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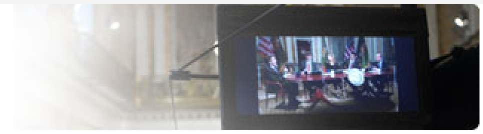

Remarks of Deputy Secretary Raskin before the President's Advisory Council on Financial Capabilities of Young Americans

10/2/2014

Welcome to the Department of the Treasury for the second meeting of the President's Advisory Council on Financial Capability for Young Americans. It is a pleasure to be here today with so many leaders committed to enhancing the financial capabilities of American youth. When I use the term "young Americans" though, I sadly don't mean us. No, we are not young Americans. I mean Americans from kindergarten through high school and through college to their first job.

As many of you are aware, the President created this Council with the view that helping this young generation of Americans master financial capability concepts is critical for economic growth and financial inclusion. The mission of the Council includes advising the President on how we can better help our youth understand financial concepts so they can learn how to save more, build assets, and access safe and affordable credit.

The President has asked each of you to serve on this Council for a reason. And that is that you bring demonstrated experience and a clear commitment to improving the financial capability of young people. I know many of you from our shared work on these issues, and I commend you for your unwavering attention to financial matters that are involved with helping our young people better manage the transition to higher education and employment. The financial lives of young people are filled with challenges, but you bring these struggles into sharp focus, and for that, on behalf of the Treasury Department, I thank you. I'm impressed with the collective talent on this Council. And I'm especially happy that John Rogers is chairing the Council, and leading its efforts. Your ability to help articulate the obstacles that lie ahead for young Americans, while also providing recommendations to address them is exactly the skillset we need applied to this area.

I'm especially pleased to welcome Secretary Duncan and Director Cordray today, both of who have made such important strides in this area. Secretary Duncan has made a consistent effort to highlight an important message for our education system: there is a close connection between math achievement in our schools, financial literacy, and the ability for Americans to thrive financially as young adults and later in life. This work implores us to recall in all of the Council's work that our educational challenges do not exist in silos.

And Director Cordray has made parallel efforts to navigate and confront the complexity of these issues. For example, the CFPB's annual financial literacy reports remind us that regulating the consumer financial marketplace is incomplete without also prioritizing the important role played by consumer education and ensuring comprehensive financial capabilities across all age groups.   I am so glad that you are both on the Council and here today to share your insight.

When we look at where we are from a macroeconomic perspective, our economy is continuing to strengthen. Growth is more robust and the economy is nearly 7 percent larger than it was when the recession began in 2007. Over the past 55 months, the private sector has created ten million new jobs, adding more than 200,000 jobs every month for the last six months. That is the longest stretch of job growth in our nation's history.

But one of the lingering negative consequences of the financial crisis is that so many young Americans have not been able to find stable and decent-paying employment. Yes, our economy is far stronger than it was when the recession began, but our work still remains unfinished, particularly when it comes to the millions of young people who continue to struggle.

Although the unemployment rate has fallen 3.4 percentage points since its peak in 2009, the unemployment rate for those aged 16 to 24 is more than double the overall national rate. Young Americans today are confronted by an unemployment crisis unlike any we have seen in recent times.

To say that young Americans are having a difficult time entering the job market is an understatement. As recent reports have documented, the hurdles to employment facing young Americans are seen in many manifestations: high school students who are having a harder time finding after-school jobs, young adults who are increasingly stuck in unpaid internships instead of paying jobs, and college graduates who are settling for low-wage, low-skill positions.

And research conducted by the Urban Institute shows that Generations X and Y have accumulated less net wealth than their parents did at that age over a quarter-century ago. If current trends continue to hold, our youth will become more dependent on a buffer or safety net.

Many of us grew up with a buffer. We may have started with a savings account, or we may have had credit that we could access, or friends and family that were financially secure. Yet today, for millions of our young people who have not had a chance to build assets for themselves or do not have someone they can turn to for financial support, life's unexpected expenses may put them on a path of unmanageable debt and financial insecurity.

So we need to stay focused on the question of how we can help our young people better engage in their financial futures.

One way to do this is by strengthening financial capability efforts and assessing whether these efforts are giving young Americans the tools they need to join in the economic recovery while working toward their own financial prosperity.

And this work can begin early on. Far too few children receive financial education and financial opportunities in their homes and schools, yet this may be the most important time to instill habits that can have positive impact over their lifetimes.

Right now, too few children are getting financial education in the classroom. Yet, research released earlier this year by the University of Arizona showed that those who receive financial education early in life are more likely to seek out additional opportunities to improve their financial knowledge.

And in those states where financial education courses are required, young adults have some of the highest demonstrated financial knowledge. They are also more likely to save and more likely to have positive financial outcomes in adulthood, such as higher credit scores and lower credit card debt.

How exactly do we strengthen financial capability in a manner that is instrumental, particular, and specific? Can we tackle this subject in an engaged and constructive manner that avoids platitudes and generalizations?

What can we do to meet young Americans in their own contexts, in their own environments as we find them today? Technology! Though I reminded us earlier that we may not be the young Americans at the root of today's discussion, I know we all have close understanding of just how connected young Americans are to their technology, or so it seems from the laptops and cell phones that seem anatomically attached to my children.

Supporting emerging financial technologies that meet particular criteria related to growing financial inclusion and capability is one approach that might help our young people gain access to safe and affordable financial products and services that can help them manage their money, handle debt, and plan, save, and invest for their futures. In particular, the growth in prepaid accounts and the emergence of mobile banking and payment platforms all offer new access points. If they are also structured to reduce delivery costs, encourage savings, and be safe, they hold promise for reaching our young people where they are right now.

I'm especially thrilled today that we have on our agenda a discussion with some of the contract recipients whose projects are being funded by Treasury's Financial Empowerment Innovation Fund. This fund itself is nothing short of innovative and with today's discussion we'll be able to explore how new technologies so beloved by our youth can be leveraged. The fund will support research to develop, test, and evaluate innovative strategies for increasing financial access and promoting financial capability.

We'll also hear from innovators who are not using technology but are dealing with students in environments where face-to-face counseling and mentoring about college choices is being used to enlighten students before they engage in their own personal and professional development.

And how do we focus our efforts on higher education decision-making? Here we will discuss how to help students from all backgrounds and walks of life choose the right college, understand the costs and benefits of higher education, and better prepare for and manage their student loans.

Our economic recovery is only sustainable if it is powered by financial inclusion. Our economic recovery relies ultimately on the collective financial knowledge and health of all Americans, so these are issues in which we all have a stake. The Administration has taken a number of steps over the last few years to advance financial capability and expand opportunity, but our work is incomplete. And focusing on young Americans presents extraordinary opportunities for setting the financial inclusion agenda for our future.

I urge the members of this Council to think boldly in making recommendations on what we can do to make sustained and meaningful improvement in the financial health and financial futures of young Americans, and I look forward to learning from the discussion today.

Thank you all for joining us.