

**Oral Statement Of
Robert Strong
Vice President And Executive Director
Securities Industry Foundation For Economic Education**

**Before The
Subcommittee On Education Reform
Of The House Committee On Education And The Workforce**

**Hearing Entitled
"Financial Literacy Education: What Do Students Need To Know To Plan For The
Future?"**

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Chairman Castle, Ranking Member Woolsey and members of the subcommittee, I am Robert Strong, Vice President and Executive Director of the Securities Industry Foundation for Economic Education,¹ and I appreciate the opportunity to testify on this very important topic. We support and applaud your efforts to improve Americans' financial literacy, as well as the recent initiatives undertaken by the Administration.

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.

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. Additionally, we must find ways to instruct our children – America's future – on how to manage their finances in the short-term and save and invest for the long-term.

More than 25 years ago, a group of securities industry executives had a vision: that individuals throughout the United States would understand the fundamentals of investing in the capital markets and improve the management of their financial affairs. Their idea took form as a non-profit foundation affiliated with the Securities Industry Association, the purpose of which would be to foster a better understanding of the American economic system and the role of the securities industry within the system. The cornerstone of this foundation would be the Stock Market Game™, a simulation in which students in grades four through 12 would learn the fundamentals of investing through a hands-on experience investing a hypothetical \$100,000 in real securities. Teachers would receive grade-level specific curriculum guides, lesson plans, and weekly newsletters to incorporate into their classroom activities.

Since the game began in 1977 with 1,600 students selecting from around 2,400 listed companies, it has grown to more than 500,000 students a year picking stocks from more than 7,500 companies on the New York Stock Exchange, NASDAQ and the AMEX.

SMG has been correlated to the national standards in mathematics, economics, and business and marketing, as well as to each state's individual standards of learning. The Stock Market Game™ is not an add-on; indeed, we worked 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.

We are very proud of the fact that each school year we have approximately 25,000 teachers that 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.

The true value of the Stock Market Game™ is its ability to capture the interest of students and teachers as the economy comes alive. 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 Michigan may affect workers and their families in Newark, Delaware. Students begin to understand economic relationships between government, businesses, and individuals.

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 2002 that number had jumped to nearly 50 percent of households, or roughly 95 million people owning equities (either directly or indirectly) according to the Securities Industry Association//Investment Company Institute Equity Ownership in America report.

I am pleased to share with the subcommittee that beginning November 6, SIA will launch an adult version of the Stock Market Game™ on its investor Web site: SIA Investor. SIA Investor Challenge will allow adults and families to research a company, buy and sell stocks, and build and monitor a portfolio just as students of the Stock Market Game™ do in school.

The SIA Investor Web site also provides answers to real-life financial questions and features industry experts addressing a wide range of personal finance topics. *Barron's* recently awarded the site honorable mention (3.5 out of a possible four stars) in its ratings of investor education Web sites for the second consecutive year. The site was praised for its "lengthy, thorough dictionary" and how "experts bring educational tools to investors" on the site. I encourage you to take a look at this award-winning, informative site at www.siainvestor.org.

In addition, SIA produces *Your Guide to Understanding Investing*, a comprehensive handbook for new and experienced investors, as well as a series of educational brochures available in print or online.

Thank you for your efforts to advance the goal of improving Americans' financial literacy. We believe that in much the same way that compound interest brings great returns over time, so too

does establishing quality educational programs that provide a solid return for our children. We look forward to working with you on the essential mission of improving financial literacy for all Americans.

Footnotes:

1. The Securities Industry Foundation for Economic Education (SIFEE), an affiliate of the Securities Industry Association, was established in 1976 to promote economic education and financial literacy among children and adults. The Securities Industry Association, established in 1972 through the merger of the Association of Stock Exchange Firms and the Investment Bankers Association, brings together the shared interests of more than 600 securities firms to accomplish common goals. SIA member-firms (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. According to the Bureau of Labor Statistics, the U.S. securities industry employs nearly 800,000 individuals. Industry personnel manage the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2002, the industry generated \$222 billion in domestic revenue and \$356 billion in global revenues.