



Highlights of [GAO-11-504T](#), a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

Financial literacy plays an important role in helping ensure the financial health and stability of individuals, families, and our broader national economy. Economic changes in recent years have highlighted the need to empower Americans to make informed financial decisions, yet evidence indicates that many U.S. consumers could benefit from a better understanding of financial matters. For example, recent surveys indicate that many consumers have difficulty with basic financial concepts and do not budget.

This testimony discusses (1) the state of the federal government's approach to financial literacy, (2) observations on overall strategies for addressing financial literacy, and (3) the role GAO can play in addressing and raising awareness on this issue. This testimony is based largely on prior and ongoing work, for which GAO conducted a literature review; interviewed representatives of organizations that address financial literacy within the federal, state, private, nonprofit, and academic sectors; and reviewed materials of the Financial Literacy and Education Commission.

While this statement includes no new recommendations, in the past GAO has made a number of recommendations aimed at improving financial literacy efforts.

View [GAO-11-504T](#) or key components. For more information, contact Alicia Puente Cackley at (202) 512-8678 or [cackleya@gao.gov](mailto:cackleya@gao.gov).

April 12, 2011

## FINANCIAL LITERACY

### The Federal Government's Role in Empowering Americans to Make Sound Financial Choices

## What GAO Found

Federal financial literacy efforts are spread among more than 20 different agencies and more than 50 different programs and initiatives, raising concerns about fragmentation and potential duplication of effort. The multiagency Financial Literacy and Education Commission, which coordinates federal efforts, has acted on recommendations GAO made in 2006 related to public-private partnerships, studies of duplication and effectiveness, and the Commission's MyMoney.gov Web site. While GAO's 2006 review of the Commission's initial national strategy for financial literacy found that it was a useful first step in focusing attention on financial literacy, it was largely descriptive rather than strategic. The Commission recently released a new strategy for 2011, which laid out clear goals and objectives, but it still needs to incorporate specific provisions for performance measures, resource needs, and roles and responsibilities, all of which GAO believes to be essential for an effective strategy. However, the Commission will be issuing an implementation plan to accompany the strategy later this year and the strategy will benefit if the plan incorporates these elements. The new Bureau of Consumer Financial Protection will also have a role in financial literacy, further underscoring the need for coordination among federal entities. Coordination and partnership among federal, state, nonprofit, and private sectors is also essential in addressing financial literacy, and there have been some positive developments in fostering such partnerships in recent years.

There is little definitive evidence available on what specific programs and approaches are most effective in improving financial literacy, and relatively few rigorous studies have measured the impact of specific financial literacy programs on consumer behavior. Given that federal agencies have limited resources for financial literacy, it is important that these resources be focused on initiatives that are effective. To this end, the Commission's new national strategy on financial education sets as one of its four goals identifying, enhancing, and sharing effective practices. However, financial education is not the only approach for improving consumers' financial behavior. Several other mechanisms and strategies have also been shown to be effective, including financial incentives or changes in the default option, such as automatic enrollment in employer retirement plans. The most effective approach may involve a mix of financial education and these other strategies.

GAO will continue to play a role in supporting and facilitating knowledge transfer on financial literacy. GAO will host a forum on financial literacy later this year to bring together experts from federal and state agencies and nonprofit, educational, and private sector organizations. The forum will address gaps, challenges, and opportunities related to federal financial literacy efforts. In addition, as part of GAO's audit and oversight function, GAO will continue to evaluate the effectiveness of federal financial literacy programs, as well as identify opportunities to improve the efficient and cost-effective use of these resources.