

**WRITTEN TESTIMONY OF  
THE SECURITIES INDUSTRY AND FINANCIAL MARKETS  
ASSOCIATION  
AND THE SIFMA FOUNDATION FOR INVESTOR EDUCATION**

**BEFORE THE  
HOUSE FINANCIAL SERVICES COMMITTEE**

**HEARING ON FINANCIAL LITERACY AND EDUCATION: THE  
EFFECTIVENESS OF GOVERNMENTAL AND PRIVATE SECTOR  
INITIATIVES**

**APRIL 15, 2008**

The Securities Industry and Financial Markets Association (SIFMA)<sup>1</sup> and Foundation appreciate the opportunity to submit testimony on the challenge of financial literacy and the efforts of our industry to meet that challenge. Investor education is a topic that the securities industry and SIFMA are deeply committed to addressing, and we are very proud of our accomplishments. Similarly, we support and applaud your efforts to improve Americans' financial literacy.

SIFMA was born of the merger between The Bond Market Association (TBMA) and the Securities Industry Association (SIA). As a result, this testimony focuses on the programs conducted through the soon-to-be SIFMA Foundation for Investor Education, which will merge the programs, initiatives and partnerships of the charitable, non-profit Foundation for Investor Education (FIE) and The Bond Market Foundation (TMBA).

### **Importance of Financial Education**

Unprecedented education reform has swept across America over the past decade as parents, teachers, legislators, and business leaders strive to improve instruction and curricula to help students learn. These efforts have resulted in new education standards, new performance indicators, and rigorous standardized testing that in most states will determine whether or not a student will be promoted or allowed to graduate. We fully recognize that classroom time is at a premium and that, above all, we must ensure that students learn, achieve, and gain the relevant skills to succeed in life.

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<sup>1</sup> (The Securities Industry and Financial Markets Association brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA's mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public's trust and confidence in the markets and the industry. SIFMA works to represent its members' interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong. More information about SIFMA is available at: [www.sifma.org](http://www.sifma.org).)

America's strength lies in the cumulative knowledge of its citizens. And that knowledge must include a basic and thorough understanding of the economy and the role of the financial markets, particularly as individuals will increasingly bear more direct responsibility for building and managing their own personal financial futures, including retirement nest eggs. That is why SIFMA, the Foundation for Investor Education, The Bond Market Foundation, and our member firms support educational and skill-building programs that help teach children and adults about the importance of long-term saving and investing.

### **Foundation for Investor Education**

Thirty years ago, a group of securities industry executives formed a non-profit foundation affiliated with then-SIA to foster a better understanding of the American economy and the role the securities industry plays in the economy. The Foundation for Investor Education has helped more than 11 million young Americans better prepare for their financial futures through vibrant partnerships with teachers, school administrators, and elected officials. In recent years, it expanded its mission to sponsor free, objective and up-to-date investor education for adults via the Internet. These programs are as follows:

### **The Stock Market Game™ Program**

The Foundation's primary youth outreach program is the Stock Market Game™ (SMG), a classroom activity in which teams of students in grades four through 12 learn the fundamentals of investing through a hands-on experience investing a hypothetical \$100,000 in real securities. Teachers receive grade-level specific curriculum guides, lesson plans, and topical, educational newsletters to incorporate into their activities. These materials help support core curriculum in mathematics, social studies, business, economics, technology, and language arts. In addition, the

team construct of the program helps students learn cooperation, negotiation, and leadership skills.

Since the program began in 1977 with 1,600 students selecting from around 2,400 listed companies, it has grown to 700,000 students a year selecting stocks from more than 7,000 companies on the New York Stock Exchange, NASDAQ and the AMEX.

SMG curricula have been correlated to the national standards in mathematics, economics, and business and marketing, and also are correlated to standards in all 50 states. The Stock Market Game™ is not an add-on; indeed, we continually work with teachers, administrators, and parents throughout the country to develop an intensive standards-based curriculum that can be easily assimilated and fully integrated into a teacher's regular lesson plans.

SIFMA is very proud that each school year more than 20,000 teachers use the Stock Market Game™ and value the program as one that contributes to student achievement in a fun, interesting way. And we are proud that our efforts to reach out to traditionally underserved populations have been enormously successful. We partnered with the 100 Black Men of America's New York Chapter in 2004, for example, to establish the Stock Market Game™ at the then-newly founded Eagle Academy for young men in the South Bronx. And partnerships with the National Basketball Association, the Girl Scouts of America, the National Academy Foundation, Newspapers in Education, the National Council of Economic Education, the Future Business Leaders of America, and the Distributive Education Clubs of America have greatly increased the number of young people participating in SMG.

In the same vein, SMG newsletters and core lesson plans are published in both English and Spanish to reach a broader audience in the United States and abroad. In addition, SMG can be found in schools all over the world.<sup>2</sup>

The true value of the Stock Market Game™ is its ability to capture the interest of students and teachers, and bring the economy to life in the classroom while supporting core curriculum subjects. Events that occur in far-away places or neighboring states, cities, or towns take on a new meaning as students begin to understand how a decision at Daimler-Chrysler in Auburn Hills, Michigan may affect workers and their families in Tuscaloosa, Alabama.

The skills and knowledge that SMG students acquire are more relevant today than ever. In 1977, only 15 percent of the population owned equities. By 2005 that number had jumped to half of households, or roughly 91 million people owning equities according to then-SIA/ICI Equity Ownership in America report. (<http://www.sifma.org/research/pdf/equityownership05.pdf>). The new reality is that most people today must save to fund their retirement. As employers increasingly turn from a “defined benefits” to a “defined contributions” framework, workers are essentially becoming individual pension managers, and as such bear ultimate responsibility for their financial futures. It is imperative that we prepare them for this new role before they enter the workforce and assume this huge fiscal responsibility. We believe the Stock Market Game™ program is the perfect preparation for this new reality and are proud to contribute to this critically important effort.

In fact, we are gratified that data from the 2008 Jump\$tart Coalition surveys on financial literacy reveal that students who participate in a stock market game show more financial

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<sup>2</sup> Department of Defense schools for the children of military personnel stationed in countries such as Australia, Vietnam, Canada, Egypt, Mexico, Singapore, India, Venezuela, Lithuania, Germany, and South Korea use the SMG.

knowledge than the mean score. This marks the sixth consecutive Jump\$start survey to demonstrate our program's effectiveness among high school students.

In particular, the Jump\$start surveys show:

- High school students who participated in a stock market game scored 5.6 percent higher with a mean score of 51 percent, compared to the mean score of 48.3 percent.
- College students who participated in a stock market game (while in high school) scored 5.6 percent higher with a mean score of 65.6 percent, compared to the mean college score of 62 percent. This is Jump\$start's first-ever survey among college students.

We are equally gratified that the National Assessment of Educational Progress first-ever study on economics (*The Nation's Report Card*, 2008) revealed the following regarding students that participated in a stock market game:

- Students participating in a stock market game for class scored an average scale score of 159, nine points above the national average of 150.
- Students who reported playing a stock market game in class scored significantly above the national average overall and in every category for which results are reported which included: gender, race and ethnicity, students with learning disabilities, and economic status.

### **InvestWrite**

Four years ago, based on teacher feedback, the Foundation for Investor Education created InvestWrite, a national essay competition to complement the SMG program. InvestWrite requires students to draw on logic, critical thinking, and writing skills to demonstrate how

concepts learned in the classroom respond to a specific real-world investing situation. Students are judged on the depth of understanding of the market, as well as on how well they convey their ideas. National winners are chosen at the elementary, middle- and high-school levels. The competition now has more than 30,000 participants every year. This program earned the inaugural Chairman's award of the National Council of Economic Education and was expanded last year to include not only national winners in the fall and the spring, but also to recognize annual grand champions in the elementary, middle and high school divisions. A distinguished panel of judges grade the winning fall essays against the winning spring essays to determine the annual champs. This year's judges include Mary Schapiro, Chairman and CEO, FINRA; Ron Insana, Commentator, CNBC, Kai Ryssdal, Host, Market Place Money; and Noreen Culhane, Executive Vice President, NYSE Euronext.

We look forward to working with the Nation's teachers to build on this significant record of accomplishment.

### **Member-Firm Programs**

Our member firms, too, are essential to supporting the Stock Market Game™, investor education and financial literacy. For example:

- Merrill Lynch partners inner-city schools with local NBA teams as part of its *Investing Pays Off* program. The program started with the New York Knicks; was expanded to the New Jersey Nets and two more NBA team partnerships were added in 2007. In addition to supporting the Stock Market Game™ program, *Investing Pays Off* combines Merrill Lynch's financial resources with its people to create a potent combination. The *Investing Pays Off* curriculum and volunteer guide cover 15 strategies for success in the essential areas of leadership,

entrepreneurship, personal finance, and business savvy. Free to the public, *Investing Pays Off* can be presented in a variety of settings, from classrooms to community centers to living rooms. Merrill Lynch also sponsors many local SMG programs around the country.

- Another Merrill Lynch program, *Young Entrepreneurs*, aims to cultivate individual economic prosperity through business development and the pursuit of new and enterprising ideas. Minority entrepreneurs accomplish this through the support of a broad range of initiatives, such as creating mentorship opportunities between students and successful business leaders as well as sponsoring studies on the use of technology.
- Wachovia Securities partnered with the SMG program to launch *Financial Advisor in the Classroom*. This firm-wide initiative recruited teachers and expanded student participation by providing financial advisors for educational presentations in classrooms around the country. Additionally, Wachovia Securities sponsors local SMG programs in Phoenix, Denver, St. Louis and Southern Illinois.
- Morgan Stanley provides inner-city schools in Atlanta and Baltimore/Washington, D.C. with educational materials and access to The Stock Market Game™ program. Morgan Stanley sponsors team fees, teacher workshops, and awards ceremonies in underprivileged communities and Title One schools.
- PNC Financial Services has sponsored the Stock Market Game™ program for schools in New Jersey's Bergen, Passaic, and Hudson counties since 2005. PNC's



grant funds the SMG student-team participation fees, teacher workshops, and the InvestWrite essay contest and awards ceremonies. PNC also provides an engaging Web activity called the Christmas Price Index (CPI), which teaches students and adults about saving and investing using the 12 days of Christmas. PNC started the CPI as a fun vehicle for Wealth Management clients 26 years ago and now provides SMG teachers with lesson plans to enhance the learning experience.

- The Charles Schwab Foundation not only supports the SMG's InvestWrite essay contest, but it also partners with the Boys and Girls Clubs of America to sponsor *Money Matters: Make it Count*. The program was created to promote financial literacy among teens by building basic money management skills through fun, interactive activities and exercises. Topics include using a checking account, managing debt, saving for college, and the basics of investing. Schwab also includes on its Web site the Money Wise program to help parents teach children financial skills, knowledge and habits.
- Chicago-based Cabrera Capital Markets sponsors Stock Market Game™ teams in Chicago, New Mexico, and Texas. The funding in the Chicago area has helped make SMG free for all Illinois teachers.

Our smaller member firms also are engaged in improving young people's understanding of saving and investing:

- American Century Brokerage, Inc., a regional firm in Kansas City, Mo., offers free, Web-based, professionally designed modular educational

curricula for middle- and high-school classrooms entitled Tips for Kids® (middle-school curriculum) and Tips for Life® (high school), respectively.

- Southwest Securities sponsors statewide awards for local InvestWrite essay contest winners in cooperation with the Texas Council on Economic Education.

Many institutions in the financial community that are not members of our association also support the Stock Market Game™ program. The Investment Company Institute (ICI), for example, has supported the inclusion of mutual funds and mutual funds curriculum in the Stock Market Game™, as well as a special version of the SMG devoted to mutual funds. In addition, ICI sponsors an *Investing for Success* program designed to strengthen investor awareness in the African-American community.

SIFMA and the Foundation are members of the Jump\$tart Coalition for Personal Financial Literacy and the Stock Market Game's executive director serves on their Board of Directors.

Additionally, for more than a decade, the New York Stock Exchange Foundation has been a pillar in its financial support of the Stock Market Game™. NYSE Euronext also holds free workshops every summer to help teachers learn how to teach about financial literacy bringing in presenters from esteemed institutions such as the Federal Reserve Bank of New York.

### **The Capitol Hill Challenge**

Another highly successful program with which many of you are familiar is SIFMA's Capitol Hill Challenge. In this national version of the Stock Market Game™ program more than 7,000 students have participated carrying the banner for 147 house districts and 62 Senate seats.

The winning students earn a trip to Washington, D.C. to meet their elected officials, and to see first-hand how our national economic policies are developed. This year's competition ends on April 18, 2008 and the winners will be announced the following week.

### **Path to Investing Web Site**

For more than a decade, then-SIA sponsored market and opinion research on what investors think about investor education. Many investors said that they did not feel knowledgeable enough about investing and that they wanted our industry's help in educating them. But they also told us that the advice we provide must be objective, individually customized, entertaining, and easy-to-understand. In response, we launched an educational Web site for adults at all levels of investing experience in 2002. *Path to Investing* offers objective, timely, practical information from leading industry and academic experts to help build the knowledge needed to make sound investment decisions. Featuring more than 1,700 pages of content, topics include: investing basics, a financial planning tutorial, preparing for retirement (more than 500 pages), investor protection, equities, fixed-income, futures, investment products, saving for college, target date funds, understanding the subprime crises, life-cycle investing, and how markets work.

We offer in-depth reports on aspects of investing, featuring widely known experts such as Jeremy Siegel, author of the best-selling book "Stocks for the Long Run," and Sam Stovall, chief investment strategist at Standard & Poor's, covering topics such as asset allocation, choosing a broker and gauging risk and return. We also offer concise reports on topics ranging from financial self-defense for women to small-business retirement plans.

Since its launch, the number of visits to the site has more than doubled – 26,000 monthly unique visitors viewing 82,300 pages of educational content – and it has earned multiple awards from Barron’s. Beginning in 2003, adults and families could also access the *Path to Investing* Web site to participate in the Investor Challenge – the adult version of the Stock Market Game™.

*Newsweek* magazine featured *Path to Investing* among five key sites it recommended for those who want to be smarter about money. The American Library Association and Moneywise for the Military both list *Path to Investing* as an investment education resource for their members. On *Wall Street* magazine said it “provides an objective tutorial that would fit into any advisor’s introductory presentation to prospects.” And, The *San Francisco Chronicle* found our site “has information that almost all investors would find useful.” This highly rated, informative site is located at <http://www.pathtoinvesting.org>.

To increase public awareness, we continue to leverage our online marketing campaign, and to leverage our efforts with member firms to make our Web site available as widely as possible.

### **Joint Efforts with Administration, Regulators**

We often collaborate with the Securities and Exchange Commission, self-regulatory organizations, the North American Securities Administrators Association, and the Administration on our educational activities. We know that by working together, our impact is far greater than if we were to work alone. Our relationship with the Treasury Department’s Office of Education, for example, continues to deepen. On July 1, 2006, Treasury officials invited two Stock Market Game™ students to walk the floor of the New York Stock Exchange

with Secretary Paulson on his inaugural visit as Secretary. The purpose was to highlight student financial education.

Likewise, U.S. Treasurer Anna Escobedo Cabral spoke about the importance of financial literacy at the Foundation's California Tribute Dinner in Los Angeles on September 26, 2006. The event was designed to raise awareness about the Stock Market Game™ in particular, and investor education in general, and to honor local dignitaries. Treasurer Cabral also was kind enough to speak at a symposium for Stock Market Game™ teachers in Rancho Cucamonga, California in November 2007 and at a retirement conference sponsored by SIFMA and AARP in New York on April 4, 2008.

### **The Bond Market Foundation**

SIFMA and its members are very excited about the opportunities presented by even more closely connecting and leveraging our various educational and charitable activities to serve more people even better. The non-profit educational and charitable Bond Market Foundation has a rich history of commitment to financial and investor education and literacy programs aimed at adult audiences.

The Bond Market Foundation (TBMF) works in three areas. This testimony focuses on the first area – its research-based skill-, confidence- and motivation-building basic personal financial and investor literacy and education programs.

### **TomorrowsMoney**

TomorrowsMoney has five core Web sites and partnership programs and outreach driven from those sites.

These activities are targeted at: young people aged 18-34; women and their families; Spanish-speaking Americans; people facing financial decision-making related to unexpected life changes

such as change in marital status, job loss, or sudden disability; as well as people needing accessible basic information on personal finance, economic, and consumer concepts to begin to save and invest. The Web sites, currently being redesigned to accommodate significant growth, contain some 10,000 pages of core content addressed in look and feel to the target audiences.

The demand for The Bond Market Foundation's programs has grown significantly since its launch in 2001. Between 2001-2007, the Web-driven program grew from two Web sites with 60 sections of content to five Web sites with more than 800 sections with some 10,000 pages of content, including: [www.tomorrowmoney.org](http://www.tomorrowmoney.org) for women; [www.tomorrowmoney.org](http://www.tomorrowmoney.org) for young people; [www.ahorrando.org](http://www.ahorrando.org) for Spanish-speaking Americans; and, [www.unwantedchange.org/www.cambiosinesperados.org](http://www.unwantedchange.org/www.cambiosinesperados.org) for people facing financial decision making related to unwelcome change. Annual traffic continues to increase to all sites – largely through viral marketing and partnerships – including increases in the number of unique visitors, repeat visitors and average time per session per site.

**[www.ahorrando.org](http://www.ahorrando.org) and [www.cambiosinesperados.org](http://www.cambiosinesperados.org)**

TBMF programs are successfully reaching Spanish-speaking Americans: 40-45 percent of Web site traffic is to the Spanish-language sites. Foundation programs are available in Spanish and English and the Web sites have a toggle feature so users can shift between the two, a useful feature for families with Spanish speakers who use the texts in both languages

#### **The National Association of State Treasurers (NAST) Foundation-Bond Market Foundation Partnership Network**

TBMF works with key partners that reach people who need and want the information. The NAST Foundation partners with TBMF on a Gateway Initiative of Web sites and educational programs. This network of partnership Web sites and customized content, conferences, and outreach creates additional traffic and demand for TBMF content, programs,

and expertise nationwide and serves State Treasurers and their staffs nationwide seeking to provide core personal finance knowledge and skills to their state residents. The Network has significant impact. For example, some of the partnership Web sites have significant traffic—Alabama’s site – under the leadership of State Treasurer Kay Ivey– for example, has been averaging some 6,000 visitors a month. The partnership in North Dakota, with NAST Foundation Chair State Treasurer Kelly Schmidt, has strengthened a network of financial education and literacy providers and contributed financial educational materials to initiatives on military bases and related to informing families seeking student loans. A monthly e-newsletter distributed by the Foundation shares best practices across the national network.

### **Coping with Unwanted Change Project**

TBMF works with non-profit partners serving communities across the country, including in extraordinary circumstances. The Foundation conducts training and educational programs directly to individuals and through partners such as the American Red Cross, United Service Group (helping families of victims of 9/11/01), and Hurricanes Katrina and Rita recovery and rebuilding organizations. The Foundation is asked repeatedly to assist in “train the trainer” situations and to train community-based organization staff to use the Web sites particularly in post-disaster settings. Financial member firms contribute expertise, speakers and resources to this effort.

### **[www.investinginbonds.com](http://www.investinginbonds.com) Partnership**

Initially focused on core financial literacy skill building for underserved adult audiences, the Foundation has recently become more active in connecting such efforts to investor literacy and investor education programs to provide a continuum of accessible, audience oriented content. The Foundation lent its expertise in financial literacy and education to the Bond Market

Association to oversee the redesign of the Association's non-commercial, award-winning [www.investinginbonds.com](http://www.investinginbonds.com) site partnership. For the first time, individual investors in the U.S. can see – free of charge – real-time municipal and corporate bond price data on the Web. Aimed at beginning investors, investors who know something about equities but are new to bonds, and sophisticated bond investors, the [www.investinginbonds.com](http://www.investinginbonds.com) Web site is one of the only places on the Internet where this information is available free to individuals.

A unique and award winning partnership among financial industry members, the trade association and the Foundation, this site has some 75 donated content, data feeds and market commentaries, as well as real-time price information that serves a wide range of investors. Some three million visitors come to the Web site annually.

### **Focus on Leveraging Best Practices**

The Foundation has participated in efforts to learn and share best practices in financial education and literacy for adults across borders. In partnership with SIFMA and European members and participants in the fixed income financial markets, the Foundation is project managing the creation of a bond educational site for individuals in Europe, modeled on [www.investinginbondsEurope.org](http://www.investinginbondsEurope.org), which will also involve data-feed, content and commentary donations from financial markets members.

### **Some Key Lessons Learned**

The Foundations have learned a significant amount about reaching target audiences, which gives us an extraordinary opportunity to direct future initiatives effectively. For example,

- We need to serve the needs both of children and youth as well as adults with research based initiatives addressed to their needs.
- Efforts need to be in multiple media, targeted and repeated.



- Along with the site, TBMF investor education initiatives include print guides of the basics of investing in fixed-income products.
- When online trading grew quickly, a brochure was published by legacy SIA that outlined the issues that investors should keep in mind when investing online.
- Amid the bull market of the late 1990s, we published two brochures – *Understanding Market Risks* and *Managing Your Expectations For Long-Term Success In The Stock Market* – that cautioned investors about the potential risks and explained to them the historical performance of markets.
- Our two most popular publications, though, remain *Your Guide To Understanding Investing* – an easy-to-read handbook that covers the basics of investing—and the primer, *Bond Basics*.
- Partnerships are important to extend reach and coverage, engage key stakeholders and leaders, and leverage and disseminate best practices.
  - In addition to the many partnerships including among and with financial industry members as cited above, to make our resources available as widely as possible, we joined the Alliance for Investor Education – a group of financial services trade associations and regulators dedicated to facilitating greater understanding of investing, investments, and the financial markets among current and prospective investors of all ages. The joint Web site <http://www.investoreducation.org> serves as a clearinghouse of objective investment resources.
  - We are also involved in the International Forum for Investor Education—a group of financial services trade associations, investor education organizations

and regulators from jurisdictions across the globe committed to sharing best practices in investor education. The Web site [www.ifie.org](http://www.ifie.org) serves as a clearinghouse of information on investor education activities in many nations.

- We need to “train the trainers” and support those partners directly involved with those we are trying to reach with financial literacy and investor education information and knowledge- and skill-building, whether through our teacher support programs, community organization outreach or partner network capacity building programs such as with the NAST Foundation.

Thank you for your efforts to advance the goal of improving Americans’ financial literacy and we look forward to working with you to achieve this essential mission.