

Financial Literacy Advisory Committee
Wednesday, October 2, 2013
Meeting Synopsis

In attendance:

Maynard Brown
Tena Lozano
Martha Lucey
Luise Walker
Evelyn Zohlen
Kat Taylor
Treasurer Jose Cisneros
Olivia Calderon
Daniela Salas, on behalf of Jose Quinonez
Cathy Heron

Controller opened the meeting with a brief round of introductions and summary of the legislation (AB 597) creating the Committee.

FINANCIAL LITERACY IN THE SCHOOLS

MAYNARD BROWN:

-Financial Literacy (FL) is not required in schools. Schools are teaching same curriculum as they did when there were no credit cards or home equity loans. The financial crisis was fed off ignorance of people who were incapable of understanding products they were being offered. It clearly serves our economic interest to promote FL throughout the curriculum, and it's going to require more than just cheerleading. Financial education has to be mandated just as we do math, English and science.

AB 166, is our first step toward addressing, but doesn't mandate the subject like we do economics. Only 11 states in the country mandate a personal finance course as a high school graduation requirement.

-Organizations that provide curriculum: Junior Achievement, Jump Start Coalition and others in our back yard. Good example is the **Finance Park** experience by Junior Achievement. It is an hands on, reality based roadmap. It has an 8-16 week in class curriculum on how to access toolbox of responsible savings and budget. It makes the education relevant to young people and helps them to make financially responsible choices.

TENA LOZANO

-**AB 166** requires schools to offer financial education. It is pretty vague and not funded, but says the next time the curriculum is rewritten and books are published,

financial literacy must be a part of the content. --Good first step. The Department of Education is working on standards. With examples from Jump Start, CA Education Coalition and others who are providing personal economics, they can be included in their development.

-There are many different programs available from outside groups, not just schools. We should be looking at youth in general. After school programs could be another option to be use.

-Important to recognize that teachers don't have to do this by themselves. There are programs and folks willing to come into the classroom.

-Bite of Reality, credit unions help us deliver 2-hour version of kids figuring out a budget. Set them up to fail, give them money and students go buy all of these cars and homes and realize they don't have enough money. It is a safe place to fail and learn that lesson.

There are lots of great programs, but it is difficult to get them into the schools. The teachers indicate that if only we had people come in. We JUST need to do matching up.

-Important to start when kids are young with age appropriate lessons as early as Kindergarten. Sticking a one semester class in senior year certainly doesn't make up for 11.5 years of missed opportunity.

CONSUMER EDUCATION

MARTHA LUCEY:

-Large percentage of families don't have a budget; 40% in a recent poll said they would give themselves a C, D or F grade on finances.

-While families reported keeping spending on track during last few years, 27% are spending more now than last year. Good for economy, but too many of them don't have rainy day fund. 43% or 1 million people said they don't have enough money for emergencies. 38% worry about retiring with enough money set aside.

-Many families continue to use payday loans. They don't have \$300 for emergency.

-Disparate impact in communities of color and low-income.

-If you put the cost of coffee away every week for 20 weeks, you would have rainy day emergency fund.

-Use of prepaid cards used by 8% of Americans. People think they are safer than carrying cash. But they are harder to replace if stolen, and they have substantial fees associated with them. Plus a prepaid card keeps you out of the mainstream banking industry, because they are not building credit. A second-tier class of banking is evolving with products that don't allow them access to the first tier.

-Beginning to explore social media opportunities, a lot of unbanked consumers use social media. ClearPoint is testing some of those ways.

LOUISE WALKER:

-Strong correlation in entrepreneurship and declines in poverty. For every 1% increase in entrepreneurs, 2% decrease in poverty.

-All ends up coming back to financial skills. As a small business lender, main issue is helping small business understand financial part of business. As long as cash in exceeds cash out they feel like they are doing ok. Preparing them to grow their business or stay in business is tough. Some in the bank industry are holding financial classes like ways to grow or improve their business such as Quickbook classes. These are issues that we want to bridge the gap. Understanding finances will lead to the growth of small business base in California. There are 3.5 million small businesses in California representing 99% of employers and employing 52% of the work force. In addition, many banks support **Bank On California** which empowers low-income, unbanked consumers by making it easier to bank and deposit earnings. Our bank participates and we don't charge for checking. Our bank accepts matricula consular as IDs.

-Partnered with EverFi which the California Bankers Association brought to table. It is an interactive online program. Our bank rolled it out to various high schools in Solano/Yolo counties. It is a six (6) week course. The feedback was unbelievable students loved it.

-Working with the Dixon Chamber, local teachers, and UC Davis Using STEM on how to incorporate what businesses and students need to be taught early and how to get the workforce ready.

KEN MCELDFOWNEY:

-Consumer Action based in SF, LA.

-Banking, credit, insurance privacy and healthcare.

-On education side, largest multicultural efforts. Work with the national network of 8000 community groups, 3,500 of which are in CA, 30 educational modules.

-All include brochure geared toward consumers. 1 million brochures are circulated a year in different languages.

-Distribute with some government funds, Capitol 1, Chase, Visa, American Express, and B of A. Large part of funding is from (Court) Cy Pres awards \$13 million over last 25 years.

-Provide help for training of adults like how to use games and train the trainer meetings.

-Training 70 groups about how to use our materials.

-Need free materials. Providing something online is not sufficient. 25-30% does not have Internet, email or only dial up. So they need comprehensive packet and train the trainer programs. Materials are also used in schools.

-Consumer Action has 4 full time staff dedicated to outreach. There is an Editorial team that creates the materials.

RETIREMENT

EVELYN ZOHLEN:

-If folks can't save \$400 for an emergency, why even talk about saving for retirement. In the past, it used to be that they didn't have to know much to actually be all right in retirement, but no longer. For the past 40-50 years, Social Security (SS) covered it for a lot of people. It was never intended to be an end all, so we have problems now.

-Estimates say SS replaced only about 70% of what people at lower income levels need. Avg. retiree collects \$14,000 a year in SS in CA. which is not enough. So increasing longevity and health care costs are only going to add to this.

-In addition to SS, employer sponsored plans have changed. Not your dad's pension plan after 40 years at Ford. Many employers are not offering these any more due to the cost. When they are offering pensions, it's defined contribution plans. Those that did offer defined benefits are freezing them and flipping to defined contribution plans.

CATHY HERON

Retirees can be divided into two groups: working class at large, and then a subset of those covered by employer's retirement plan.

-Workers at large: how much is needed to save for retirement, what options are available and how to use general investments. It includes saving early and understanding insurance and securities products. They need help in prioritizing their all of their options. First step to retirement is to develop a savings plan.

-85% of those with plans spend less than income. Only 46% without plans spend less than income.

-86% of those with saving plans said they have enough for emergencies. And XX% said have enough for retirement.

Those with employer plans are responsible for determining how much they need to save, and investment options. In recent years, there have been a number of advancements for this group. There is an increased use of investment alternatives and options.

-Finally, for subset, department of labor regulations are requiring more disclosure about the plans, so it will be interesting to see how effective they are in helping participants actually understand the plans.

-Focus on tools available to employees heading to retirement and ways to increase options for retirement savings. It is not really the committee's responsibility to take on the DB DC debate and establishment of retirement options-Secure Choice is doing that.

ASSET BUILDING

OLIVIA CALDERON:

-Know families are living on edge, paycheck to paycheck. 44% don't have enough savings to live for more than 3 months if faced with an emergency or loss of a job. Need to help families build savings and assets over lifetime. Since 2006, more than 3 dozen bills have been introduced to increase asset building.

-Workers without retirement savings account. No payroll deductions for 6 million. Individual retirement accounts workers can take from job to job.

- Taxpayers can now save refunds at tax time. They can split the amount into checking and/or savings accounts.
- Also have to let them know they are eligible for EITC. CA is leaving \$1 billion(?) in EITC funds on the table.
- Witnessed creation of Bank On CA to provide starter accounts for low-income consumers. CA has first bipartisan committee focused on asset building solutions and asset building preservation in the country.
- TANF participants need to have tools. About \$19 million was spent by welfare recipients. One major issue is that welfare payment now distributed on debit card as opposed to having it deposited into bank account. Those cards have tons of fees.
- CA asset building coalition was built. Need a strong middle class and only way that's going to happen is with people building assets.
- Whole mission of coalition is to connect public agencies, for-profits, nonprofits, and service providers.
- Invited advisory group to join coalition.

SAN FRANCISCO TREASURER JOSE CISNEROS:

- What they are doing at local level in SF. Pleased to be able to point to why cities should be engaged. Muni government has powerful voice, can convene critical local partners. They have opportunity to reach populations they want and can influence and negotiate.
- Launched first Bank On Program in San Francisco in 2006. Wanted to address issue of unbanked. Asked all banks and credit unions to get them to move, and offer safe, appropriate products. Asked for low cost accounts, and asked for forgiveness. Lot of unbanked were banked, but made mistakes in past so they need to give them a way to get back into the system. Supporting cities in doing these programs. Seen 100s of cities across country roll out bank on in their cities.
- With school district, the City had the first program in the country where they auto opened college savings accounts for every kid that enrolls in school. They provided the account, and showed them how you make deposits, and how to go online to check account balance. The city deposited \$50 for every kid and matched dollar for dollar up to first \$100. Originally looked at 529s, but didn't want to ask for SS numbers plus too complicated. Landed on custodial account opened in city's name with the city's number. Meets all criteria and can make sure one-way accounts, so ensure money stays there and can't be raided.

-Downside is not equity trajectory accounts. A concern, but not so much when the balances are low. But, if you can get a family to save a few 1000 dollars down the road, hopefully we can get the family moved into an interest bearing account. State Treasurer's office runs 529 program-Scholarshare, maybe there is a way we can look at it and make it easier for people to apply.

If a child grows up with college savings, then they are more likely to go to college. When a kid sees an account with their name on it, it doesn't matter if there is a lot of money in account or not.

SF Treasurer started a college savings program for new children entering kindergarten, A Foot in the Door, over 8500 accounts been opened and many have put in their own money.

-Worked with local school districts and financial planning association.

-Think state can do something to engage local cities, where they think success can be.

KAT TAYLOR:

-Largely a commercial bank focused on social justice and environmental well being. Started in 2007. Building assets through home buying has declined. So focus in asset building is making sure loan capital is spent on building good jobs with benefits. Earned income, have savings and build wealth outside of home ownership and have resilience in terms of asset building, and financial stability.

-**Lend Up**: Secured credit cards are important. Lend up platform provides financial incentives to provide good financial practices and good borrowing behaviors. Whether asking to change a payment date, making payments, or answering calls from LendUp, Lendup uses first borrowing experience to identify those consumers who cannot absolutely have more debt. Then is supportive of moving those who can handle credit move up the credit ladder.

-Prepaid cards are devastating.

-Important to keep pressure on. Don't have a reformed financial system yet.

RUTH SUMMARIZE:

-Where are opportunities with the SCO?

-Clearly there are groups working on school issues: curriculum, groups and schools interested, but gap with the matchmaking. Can we do something there?

-There are policy issues that need to be addressed and are there things that can be done quickly and as statewide, how can we actually have some deliverables?

-For consumer education, I noticed what is different from schools and asset building, they have coalitions, but what are the groups working collectively working on retirement in CA? Is that a gap?

Evelyn Zohlen with Financial planners: not aware of a stand alone entity since retirement is so much a part of other financial literacy. They all included retirement education. How do I save for retirement v. kids college are two top questions I always get when doing pro bono financial planning.

Ruth: consumer and retirement are obviously linked. We have the model to get it into communities through community based organizations, but how do you reach all those people who need it. That's a gap.

Evelyn Zohlen: struck by variety and numbers of groups who are interested in providing this. In different languages and online, or on paper, different approaches to motivate people to take action. So in addition to learning about different programs and people working on this, should look at different delivery methods. Maybe starts with paper, then online, then face-to-face so combo of delivery methods is important part of this debate.

Ken McEldowney: Even though have the internet, paper still critical. Our moneywise program, some 140 community groups have ordered 140,000 programs to use in one-on-one events. For us, big barrier is funds. A lot can be done with volunteer, but can't meet needs for free materials without funds.

Ruth: how are we getting the word out about the really exciting programs in LA and SF

Ken: haven't talked about media. In Chinese community, we have found a thirst for consumer education. Our Mandarin, Cantonese (speaking spokespeople) have 2-3 interviews a week/day about our consumer programs. Also do considerable work in Spanish. In mainstream media, financial literacy has fallen off the map

Olivia: need to be better connected to at least share. In LA, I'm excited about our public libraries. On Oct 17, we and financial planning association are having 2nd financial planning event as kickoff to tax season. That's something that could happen throughout CA. Citizenship is another opportunity to make sure consumer protection is important. With immigration reform coming, there is an awesome opportunity for teaching financial literacy as part of the citizenship lessons. Have to learn English should be learning about financial literacy. State can help connect us to agencies that have huge reach

Kat: computer science is being pushed, using social and general media strategies. Could be instrumental in creating same opportunity for financial literacy. Have to make it sexy some how.

Ruth: Wisconsin does Money Smart Week. 600 organizations participated. Partnership with libraries, financial planning assns and govt. then go to banks and CUs and say lets (have a website) now expanded to 4-5 states. Started by Chicago Fed. Could we not do this? Reach thru Jump Start, Jr. Achievement, coalitions and chambers to talk about workplace literacy. Could we do a money smart week in CA?. He said every year it gets bigger and bigger and it gets to the media. What are we going to do in our community for money smart week? When do we declare its money smart week?

Olivia: has to be real and tangible. In Wisconsin, can you come and get taxes done free, and get copy of your credit report?

Zohlen: there actually is a national Financial Planning week. Bring social security and Medicare to talk about how do you get your benefits. That can be leveraged and expanded for money smart week.

Ruth: in WI they raise funds for books on financial literacy and then give books to kids in library that day.

Ken: could SCO establish a money smart website.

Olivia: need one for all of the information in one spot.

Ken: federal govt. does one site. Think would be good to have in other languages in one spot. Working around like this would make it possible to create an ongoing effort and coalition.

Ruth: gives something media can attach to.

Cisneros: combo of raising visibility and provide access to the information. Give opportunity to leverage the visibility of what you are doing.

Maynard: Long term solution still rests with educating the youth. Developing a culture of savings. See with financial entrepreneurship, financial literacy week, but education hasn't bought into it, so don't see it in school site level. SCO and Dept. of Education ought to be at this table, and John Dacy, support of LAUSD, ought to be at the table.

Chiang: not just students but teachers. Sit on CalSTRS, over 80% of teachers want financial education because they aren't comfortable with the subject so won't teach it.

Maynard: in black communities see culture of consumerism and not producing, entrepreneur and savings.

Ken: haven't involved faith-based community, but makes sense for financial literacy

Ken: asked Ruth to pass out a contact sheet for everyone

Ruth: maybe advisory council members can volunteer to serve on some committees. And then we can expand to bring in Dept of Education, Dept of Business Oversight, but start with subgroups and task each of you to think about how you would implement within your own areas.

Chiang: need deliverables. If stuff you think group can do that you can't do in isolation, please push forward.

Ruth: send out email summarizing meeting and then start getting some ideas.

Olivia Calderon: legislation allowed about raising funds in STO

Ruth, haven't started because no "it" yet. Figure out what the "it" is, identify partners, other policy ideas.

Olivia: Dickinson's bill on Bank on Ca has stalled. Will have a hearing this fall. Need to advance Bank on CA.

Maynard: really need to look at the marketing. How we impact people going to be an important measure and need some kind of marketing savvy to have larger bang for the efforts.

Ruth: need to get ethnic media engaged. Would be great to get them.

Olivia: have fin lit as one of their core subjects. Telemundo in LA very interested. But show up after event instead of helping us get people out to the event

Chiang: have same problem with helping people do taxes.

Martha engage with the Mexican consulate. Can tie into what consulates are doing in the money smart week.

Ruth: will provide a list of other states that are doing money smart weeks for ideas.

Louise-American Bankers Association already has Oct. 17 for get smart about credit and banks can use their script for the week.

Ruth: what existing programs that you all already have that can be used. There are different events that we all have, tie them in to collaborative.