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April 12, 2007

VIA ELECTRONIC MAIL:

Department of the Treasury

Financial Literacy and Education Commission

Room 1406

1500 Pennsylvania Avenue, NW

Washington, DC 20220

Re: Request for Comments: Financial Literacy Education Commission

Ladies and Gentlemen:

On behalf of the Foundation for Investor Education (FIE)¹, I am pleased to respond to the request for comment on the issue of raising the financial literacy levels of kindergarten through postsecondary students. 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 capital markets, particularly as individuals will increasingly bear more direct responsibility for building and managing their own retirement nest eggs. Given these challenges, FIE believes that practical, hands-on programs help bridge the gap between classroom learning and the real world.

FIE's flagship educational program for students, The Stock Market Game™ program (SMG), takes place in classrooms under the supervision of a program-trained teacher. Students in grades 4-12 are given a hypothetical portfolio of \$100,000, which they manage through online stock and mutual fund selection, sales and purchase. SMG teams of three to five students compete on a regional, statewide, or national basis. Since 1977, the SMG has given educators a way to improve the learning experience in thousands of classrooms. Teachers have successfully used SMG to enliven core academic subjects - including math,

¹ The Foundation for Investor Education, an affiliate of the Securities Industry and Financial Markets Association, is a charitable, educational not-for-profit (501-c-3) organization dedicated to advocating investor education in the U.S. The Foundation administers two programs: The Stock Market Game Program™ (www.stockmarketgame.org), which combines a stock-trading simulation with classroom curriculum for students in grades 4-12; and the Investor Education Program, which offers an educational Web site, Path to Investing — Leading the Way to Financial Knowledge® (www.pathtoinvesting.org) as well as print materials aimed at adults of all levels of investing experience.

social studies, and language arts - and research has shown there's no better way to teach the importance of long-term saving and investing. The program is used by more than 16,000 teachers annually, has served more than 10 million students since inception, and reached more than 600,000 students in 2006.

As requested, I have specifically addressed each question included in the Commission's request.

(1) What are some ways to overcome the challenges faced in bringing financial literacy programs into kindergarten through grade 12 classrooms?

One of the challenges we hear the most from teachers is how to use a program like the SMG and other financial literacy programs in a way that meets the state educational standards required by the No Child Left Behind (NCLB) Act². With this greater emphasis on standards, teachers find it difficult to implement programs (financial literacy or otherwise) that are not directly correlated to the standards they are required to teach. Most teachers we speak with feel financial literacy is important, but often feel they have to make a choice between ensuring that students meet the standards for their subject matter and teaching a financial literacy program. If that is the choice, standards inevitably win.

We at FIE believe that while financial literacy programs must be engaging for students, they also must fit within a teacher's curriculum. Teachers shouldn't have to choose between teaching their subject matter and teaching students about how to manage their money. One of the most attractive aspects of our lesson plans for teachers is that they are tied to both national and state standards. Teachers tell us that correlating our curriculum to standards in math, social studies, economics, business, and language arts has helped them successfully implement our program in the classroom. It allows teachers to allocate time in their busy schedules to teach the fundamentals of saving and investing while reinforcing lessons in the aforementioned subject matters. We believe that linking curricula to standards can help all financial literacy programs overcome one of the most serious barriers they face in terms of access to the classroom.

Connecting our program to national and state standards is not the only avenue FIE pursues in terms of helping teachers implement a meaningful and educational financial education program in the classroom. Our national essay contest, InvestWrite, gives students real-world scenarios and asks that their essays apply what they learned about long-term saving and investing as part of the SMG program and demonstrate a fundamental understanding of essential investing concepts, such as risk, diversification, and the time value of money.

Another way we at FIE believe the challenges of implementing financial literacy programs in the classroom can be overcome is by reinforcing and expanding connections between the private sector, non-profits, schools and government. Creating incentives to work together can pay great dividends in the classroom.

² See PL 107-110, the No Child Left Behind Act of 2001, Title I, Part A, Sec. 1111

For example, in order to make it easier for non-profits and schools to secure guest speakers, technical assistance for teachers and paid internships for students, nearly a decade ago, one of our non-profit peers endeavored to work cooperatively with the Office of the Comptroller of the Currency (OCC) to improve private sector participation in their program. Together they created an innovative incentive for financial institutions to become involved with the non-profit's programs using the existing regulatory structure via the Community Reinvestment Act (CRA). Specifically, in response to the stated needs of the aforementioned non-profit and its peers, the OCC issued an Interpretation Letter³ which gave OCC-regulated financial institutions CRA credit (in the area of community development services) for the educational activities mentioned above that were targeted toward low- to moderate-income students. This interpretation greatly increased the voluntary collaboration between OCC-regulated financial institutions and schools offering financial education to low- and moderate income students.

Replicating this kind of nexus between private sector, non-profits, schools and government can prove to be an important tool to help move financial education forward in the United States. Each entity has different needs and goals but they often intersect in surprising ways. It is why we work with state regulators across the country and why we wholeheartedly support the Financial Literacy and Education Commission's efforts to improve access to the classroom for quality financial education programs, especially the SMG. Creating voluntary incentives for action within the current regulatory structure may help to support those efforts.

(2) Are there unique problems encountered when trying to improve the financial literacy of postsecondary students? If so, what are some ways to solve those problems?

In our experience, it is difficult to reach post-secondary students unless they are enrolled in an economics, finance or business class. At the post-secondary level the specialization of instruction, especially for professors in subjects such as English, philosophy, and science limits the opportunity to infuse financial literacy within those curricula. FIE believes that working outside the classroom with a university's support services may be a more successful approach than attempting to disseminate information to students through instructors who believe that such instruction is outside their discipline. Financial aid and student life departments may be more fruitful channels to both identify and reach students that are in need of financial education. Additionally, Web sites such as the award-winning www.pathtoinvesting.org as well as www.tomorrowmoney.org, which are supported by the member firms of the Securities Industry and Financial Markets Association⁴ (of which FIE is

³ See [CRA Interpretation Letter 802](#)

⁴ 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.

a non-profit affiliate), are excellent, objective financial education resources for post-secondary students and all adults both in and out of the classroom.

(3) What are the essential elements of an effective teacher-training program for financial education?

There are a number of essential elements in effective teacher-training. The most important, in our view, is hands-on instruction and support. FIE's SMG program and its distributors, such as state Councils on Economic Education and Newspaper in Education programs, have conducted successful teacher training workshops since 1977. Based on our extensive experience, we believe the core of a teacher-training program must involve the following:

- Providing the background knowledge that makes teachers comfortable with the material being taught.
- Hands-on, in-person instruction in both the technical aspects of a program and strategies on how to implement the program in the classroom.
- Support staff that can answer follow-up questions and help teachers overcome the initial apprehensions inherent in teaching any new content. For example, with the SMG program, FIE ensures that there is a dedicated customer service representative for every state in the country, which guarantees that a teacher's support resource is familiar with local educational challenges and requirements.
- Engaging workshop materials and activities to help keep teachers interested and focused.
- Demonstrating to teachers the connections between the program being presented and the curriculum they are teaching in the classroom, especially if the program also meets national and state standards.

(4) What should be the role of private sector companies in youth financial education? What are the benefits and challenges of this type of involvement?

With the SMG program, FIE has garnered significant support from the member firms of the Securities Industry and Financial Markets Association. We believe that it is in the interest of financial institutions to voluntarily support financial education and funding is certainly one of the most important first steps. But we also believe the private sector should and does voluntarily support financial education in many other positive ways. For example:

- Merrill Lynch partners inner-city schools with local NBA teams and the SMG program as part of its Investing Pays Off program. The program started with the New York Knicks and was expanded to the New Jersey Nets. In addition to supporting the SMG program generally and in many specific locations across the country, Merrill Lynch combines its financial resources with its people to create a potent combination. 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.

- For the past three years, 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.
- A.G. Edwards sponsors team participation fees and teacher workshops for the SMG program for schools in St. Louis, Missouri; Denver, Colorado; and Southern Illinois. A.G. Edwards also has a section on its Web site dedicated to teaching children about money and investing called Big Money Adventure.
- Morgan Stanley provides inner-city schools in Atlanta and Baltimore/Washington, D.C. with educational materials and access to SMG program. Morgan Stanley sponsors team fees, teacher workshops, and awards ceremonies in underprivileged communities and Title One schools.
- The Charles Schwab Foundation not only provides general operating dollars to FIE, 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.
- PNC Financial Services Group sponsored the SMG program for schools in New Jersey's Bergen, Passaic, and Hudson counties for the 2005-2006 and 2006-2007 school years. PNC's grant funded the SMG student-team participation fees, teacher workshops, and the InvestWrite essay contest and awards ceremonies. PNC also provides a fun Web activity for students called the Christmas Price Index (CPI), which teaches them about saving and investing using the 12 days of Christmas.
- Chicago-based Cabrera Capital Markets sponsors SMG teams in Chicago, New Mexico, and California.
- Even smaller institutions 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. Today, more than 4,000 registered users representing all 50 states have registered to use Tips for Kids® (middle-school curriculum) and Tips for Life® (high school).

Many other institutions in the financial community also support the SMG program and financial literacy in general, including:

- The Investment Company Institute Education Foundation (ICIEF), for example, has supported the inclusion of mutual funds and mutual funds curriculum in the SMG. In addition, ICIEF sponsors an Investing for Success program designed to strengthen investor awareness in the African-American community.
- The McGraw-Hill Companies, parent of Standard & Poor's, provides FIE with funds to develop math curriculum and teacher training material, and also provides technical expertise for both of those projects.
- And last, but certainly not least, is the New York Stock Exchange Foundation. For more than a decade, the New York Stock Exchange Foundation has been a pillar in its financial support of SMG. NYSE Euronext also holds free workshops every summer to help teachers learn how to teach about financial literacy.

Clearly, the efforts of those in the private sector are already providing financial capital and the expertise of their professionals which benefits students, teachers, and adults alike, but challenges remain.

Some of the more general challenges we hear from professionals who volunteer for financial literacy programs are:

- The requirements of some school systems, such as background checks, make volunteering difficult.
- School schedules and business schedules are often incompatible. The most appropriate hours to visit a school for volunteer work often conflict with peak business hours.
- Communication between teachers and business people can be impeded by teachers' often limited access to phones and email during school hours.

And teachers/educators often face their own challenges working with the private sector, such as:

- Volunteers and presenters who speak above the students' appropriate level of understanding given their age/grade.
- The assumption that teacher schedules can be adjusted as quickly and easily as business schedules.
- Continued commitment from school-year to school-year as organizational roles and priorities change within a given private-sector entity.

(5) What should be the role of not-for-profit organizations in youth financial education? What are the benefits and challenges of this type of involvement?

Clearly, non-profit organizations fulfill many roles with respect to youth financial education. They offer a range of programs that focus on specific areas such as long-term saving and investing (like SMG) to programs that provide information on more elementary topics such as maintaining a checking account and how to use credit responsibly. The primary challenges we at FIE hear about from educators with respect to working with non-profits is the sheer volume of programming that's available in the financial education space. They tell us too many programs are competing for their time and often overlap content. This can be confusing to teachers regarding the most important information to present, and how to integrate a program with their curriculum. FIE recommends increased cooperation among non-profits and an effort to eliminate duplication wherever possible.

That said, FIE believes there are commonalities in the role that not-for-profits should play. Specifically, non-profits should:

- Provide unbiased, objective information,
- Marshal resources of the private sector (both within and without of the financial services industry) to support quality financial literacy programming,
- Continually develop, pilot and refine effective educational programs, and
- Research and evaluate the effectiveness of such programs.

Working with non-profits provides both tangible and intangible benefits:

Tangible

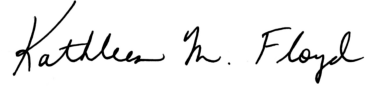
- Schools receive programs at a reduced cost or no cost due to private sector support of non-profits.
- Non-profits tend to have the best interests of teachers and students in mind making it less likely that products or support will be precipitously sacrificed to a for-profit entity's bottom line.
- Students are generally not exposed to advertising that can often proliferate for-profit Internet spaces.

Intangible

- Non-profit programs build confidence among parents and teachers.
- Administrators avoid conflicts of interest that can arise when working with for-profit entities.
- Non-profits with private sector support can often generate connections and recognition for teachers, administrators and schools that the public sector may find more difficult to provide.

Again, FIE appreciates the opportunity to provide information to the Department. Please do not hesitate to contact Wayne Marks, wmarks@sifma.org, or the undersigned if you have any questions about our comments.

Sincerely,

A handwritten signature in black ink that reads "Kathleen M. Floyd". The signature is written in a cursive style with a large initial 'K' and a stylized 'M'.

Kathleen M. Floyd
Executive Director
The Stock Market Game