PROJECT MONEYSMART KICK-OFF
FEDERAL RESERVE BANK OF CHICAGO

Chicago, Illinois
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Good afternoon and welcome to the Federal Reserve Bank of Chicago. Thank you for being here.

We've asked you to join us today to kick off a new financial literacy project. We're calling it "Project MoneySmart," and it's designed to help Midwestern consumers make good decisions about their personal finances.

The focus of Project MoneySmart is to provide educational information about three important areas of personal finance: budgeting, saving and using credit wisely. But this new initiative is also about bringing together key players involved with financial literacy, so that we can work together in an effective manner.

First off, you might be wondering, "Why financial literacy?" The need is clear. Many Americans lack the necessary knowledge to make informed decisions about their personal finances. The research shows it, and we're also hearing it from personal anecdotes. We're living in a world where technology, information overload and complex financial tools are making life more complicated — almost by the minute. The financial decisions we face have become more complex, and that means it's increasingly important to have a solid foundation of knowledge about personal finance.

For the Chicago Fed, taking the lead on the issue of financial literacy is a natural. As one of 12 Federal Reserve Banks, we are responsible for maintaining the stability of the financial system. Mostly we do it on a broad level when we conduct monetary policy, supervise and regulate financial institutions, and provide for an efficient and smooth-running payments system. However, we also do it on a personal level when we help educate consumers about the economy. We have a strong history as a consumer educator-providing a variety of pamphlets, workshops and seminars to consumers and teachers throughout the Seventh District. Project MoneySmart, then, is a focused campaign targeting topics we already talk about everyday.

Consider some recent research:

The Jump$tart Coalition for Personal Financial Literacy recently concluded that high-school seniors nationwide lack an appropriate level of financial literacy. They gave a financial-literacy test this year to students across the country who answered only 52 percent of the questions correctly, on average. That's a failing grade, and it's down 5 percentage points from a similar survey in 1997.

Results from a 1999 survey on financial literacy conducted by the National Council of Economic Education weren't much better. On that one, half the adults scored below 60 percent, and two-thirds of high-school students failed.

On a basic economics survey created by the Federal Reserve Bank of Minneapolis, a randomly selected group of people scored an average of just 45 percent.

For this campaign to succeed, partnerships will be key. We have several partnerships with outside organizations to develop strategies geared toward higher levels of financial literacy. We've invited representatives from two of those groups to speak with us today.

One is Catherine Williams, president of the Consumer Credit Counseling Service of Chicago. We're currently partnering with CCCS to survey some of their clients about the benefit of personal-finance education. So far, we've received input from roughly 150 of those clients, and the response has been that increased financial knowledge has had a very positive impact.

The other person speaking is Joanne Dempsey, president and executive director of the Illinois Council on Economic Education. We have a longstanding relationship with the Illinois Council and have worked with the group on a wide variety of educational projects. I'd like to welcome Catherine and Joanne here and thank them for helping us draw attention to this very important topic. I'd also like to welcome Kris Gunderson, senior vice president of development for Junior Achievement of Chicago. JA volunteers will educate more than a quarter of a million students this year about basic economics and money topics, and we look forward to working with them also.

I'd now like to share with you some Project MoneySmart initiatives that are already in the works:

Starting today, we will be airing a series of public-service announcements about the campaign. In addition, we'll be visiting with editorial boards of key newspapers and publications throughout the District. These are just a few examples of how we'll be communicating major points via the media.

Then, at the end of September, we'll be rolling out a public Web site focusing on personal finance. Here's a prototype of what the site's home page will look like. As you can see, you'll be able to get information on many financial topics. But that's not all. This interactive site will also offer various learning opportunities related to many of our key messages.

We'll also be developing brochures related to a broad range of personal-finance topics, which we'll distribute at various face-to-face presentations. A good example will be our booth at the Iowa State Fair in Des Moines August 10th through the 20th.

Also slated for later this year is the formation of a volunteer team of bank employees, who'll give personal-finance presentations and act as liaisons to their communities throughout the five states that make up the Seventh Federal Reserve District.

And scheduled to open this winter is a new interactive exhibit in our Bank lobby that will feature a section on personal finance.

Finally, we also plan to have a Newspaper in Education initiative with the Chicago Sun-Times during the winter term of the 2000-2001 school year.

Combining these efforts with continued research on the topic should create a very solid foundation on which we can expand this program.

Traveling throughout the Midwest, I've met people from all walks of life — from dairy farmers in Iowa to auto workers in Michigan. They tell me they're interested in interest rates — and always ask which way they're headed. The decisions about interest rates that I'm involved in as a member of the Federal Open Market Committee (FOMC) certainly are important to all of us, as well as to the national economy. But I don't think that these decisions are any more important than the daily decisions we all make about budgeting, saving and using credit. That's because our daily decisions are personal. They're the ones really affecting our lives. They determine whether we finance a home, save for college or buy a minivan for our expanding families.

The Fed cannot make informed decisions about individuals' personal finances. But financially knowledgeable individuals can make those decisions for themselves. That's why we're rolling out this project today.