

U.S. DEPARTMENT OF THE TREASURY

Press Center



Remarks of Under Secretary Miller at the Financial Literacy & Education Commission (FLEC) Public Meeting

5/29/2014

Thank you for joining us and welcome to the public meeting of the Financial Literacy and Education Commission. It is good to have everyone here to talk about some important ideas to improve financial education and capability for more Americans. These meetings give us a chance to hear about leading research and practices, and discuss how those tools can support our efforts at the federal level to promote financial literacy.

As many of you know, the Commission is focused on building the financial capability of young people so that they are able to develop financial knowledge and skills early and navigate important financial decisions.

I'm pleased to share that the Commission now has a new body to complement and enhance its work – the President's Advisory Council on Financial Capability for Young Americans, which held its first meeting in March. This new Council is largely comprised of leaders from across the private sector, education, and government. The Council will help identify approaches to building the financial capability of young people in their families, schools, communities and workplaces. The members are starting to convene in working groups and, coordinated by Treasury staff, will be interested in working with members of this Commission to learn where they can enhance and support our work, and contribute ideas to our policy and programs.

The work of the President's Council will help promote the mission of starting early for financial success. But as all of you in this room know well, financial education means more than simply preparing young people to make informed decisions today. Our efforts must teach them how to plan for tomorrow. To that end, I'd like to briefly touch upon two issues young people will soon confront: financing higher education, and, yes, planning for retirement.

This Administration has made college affordability a key focal point because higher education is a critical driver of upward mobility for many young Americans. Over the past several years, the Administration has taken steps to help make college more affordable. Some of these steps include lowering interest rates on student loans and increasing the maximum Pell Grant award by more than \$900.

These steps are critical because we know that increased debt burden from student loans can impede saving, and may hurt borrowers' credit scores. This, in turn, has the potential to impact young peoples' ability to buy homes, start businesses, and save for the future. The Department will continue to monitor this issue, and the Commission's emphasis on an early start will help ensure that young people have the tools, guidance, and opportunities to manage debt and expenses to achieve more financially secure futures.

Another critical area of focus for Treasury is saving for retirement. Along with owning a home, retirement accounts are considered to be among the most valuable personal assets for the vast majority of Americans. Retirement savings provide not just a financial cushion, but also peace of mind.

It is evident that there are sharp disparities in Americans' readiness for retirement. While many Americans have built substantial retirement savings, a large percentage of Americans have not. Those with inadequate savings are disproportionately younger people, low- and middle-income workers, women, and people of color. There are many reasons why Americans do not have and are not building enough savings to be prepared for their later years. Good jobs are still hard to find for many people. Student loan payments can take a sizeable bite out of each paycheck. Many Americans lack other savings, and so turn to their retirement savings for emergencies.

In order to encourage savings, the President, in his State of the Union address, instructed Treasury to create a new retirement savings option for working Americans. In response, Treasury is developing the myRA program, which will offer a simple, safe, and affordable way to save for retirement. Workers will be able to begin saving with a minimum contribution of \$25 and contribute \$5 or more every payday automatically through payroll deductions. The principal will be protected and backed by the U.S. government.

It is intended to be a starter tool, and may be especially useful for part-time or seasonal workers who may not qualify for an employer-sponsored retirement plan. myRA is portable, so workers will be able to easily move their savings with them when they change jobs. We are encouraging employers to work with us to make this product available to their employees. We would welcome your support of this effort to get this valuable savings tool to the Americans who could most benefit from it.

We know there is still much to learn about what really works to help Americans manage the diverse financial choices that they face. We'll hear today about some progress in that area from our FLEC member agencies.

On the panel today, our Treasury team is pleased to be able to share with you the outcomes of some innovative research that we supported over the last two years that looked at the connection between financial education and the take up and use of bank accounts, for both children in school and financially vulnerable adults. This kind of real life testing of financial interventions is critical to our understanding of how to be effective in teaching financial concepts to make sure that we are developing policy that makes sense on the ground.

In addition, Treasury is currently seeking additional research on the topic of financial capability through our Financial Empowerment Innovation Fund. The Innovation Fund will support the development and evaluation of new strategies to promote financial access and capability, by supporting research to test and evaluate promising practices. We are seeking ideas for projects in areas including payments, higher education, and financial capability. For example, we would consider ways to use the disbursement of payments—particularly government payments—as a vehicle to increase access to financial services and savings opportunities. We are also interested in testing strategies and tools to help students and families navigate paying for higher education. Finally, we will explore approaches to deliver financial education using technology and personalized interactions. Later on today you will hear more about our process for funding this research.

The results of the Innovation Fund research will help inform Treasury's ongoing policymaking efforts. I believe that each member of this Commission will also learn a great deal from our various research projects. Through sound and rigorous assessment and analysis, we want to more effectively help young Americans take control of their financial futures.

Additionally, we will hear today about the important research the CFPB is conducting to better understand specific consumer needs and gaps, and how we can better assess individuals' financial health and help them improve it. Leading that work is Richard Cordray, Director of the Consumer Financial Protection Bureau. As always, I am pleased to have him be part of the FLEC meeting and share his thoughts on our work, and the role of the CFPB in promoting the financial capability of Americans.