

DENISE L. NAPPIER  
TREASURER  
September 13, 2010

**State of Connecticut**  
Office of the Treasurer

***Via Electronic Mail***

U.S. Department of the Treasury  
Office of Financial Education and Financial Access  
1500 Pennsylvania Avenue N.W.  
Washington, DC 20220  
[FLECstrategy@do.treas.gov](mailto:FLECstrategy@do.treas.gov)

RE: Financial Education Core Competencies

Ladies and Gentlemen:

I am pleased to provide comments on the U.S. Treasury's proposed Financial Education Core Competencies ("Core Competencies"). As Treasurer of the State of Connecticut and principal fiduciary of the \$21.9 Connecticut Retirement Plans and Trust Funds (CRPTF), I have long been an advocate of accessible and affordable financial education programs and services for our state's citizens.

As my attached comments reflect, I support efforts by the U.S. Treasury to design a Core Competency framework to foster national agreement on the basic concepts of financial education that should be taught by educators as well as mastered by consumers. I especially appreciate the U.S. Treasury's expressed desire to model the framework after the "food pyramid" by including five basic and simple concepts that can be remembered and modified for different target populations.

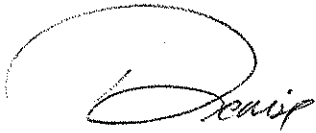
However, I believe this framework may be better suited for defining the key concepts of a financial educator's curriculum for classroom learning and less well suited for defining the key concepts for individuals who are learning financial education through hands-on, experiential programs.

The financial education community has recently shifted away from measuring an individual's financial education based on knowledge of facts and towards measuring an individual's financial capability based on their economic behavior—how well they manage their financial resources. This shift in emphasis on spending and savings habits reflects a growing consensus that individuals learn financial education best through experience rather than classroom learning. I therefore believe the proposed Core Competencies framework is better suited for a classroom curriculum as opposed to basic concepts that should be mastered by individuals. .

Should the U.S. Treasury proceed with the proposed framework, I have provided suggested changes to the Core Competencies chart as requested in the Notice for Comment. Key among these changes is the need to include credit and loans as a stand alone category as well as a bigger emphasis on anti-predatory lending practices and hidden banking and credit card fees. The concept of investing should also be added to savings.

I appreciate the opportunity to express my views to the Commission on this matter. Should you have any questions, please contact Assistant Treasurer of Policy Meredith Miller at (860) 702-3294 or [meredith.miller@ct.gov](mailto:meredith.miller@ct.gov).

Sincerely,

A handwritten signature in cursive script, appearing to read "Denise", enclosed within a large, elegant, circular flourish.

Denise L. Nappier  
State Treasurer

Attachment

**Comments Submitted by Connecticut State Treasurer  
Denise L. Nappier on the U.S. Treasury Proposed Financial Education Core  
Competencies**

September 13, 2010

In a little over a decade, financial education has become a mainstream issue for community economic development organizations. It is typically provided through classroom learning or experiential teaching methods that use real-life scenarios to model decision-making strategies. While many providers have chosen both methods to teach financial education, there has been a marked shift away from evaluating financial literacy through knowledge of facts and concepts. Instead, practitioners are increasingly focusing on measuring financial literacy by examining “financial capability,” or how individuals manage their personal finances. This shift has been most evident in youth financial education, with considerable support for experiential learning methods that emphasize positive financial spending and savings habits. A paper by the Center for Financial Services Innovation (CFSI) discusses this trend:

A shift in financial education may hold the key. Signs are emerging that financial education is shifting its focus to financial capability, which emphasizes behavior change in addition to knowledge gains. Whereas financial education is a set of provider outputs. Financial capability is a set of consumer outcomes. Becoming financially capable is a critical step towards establishing financial security.<sup>1</sup>

This emphasis on financial capability also is evidenced in new surveys of youth and adult consumers conducted by the Financial Industry Regulatory Authority (FINRA) and the U.S. Treasury.<sup>2</sup> These surveys measure financial skills by examining how well individuals manage their existing assets in making financial decisions and achieving financial goals.

“Financial capability” arguably was embraced over a decade ago when community-based organizations launched asset wealth-building strategies that combined mandatory financial education with individual matched savings accounts. Data from longitudinal studies on asset wealth-building strategies<sup>3</sup> confirms that a focus on changing economic behavior through experiential learning can indeed produce positive results for individuals of all income levels.

As proposed, the Core Competencies is designed for financial education providers and not consumers. The proposed framework leads with the static concepts of earning, spending, saving, borrowing and protect. The CFSI paper suggests core concepts for consumers in the form of proactive economic behavior or financial habits including:

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<sup>1</sup> Center for Financial Services Innovation, “From financial Education to Financial Capability: Opportunities for Innovation” 2010.

<sup>2</sup> Financial Industry Regulatory Authority Investor Education foundation, “2009 National Capability Study” December 2009]

<sup>3</sup> Washington State University, Center for social Development, the American Dream Demonstration, CSD working Papers, No. 09-27.

- Being able to cover monthly expenses with income
- Tracking spending
- Planning ahead and saving for the future
- Selecting and managing financial products and services
- Gaining and exercising financial knowledge

Should the U.S. Treasury decide to issue the Core Competencies as proposed, below are suggested revisions to the list. Principal among the suggested changes is the need to include a sixth category devoted to credit and loan issues. The proposed framework subsumes credit issues under “Borrowing,” a term some may associate more often with loans for a substantial purchase rather than the day-to-day borrowing/spending individuals engage in through credit cards. The Core Competencies could also be strengthened by a bigger emphasis in the “protect” category on understanding hidden fees in banking and other financial transactions as well as understanding implications of payday and check cashing as opposed to the use of traditional banking services. Investing is also absent from the Core concepts and given the number of Americans who are now responsible for investing their retirement accounts through 401(k) type vehicles, this may be an important component to add in.

Core concept	Knowledge	Action/behavior
<b>Earning</b>	Gross versus net pay Benefits and taxes  Post-secondary Education is important essential to finding employment.	Understand your paycheck. <del>Learn about potential benefits and taxes. Take advantage of any publicly available benefits such as the Earned Income Tax Credits (EITC), free tax preparation, child care assistance, and food subsidies you may be eligible for.</del> Invest in your future.
<b>Spending</b>	The difference between needs and wants	Develop a spending plan.  Track spending habits. Live within your means. <u>Minimize borrowing and pay off existing balances as quickly as possible.</u> Understand the social and environmental impacts of your spending decisions.
<b>Saving and Investing</b>	Saved money grows  Know about <del>transactional</del> <u>accounts (checking) accounts.</u> Know about financial assets (savings accounts, bonds, stocks,	Start saving early.  Pay yourself first. Understand and establish a relationship with the financial system. Comparison shop.



	<p>Identity theft/fraud/scams</p> <p><u>Protect your personal financial information</u></p>	<p>Protect your identity. Avoid fraud and scams. <u>Understand hidden fees in all banking accounts and credit card contracts</u> Review your credit report. <u>Ensure online privacy protections are in place and up-to-date.</u> <u>Keep your financial documents, including account information, insurance information and other important personal records in a safe place.</u> <u>Consider costs saved by using traditional bank or credit union</u></p>
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