow your wealth 	<ul style="list-style-type: none"> • Start saving early; Pay yourself first • Understand and establish a relationship with the financial system • Comparison shop; Balance risk and return • Save for retirement, child's education, and other needs; Plan for long-term goals; Track savings and monitor what you own
BORROWING	<ul style="list-style-type: none"> • If you borrow now, you pay back more later • The cost of borrowing is based on how risky the lender thinks you are (credit score) 	<ul style="list-style-type: none"> • Avoid high cost borrowing; Plan, understand, and shop around • Understand how information in your credit score affects borrowing • Plan and meet your payment obligations • Track borrowing habits • Analyze renting versus owning a home
PROTECTING	<ul style="list-style-type: none"> • Act now to protect yourself from potential catastrophe later • Identify theft/fraud/scams 	<ul style="list-style-type: none"> • Choose appropriate insurance • Build up an emergency fund • Shop around • Protect your identity • Avoid fraud and scams • Review your credit report

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Put it where it works: Financial literacy in the U.S.

- **Financial Literacy and Education Commission (FLEC)**
 - National Interagency Commission
- **President's Advisory Council on Financial Capability**



FLEC: National Strategy 2010

The national strategy will set the strategic direction for policy, education, practice, research, and coordination in the area of financial education and literacy.



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Increase Access (Financial Inclusion)

Bank on USA

- Share best practices among existing local initiatives
 - Provide information, tools and resources
 - Convene around data collection and assessing impact
 - Promote innovation of products, services and delivery channels that better meet the needs of low and moderate income populations
-

Key Websites

- Federal Deposit Insurance Corporation: Survey of Unbanked and Underbanked Households
 - EconomicInclusion.gov
 - FINRA Investor Education Foundation: U.S. Financial Capability Survey
 - FinraFoundation.org/Capability
 - Financial Literacy and Education Commission:
 - MyMoney.gov
 - U.S. Department of the Treasury:
 - Treasury.gov
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Thank You
