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Buyer be educated

By Dan Iannicola, Jr. and Ted Gonder

Today President Obama's Advisory Council on Financial Capability is meeting in Washington and continuing its work to raise awareness of the country's need for greater financially literacy and encourage policy-makers, the financial industry, schools and families to do more about it.

We should listen to them. As the economy, our home values and 401(k) balances improve we risk forgetting one of the lessons the financial crash offered us all - that we need to know more about financial products and money management to help avoid the next crisis. To keep American consumers from repeating past mistakes government, financial institutions and households need to make financial education of youth and adults a higher priority. We need to see more families talking about this at home, more schools requiring financial education classes, more employers offering workplace financial seminars and tools, more financial institutions providing sales-free financial education programs and more federal, state and local governments providing the resources and leadership to address this issue. In this cause we all must play a role.

And unlike most causes nowadays, increasing financial literacy is a squarely bi-partisan issue. We know this firsthand. One of us is a member of President Obama's council and the other was the executive director of its predecessor organization founded by President George W. Bush in 2008.

Recently we found that this cause bridges not only political parties but national borders. In July the Program for International Student Assessment (PISA), the global benchmark in evaluating student achievement in core subjects, included financial literacy in its assessment for the first time alongside math, reading and science. The test revealed that US teens did not stack up well versus their global peers on money issues. American students scored below the international mean on financial literacy and ranked ninth out of the 18 countries participating. The inclusion in PISA demonstrates conclusively that financial literacy has finally graduated from a trendy topic to a serious issue, worthy of the kind of robust efforts and analytical rigor necessary to help solve this national problem.

But how do we solve it? Early results show that while some financial education programs have increased consumer knowledge temporarily, achieving sustained change in financial attitudes and behaviors through "once-and-done" programs has proven much more challenging. In response, some have questioned financial education's worth altogether. But here's what they miss – none of us learned all we needed about reading, writing, math or science through a few class sessions in high school or a lunchtime seminar at work. Critics must remember that financial education, like every other kind of education, requires a long-term commitment: it's more like growing a tree than taking a pill.

Despite what some may think, the push for more financial literacy is not a financial industry plot to eliminate regulation, nor is it a big government attempt to tell people how to live their financial lives. Rather it's a commonsense solution to an overabundance of complex financial choices all of us now face at every stage of life, from financing an increasingly expensive college education to managing a credit card to obtaining a mortgage to investing for retirement. Greater financial literacy can also be the path to empowerment for the poor and financially disenfranchised, who work and struggle in an economy which offers a suite of financial products that sometimes fails to meet their needs. For those vulnerable consumers, financial education can be the difference-maker, for when money is scarce there is no margin for error.

More than anything else, the bi-partisan, multinational support of financial literacy is owed to the stark recognition that no matter how we might wish it, we cannot remove all risk from the financial marketplace. So long as we have choices of products and services, we will have the opportunity to make the wrong choice. This is why consumers need to be equipped with the basic knowledge necessary to carefully choose from and correctly use (or not use) the financial products marketed to them. Effective consumer financial protection regulation is of course necessary, but will never be sufficient. There will always be perfectly legal, accurately disclosed financial products that can be used properly by one consumer and dangerously by another. And as the mortgage crisis taught us all painfully well, what you don't know *can* in fact hurt you. Put another way, the insufficient advice of "*caveat emptor*" is as dated as the language in which it's expressed. "Buyer be educated" must be the new imperative.

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