Vertmont Financial Literacy Commission
November 21, 2016

Vermont Financial Literacy Commission Members Present:

John Pelletier, co-chair, Champlain College
Courtney Poquette, Winooski High School
Linda Tarr-Whelan, Tarr-Whelan Associates
Lisa Falcone, United Way of Northwest Vermont
Mark Perrin, State Board of Education
Martha Reid, Vermont State Librarian
Sabina Haskell, representing commission member Scott Giles
Thomas Leavitt, Northfield Savings Bank
Yvonne Garand, VSECU

Also Present:

Dylan Giambatista, Vermont State Treasurer's Office
Karen Lafayette, Vermont Low Income Advocacy Council
Ryan Dulude, Community College of Vermont
Tim Lueders-Dumont, Vermont State Treasurer's Office

CALL TO ORDER:

Mr. Pelletier, co-chair, called the meeting to order at 2:02 p.m. The meeting was held in the Common Room of VSAC, 10 East Allen Street, Winooski, VT 05404.

Item 1: Approval of Meeting Minutes

Mr. Perrin moved for adoption of the October 24 meeting minutes. The motion was seconded by Ms. Haskell and approved unanimously by the Commission. Mr. Pelletier requested that the agenda be taken out of order, beginning with a review of the adult initiative drafting process.

Item 2: Update on adult progress

Mr. Giambatista noted that Ms. Pearce was not available to attend the meeting, but that she had deputized him to speak regarding the progress of adult recommendations. He shared that Ms.

Pearce, Ms. Falcone, Mr. Leavitt, Ms. Niebling and Ms. Reid met on November 17 to review a preliminary narrative draft.

Mr. Giambatista noted that he and Ms. Garand had a discussion on November 18 that led to inclusion of the "path to financial well-being" handout contained in the November 21 meeting materials. Ms. Garand discussed how the handout helped her visualize a consumer's journey to financial well-being.

Ms. Garand asked Commission members to consider whether the current draft materials were directive enough. She provided an example of a financing concept, whereby, if the State provided resources to lower the cost of financing, financial institutions could develop programming to give credit counseling and loans to individuals whose credit scores might otherwise preclude them from obtaining traditional financing.

Mr. Pelletier noted that programmatic proposals, such as the one Ms. Garand described, would probably require a pilot program and proof of concept. He echoed the imperative of increasing Vermonters' creditworthiness. Ms. Garand agreed, providing examples of how credit can impact one's ability to access employment and housing. She urged the Commission to consider how consumers of financial services would perceive personal finance education tools.

Reviewing Ms. Garand's handout, Ms. Tarr-Whelan encouraged the Commission to draft its recommendations with a broader audience in mind. She agreed with Ms. Garand's suggested approach to develop recommendations that would appeal to consumers of financial services.

Mr. Pelletier concurred and shared his preference for credit education over the concept of incentive-based programs, providing examples of how poor credit can lead individuals to spend much more over the course of a lifetime.

Mr. Leavitt noted that the adult stakeholder group intentionally emphasized credit management in the draft narrative. He praised the graphic representation of how financial literacy enables a progression toward the ultimate goals of financial capability and financial well-being. Mr. Leavitt encouraged the Commission to create its own chart to demonstrate the path to financial wellness. Commission members agreed.

Ms. Tarr-Whelan noted that quantifying the cost of credit would be helpful. Ms. Falcone said that she has done extensive work on the impact of credit on an individual's livelihood. She recommended several reports for Mr. Giambatista to review for data.

Mr. Pelletier shared findings that suggests that the average U.S. resident will pay $279,000 in financing expenses over the course of a lifetime. Using the example, he could extrapolate the different cost impacts individuals with varying degrees of creditworthiness could experience.

Ms. Falcone advised that the recommendations should include some acknowledgement of Vermont's successes protecting consumers from unlawful financial gain. Mr. Pelletier agreed and provided data that ranks Vermont as a national leader for consumer financial protection. Mr.

Giambatista said that the drafting group would try to incorporate consumer protection successes into the Commission's report draft.

Ms. Haskell suggested that a meeting in early January might be advisable to allow for a final review of the report before it is submitted to the General Assembly. Commission members agreed to meet on January 9, 2017.

Ms. Garand asked whether the report should incorporate examples of the State funds referenced in Sec. 1, §4. Mr. Pelletier described several funds including the Financial Services Education and Training Special Fund (9 V.S.A. §5601), the Financial Literacy Commission Fund (9 V.S.A. §6004), and the Financial Literacy Trust Fund (32 V.S.A. §111). Mr. Giambatista suggested that the Commission's report could cite the funds.

The Commission members discussed what would constitute "current State special funds and trust funds." Ms. Falcone conjectured about whether certain healthcare funds, or other funds, would fall into the category described within the recommendation. Ms. Reid mentioned the lottery as one potential area for investigation. Mr. Giambatista observed that the recommendation's wording suggests that it would be up to the State agencies and departments to determine what constitutes a relevant fund.

Mr. Giambatista directed the Commission to Sec. 4, §2, regarding benefit cliffs and asset tests. He noted that the adult stakeholder group had discussed the possibility of including a specific recommendation describing elimination of certain asset tests within the Reach Up program. At the November 17 meeting, Ms. Falcone provided information that led Ms. Pearce to suggest that that a broader recommendation be developed to generally address benefit cliffs and asset tests.

Mr. Giambatista shared that, while Ms. Niebling could not attend the November 21 Commission meeting, she had emailed him to express a strong preference to keep Reach Up within the recommendations. The Chair recognized Ms. Lafayette, of the Vermont Low Income Advisory Council, who noted the importance of adjusting the asset tests within the Reach Up Program. She notified the Commission that the Governor's Council on Pathways from Poverty just issued its 2016 report, which contains recommendations on Reach Up and other programs.

Ms. Falcone supported a generalized approach to citing benefit cliffs and asset tests. Ms. Tarr-Whelan agreed, noting that the statement could be broadened to include areas like childcare and healthcare, amongst others. Mr. Pelletier concurred.

Ms. Falcone suggested that it might be advisable to reword Sec. 4's heading. She recommended adding language to incorporate personal finance education opportunities into the EITC processes State government undertakes. Mr. Pelletier agreed that EITC constitutes an excellent opportunity to provide educational information to Vermonters.

Mr. Pelletier cited feedback heard at earlier Commission meetings that suggested frontline case managers would benefit from training on personal finance concepts, as well as information about reputable personal finance education programs available in Vermont. Ms. Falcone agreed that providing case managers with resources would be a worthwhile recommendation.

Item 3: Higher education progress

Ms. Haskell presented an updated draft of the higher education recommendations. She explained that the most recent edits were developed after consulting with Mr. Giambatista, Mr. Pelletier, and Ms. Tarr-Whelan at a preliminary drafting committee meeting.

Mr. Pelletier asked whether Sec. 1 should include a reference to the General Assembly enacting universal child savings accounts? Ms. Haskell noted that the Universal Children's Higher Education Savings Account Program Fund Advisory Committee has begun an analysis of funding strategies to capitalize the current universal child savings account program.

Mr. Pelletier and Ms. Haskell discussed the child savings account pilot program contemplated in the recommendations. Ms. Haskell noted that the pilot program approach may prove advantageous, depending on the outcome of the Universal Children's Higher Education Savings Account Program Fund Advisory Committee's funding analysis.

Mr. Perrin noted that some students struggle to make payments on student loans. He questioned whether information about the cost of credit management should be incorporated into the higher education draft, given the nexus to student loan repayment. Ms. Haskell agreed to draft language for inclusion in the next draft of the document.

Ms. Tarr-Whelan suggested that the last sentence of Sec. 4, §2 be moved to a more prominent position in the recommendations to create a stronger call to action. Mr. Pelletier agreed. Ms. Tarr-Whelan urged that the language in the final sentence be inserted in place of the Sec. 4 heading. The Commission members generally supported the change.

Mr. Pelletier asked if it would be feasible to include a recommendation to encourage K-12 institutions to provide higher education training financial literacy resources. Ms. Haskell questioned whether such a recommendation would be more appropriate in the K-12 section. Mr. Pelletier shared a preference for including them in Sec. 3 of the higher education recommendations. Commission members agreed.

Ms. Tarr-Whelan noted the importance of considering the goals of personal finance education relative to the higher earnings college graduates can earn. Ms. Falcone reemphasized the importance of consumer education, particularly for college students.

Ms. Garand asked if the Commission would complement its recommendations with suggested metrics to analyze how the outcomes of Vermont's approach to increase personal finance education compares to other states. Ms. Tarr-Whelan questioned whether developing a set of metrics or measures would be feasible for the January report.

Mr. Pelletier said he was not sure whether delivering extensive data in the January report was feasible. He shared several examples of potential data exhibits for the Commission to present to the General Assembly. Ms. Garand acknowledged that the timeline might be challenging. She suggested that the Commission consider developing metrics in the future.

Ms. Falcone noted the success of Results Based Accountability measurements. She urged the report drafting team to consider identifying three to five potential measures for inclusion in the Commission's 2017 report.

Mr. Pelletier expressed general agreement with Ms. Falcone's point about identifying and tracking quantifiable metrics to measure Vermont's progress. He explained that he had viewed the Commission's charge to analyze where Vermont's financial literacy efforts currently stand.

Ms. Poquette suggested that certain data points within the higher education recommendations be moved to the opening narrative, as opposed to contained within specific recommendations.

Mr. Leavitt stressed the importance of college completion. He presented information about the long-term consequences facing students who take on substantial debt and do not complete a degree program.

Mr. Pelletier shared findings that quantify the average lifetime earnings potential of an individual who has earned a bachelor's degree. He further noted that different subject degrees often entail different earning potentials. Mr. Leavitt pointed out that earnings do not necessarily correlate to workplace fulfillment and other factors that impact career success.

Ms. Tarr-Whelan asked whether the general goal of the Commission's higher education recommendations was to decrease student debt. Mr. Dulude, who was present on behalf of the Community College of Vermont (CCV), was acknowledged by the Chair. Mr. Dulude noted the importance of affordability. He also stressed the value of finding ways to retain students so they complete a course of study and increase their career opportunities. Ms. Tarr-Whelan echoed Mr. Dulude's statement and recommended it be incorporated into the recommendations under Sec. 2.

Mr. Pelletier shared additional data about college completion and how it improves an individual's lifetime earning potential. Mr. Leavitt and Mr. Perrin commented on the economic impact of Vermont's student loan default rates. Ms. Tarr-Whelan concluded that the Commission's recommendations should emphasize more resources for Vermonters as they assess the costs and benefits of higher education.

Item 4: Update on K-12 progress

Mr. Pelletier reviewed the K-12 narrative document. He noted that several data exhibits were included to develop how the Commission arrived at its recommendations.

Mr. Pelletier explained that the K-12 subgroup members made multiple efforts to incorporate feedback from educators and education officials. He shared that the feedback they received led to the statement acknowledging the Commission's desire to recommend "practical, impactful and realistic," ideas.

Mr. Pelletier noted the addition of language in Sec. 3, §1 to urge the Agency of Education (AOE) to designate a staff member to coordinate and implement financial literacy initiatives. The Commission supported the addition of the recommendation.

Mr. Pelletier asked Commission members whether Sec. 5 would be better situated in the document's opening statement, rather than in the education recommendations. Commission members agreed that the section should be moved to the opening narrative.

Mr. Pelletier shared the he has convened conversations about starting a new educator training program to provide Vermont teachers with opportunities to teach personal finance education. He indicated that grant funding could aid the effort, and that he would update the Commission at a future meeting once details were finalized.

Item 5: Discussion and drafting plan

Mr. Leavitt asked the report drafting team to develop a report format to clearly emphasize the recommendations that had emerged as top priorities. Ms. Tarr-Whelan agreed that it would be wise to elevate key K-12, higher education, and adult initiatives to a position of prominence within their respective categories. Mr. Pelletier referenced page 26 of the 2015 Financial Literacy Task Force report as an appropriate model to present actionable items.

Ms. Falcone urged the report drafting team to use clear, concise, plain language. She emphasized the importance of placing financial literacy in the context of Vermont's economic livelihood. Mr. Perrin agreed that personal finance aptitude is an economic development issue. Ms. Garand agreed.

Commission members discussed report formatting and whether breaking the categories into K-12, higher education, and adult was the best way to present the recommendations. Ms. Garand requested that the general narrative be applicable to all sections. Ms. Tarr-Whelan agreed. She noted that by separating the recommendations into areas, it provided the added benefit of directing different stakeholder groups to act.

Mr. Leavitt restated the importance of clearly defining "financial education," "financial literacy," "financial capability," and "financial well-being" throughout the report. Ms. Poquette agreed and expressed the view that a generalized economic development message could help define the steps to financial success.

Mr. Lueders-Dumont noted that the State Treasurer's Office had begun the process of implementing Vermont's Achieving a Better Life Experience (ABLE) plan in partnership with the Ohio State Treasurer's Office. He also noted that the Georgetown Center for Retirement Initiatives is analyzing potential public retirement models for the Public Retirement Study Committee, and that the findings of the analysis would be provided to the General Assembly in January.

Item 6: Public Comment

No public comment was given.

Item 8: Adjournment

Ms. Poquette made a motion to adjourn. Mr. Perrin seconded. The Commission unanimously approved the motion to adjourn. Mr. Pelletier adjourned the meeting at 4:10 p.m.

Attachments:

- -K-12 draft recommendations
- -Higher education draft recommendations
- -Adult draft recommendations
- -Path to financial well-being handout

K-12 Recommendations

Goal of the Vermont Financial Literacy Commission's K-12 Recommendations: Increase the number of Vermont K-12 students that are receiving quality personal finance education in our schools prior to entering college or the workforce.

Background: Financial sophistication is an essential 21st century life skill that young people need to succeed, yet recent studies and surveys show that our youth have not mastered these topics. The basics of personal financial planning – teaching young people about money; the value of money; how to save; invest and spend it and how not to waste it – have not been taught in school or at home. Without improved financial literacy, the next generation of Vermont leaders, job creators, entrepreneurs and taxpayers will not have the skills they need to survive and to thrive in this increasingly complex financial world.

Based on a 2015 survey, only 22 percent of Vermont adults indicated that they were offered and participated in financial education in school, college or the workplace. Not surprisingly, that same survey indicated that Vermont adults had a mean grade of "D" getting only 61 percent of questions correct on a financial literacy quiz consisting of six basic questions. In general, Vermont children are learning about personal finance not in school or at home, but through trial and error. In fact, a Charles Schwab survey indicated that parents are nearly as uncomfortable talking to their children about money as they are about sex. Given our modest educational standards on the topic of financial literacy, it is not surprising that Vermont received a "D" grade in a 2015 national report card on state efforts to improve financial literacy in high schools.

Vermont schools are required to teach certain personal finance concepts to all students, but progress has been slow and an increased emphasis on implementation is needed. We believe that financial education is important at all K-12 levels and note that numerous excellent resources already exist that can be integrated into social studies, math, economics, business education, and other areas of the curriculum.

We applaud the passionate teachers who are working on a class-by-class basis to teach personal finance, however, this approach does not reach the entire student population, and the integration of these materials is not occurring at a pace sufficient to address the lack of financial literacy in our schools. Where opportunities for personal finance instruction exist, teachers report that students are very engaged and positive. Innovation is occurring. For example, a dual enrollment understanding exists for a personal finance course between Winooski High School and Community College of Vermont. Pockets of excellence in financial literacy education exist across our state, thanks to the efforts and passion of smart educators, administrators and school boards. Our challenge is to spread these great educational practices to all Vermont K-12 students.

These "success stories" are overshadowed by the fact that only nine out of 65 Vermont high schools currently have graduation requirements for financial literacy (Burlington, Essex, Fair Haven Union, Missisquoi Valley, Mount Abraham Union, Spaulding, Stowe, U-32, and Vergennes Union). Progress is being made, this list has increased from only two high schools in 2011.

These successful school districts with financial literacy graduation requirements have provided the course offerings with existing educators at modest or no cost to the school district. Many more schools offer electives but, based on 2011 survey data, it is estimated that more than two-thirds of graduating seniors do not enroll in a financial literacy class for a variety of scheduling reasons. We also know that personal finance electives are unavailable to students as some highs schools.

Keeping in mind our desire to be practical, impactful and realistic, a careful review of the current education landscape in Vermont led to the Commission to concluded that a new financial literacy mandate or high school graduation requirement is not currently a realistic or practical option. Vermont school districts are currently very busy implementing many educational changes (examples include district consolidation, implementation of the Education Quality Standards, Personalized Learning Plans, Proficiency Based Graduation Requirements, Common Core Math and English standards including new assessments tests, Flexible Pathways/Dual Enrollment, Social Studies standards revision and universal access to prekindergarten). The Commission also recognizes that given the legislative focus on minimizing public school expense increases, resources may not be available for new personal finance education initiatives through state appropriations.

The Commission believes that financial literacy education is not just the responsibility of our schools. Success in this area requires the creation of partnerships between parents, schools, state government, nonprofit entities, and the business community

The Commission believes there are some clear opportunities to move forward.

RECOMMENDATIONS:

We believe there is an urgent need to change this picture and recommend a multi-pronged approach to systematically advance the level of personal finance proficiency for students graduating from Vermont schools. Through improvement in the current personal finance education standards, universal and easy access to these topics for all Vermont students, and the provision of appropriate tools and incentives, schools and educators will have the resources they need to succeed in implementing personal finance education.

1. ***Vermont's existing personal economics and career choices education standards should be updated to reflect highly regarded national and international financial literacy standards.***

Current Vermont standards are not very specific. By comparison, the educational standards for the topic of sustainability are three times more detailed than those for personal economics. Personal finance and personal economics educational standards are included in the Fall 2000 *Framework of Standards and Learning Opportunities* (Framework) that will ultimately be replaced by other curriculum content standards. The Vermont Board of Education should ensure that existing Framework financial literacy standards are maintained and made more robust as they are incorporated into the ongoing revision of the K-12 social studies standards. As these changes occur, it should be made very clear that business education, family and consumer sciences and mathematics high school educators can continue to teach personal finance courses, as they currently do today, even though they are not technically social studies educators.

2. ***Provide personal finance training opportunities to K-12 educators.***

Studies and surveys show that educators often lack confidence in their ability to teach personal finance due to their own lack of training on this topic. We also know that when educators receive robust training, confidence levels increase dramatically. We recommend that the Vermont Agency of Education, school boards, professional organizations, superintendents and principals ensure that educators are offered financial literacy training opportunities.

3. ***The Agency of Education (AOE) should provide and/or expand assistance to Supervisory Unions, schools and educators interested in providing quality personal finance education to their students.***

The following are actions that should be taken by the AOE to help promote personal finance education for all Vermont K-12 students:

- Appoint an individual to the role of coordination and implementation of the K-12 financial literacy initiatives described herein. The AOE has indicated that staffing is not currently available for this activity. We request that the new administration and legislature consider making personnel resources available to the AOE for this important work.
- Provide school districts with models that incorporate elements of personal finance (which include career and college/major exploration and how to pay for and finance a college education) into the Personalized Learning Plans (PLPs) that are required for all students.
- Provide school districts with models of Proficiency-Based Graduation Requirements (PBGRs) that are currently being used by Vermont schools that require financial literacy as a graduation requirement.
- Partner with financial literacy educators and nonprofit experts to provide school districts with access to quality personal finance education resources, such as nationally recognized, age appropriate: financial literacy standards; curriculum; lesson plans; resources; games; tools; videos; applications; calculators; activities; projects; books; articles; public speakers; and model PLPs and PBGRs with personal finance concepts.
- Partner with mathematics educators and financial literacy nonprofit experts, to provide school districts with models and lesson plans on how personal finance problem solving can be incorporated into the K-12 common core mathematics instruction.
- Encourage school districts to provide access to a high school personal finance elective course. Smaller high schools could offer students existing on-line courses currently available.
- Gather data on how personal finance education is currently being provided to students in our Vermont K-12 schools, particularly at the high school level. This would help identify best practices that could be shared with all school districts through the Weekly Field Memo

4. ***<u>Provide incentives to Supervisory Unions, schools and educators that offer personal finance education.</u>***

Public, nonprofit and business entities should partner together to create incentives for the provision of financial literacy education in our schools. The following are some examples of incentives that could be created:

- Provide funding for K-12 educator training on personal finance topics.
- The Vermont Business Roundtable should consider adding personal finance instruction as a criterion in the Public School Medallion Program.
- Provide modest college scholarships for every high school student who successfully completes a personal finance course in high school.
- Provide economic incentives, like grants, to encourage Supervisory Unions and schools to offer personal finance instruction.
- Create financial literacy excellence awards for Supervisory Unions, schools and educators.
- Promote exiting and create new competitions that reward personal finance student knowledge.

5. ***<u>Create a culture that values financially literacy as a way of promoting Vermont's economic growth.</u>***

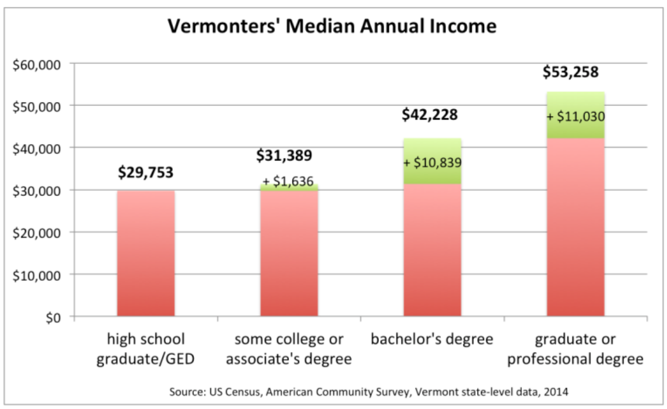
The Treasurer's office, in partnership with the business community and nonprofits, should consider creating a public service and social media campaign on why it is important that our Vermont students have basic personal finance skills and knowledge before they graduate from high school and prior to entering college or the workforce.

Financial Literacy Commission Report to Legislature, January 2017

Goal of the Vermont Financial Literacy Commission's Higher Education Recommendations:
Increase Vermont students' understanding of financial aid, loans, debt, credit, inflation and budgeting through access to tools and counseling prior to enrolling in a postsecondary institution.

Background

Education and training after high school is the single-most important investment a person can make in his or her future. Proof in point: of the 11.6 million jobs created since the Great Recession, all but 100,000 went to workers who had at least some college education, according to a new study, "America's Divided Recovery: College Haves and Have-Nots," from Georgetown University Center on Education and the Workforce.



A healthy 21st-century economy depends on a well-educated workforce. As projected demographic declines make clear, to remain vibrant, Vermont must fully develop the potential of all of its citizens.

Deciding whether or not to attend college is one of the most important financial decisions high school students and their families will make in their lifetimes. When the majority of Vermont college students borrow to finance their education, they often do so without fully understanding how much debt is appropriate for their education or the connection between their area of study and the income level that they can expect upon graduation. Many students attend college without understanding financial aid, loans, debt, credit, inflation and budgeting.

Compounding the financial challenges Vermont college students face, only 35 percent of parents in Vermont have set aside funds for their child's college education. As a result, too many students borrow too much, risking default on their student loans and damaging their credit scores.

The Financial Literacy Commission supports Vermont's ongoing efforts improve access and affordability in higher education, leading to a more financially knowledgeable and economically stable citizenry. Recommended action steps include:

1. Help Vermont families save for higher education in the Vermont Higher Education Investment Plan, the state's 529 college savings plan.

- *The Financial Literacy Commission recommends that more Vermont families be encouraged to save for higher education through VHEIP. Research shows that children from low- and moderate-income families with college savings of less than $500 are three times more likely to attend college and four times more likely to graduate than similar children with no college savings. College savings accounts are clearly a powerful tool.*

- *We recommend that VSAC and the Vermont State Treasurer create a pilot program of child savings accounts using Vermont's existing 529 college savings plan targeted at low- and moderate-income families in Vermont counties that have the lowest level of high school graduates moving on to college or other postsecondary educational institutions.*

2. Increase Vermonters' understanding of the relationship between higher education and higher earnings.

- *Support the 70x2025vt.org initiative to reach 70 percent of Vermonters holding a degree or credential of value by 2025. The greatest opportunity for Vermont is to address the needs of working-age Vermonters with some college education but no degree or credential, and the needs of first-generation, low-income Vermont high school students.*

- *Vermont funding for higher education ranks among the lowest in the country. In fact, since 1980, funding for higher education has risen at less than half the rate of growth of the General Fund while the cost of attendance has increased at a rate substantially higher than the rate of inflation. This disinvestment in higher education is at the heart of the challenge to creating a highly educated workforce for Vermont's future economic needs. Vermont cannot achieve significant improvements in access, affordability, degree and certificate completion, and workforce development without a renewed investment in postsecondary education.*

3. Help Vermonters become better consumers of higher education and training prior to enrolling in postsecondary education.

- *The Commission recommends efforts to increase the number of Fafsa completions in Vermont. Only half of Vermonters complete the Free Application for Federal Student Aid, or Fafsa, which is the key to receiving federal and state grants, institutional aid and some scholarships. Vermonters miss out on $5.5 million each year, which works out to about $3,600 per eligible student.*

- *The Commission encourages the use of easy-to-use online tools and counseling so that students will compare all financial acceptance packages from each college where they have been accepted – before they commit to attend a specific college. With support from a guidance counselor, TRIO counselor or other informed adult, a student will compare out-of-*

pocket costs for each year of college along with yearly borrowing and total projected debt based on a four-year graduation date. In addition, students should compare the projected post-graduation monthly loan payment for each college they are considering in the context of a typical monthly budget for their demographic.

4. Support and increase Vermonters' decision-making of higher education financing once enrolled.

- *Seven out of 10 Vermont college students will take some loans to finance their education expenses and knowing how to compare loans and costs is essential to making college more affordable. Most students are not financially literate when they enter college and we know that many students leave college for "financial reasons." Financial literacy education can play a significant role in changing these outcomes. A more financially sophisticated student body can be expected to yield a corresponding increase in retention and persistence rates, fewer student loans and ultimately, lower student loan default rates.*

- *The Financial Literacy Commission recommends that Vermont postsecondary institutions provide access to robust financial literacy education opportunities. Each institution should take into account the unique needs of its students from college entry to graduation when creating and delivering an integrated and comprehensive set of financial literacy education offerings. Options include: (1) financial education delivered in person by financial aid, career services or student life departments with help from local professionals, faculty and staff; (2) peer-to-peer training programs; (3) online learning programs; and (4) game-oriented training. Some may offer this instruction as part of the student loan process, during freshman orientation, as an elective course, or throughout the year to all students in seminars or classes. We strongly recommend that all Vermont colleges create and implement a robust financial literacy education plan and that the efficacy of each institution's efforts be measured using comparable methodology.*

Adult Recommendations

Goal of the Vermont Financial Literacy Commission's Adult Recommendations: Enhance the ability of adults of all income and age categories to access information and resources to manage credit, help save, increase earning capacity, and support a lifetime of security and opportunity.

Background: Too many Vermont adults face challenges as they try to manage credit and set aside savings for future needs. A number of residents lack fundamental skills to effectively manage their dollars. Whether one examines data related to personal saving habits, debt and credit management, or availability of financial education, the Commission finds that many Vermonters are not aware of opportunities to improve their personal finance knowledge and achieve financial security.

A 2015 survey found that 22% of Vermonters spend more than the income they generate[i]. 59% of Vermonters have not assessed their retirement savings needs[ii], while greater than half of Vermonters do not have an emergency fund. Private workers cannot always access a long-term savings option. 104,000 of Vermont's private sector workers (45%) do not have an employer sponsored retirement option.[iii]

Too many Vermont adults are struggling to effectively manage debt and credit. A recent survey found that 65% of graduates carry student loans, with an average debt balance of greater than $29,000. 35.5% of Vermonters carry home mortgage payments with outstanding principals that exceed 30% of their annual income. 39.6% of Vermonters carry automotive debt. On top of this, an alarming number of Vermonters (29%) make just minimum monthly payments on their credit cards.

Data suggests that Vermonters, like their counterparts in other states, do not have adequate skills and/or tools to manage their money. The good news is that a growing number of organizations, including State and Federal Government, non-profits, and for-profit entities are working to educate Vermonters about how they can take control of their financial future. The Commission acknowledges the hard work of practitioners who have developed curriculum and engaged Vermonters in financial education and one-to-one counseling to increase comprehension of personal finance concepts. This work is vital to delivering financial literacy opportunities in different environments.

Successes notwithstanding, the fact remains that a 2015 survey found that only 22% of Vermonters participated in financial education opportunities in school, college or at the workplace. The Commission recommends that policies be developed to increase outreach to citizens so they obtain skills to manage their money, save for future needs, and effectively utilize credit.

RECOMMENDATIONS:

The Commission urges the General Assembly to consider the following opportunities for improvement.

1. *Evaluate Current State Programs and Coordinate New Outreach Efforts*

While there are many personal finance education tools available to Vermonters, State Government can play a larger role in making these resources easily accessible. To facilitate these initiatives, an intergovernmental effort should be convened to change how State agencies and departments are currently providing personal finance education and to unite existing efforts to increase referrals to existing private and community personal finance resources.

- Develop a central clearinghouse website to collect and share reputable personal finance resources and the various Vermont-based groups currently providing financial literacy programs and information to Vermonters.
- Create and maintain a calendar of relevant financial literacy resources and promote them with public service announcements or other forms of outreach.
- Inventory existing State personal finance education initiatives to determine whether intergovernmental collaboration to improve delivery of financial literacy resources.
- Review current State special funds and trust funds that are related to personal finance education to utilize the funds more efficiently and maximize investment returns.

2. *Facilitate Opportunities to Share Financial Literacy Resources in the Workplace and in Easily Accessible Public Institutions.*

Delivering personal finance education in the workplace and in easily accessible public institutions is an important way to reach larger audiences and increase workplace productivity and health. The General Assembly should give the Financial Literacy Commission the authority to review existing programs that incorporate personal finance development opportunities, including saving for future needs and managing credit, and find ways to disseminate proven resources to more Vermont workplaces and community institutions like public libraries.

- Develop an annual award to recognize private and community employers that make an extraordinary effort to provide their employees with opportunities for personal finance development in the workplace.
- Review what incentives, including financial incentives, could be deployed to private and community employers that incorporate personal finance education in the workplace, and make a recommendation on how they could be provided.
- The State Treasurer's Office and Department of Libraries should identify common, age-specific financial literacy topics and partner with community organizations to hold issue forums at public libraries, with an aim to increase awareness and interest in personal finance.
- State Government should consider implementing a program to share personal finance resources with the State employee workforce.

3. *Work with Public and Private Sources to Help Vermonters Save and Develop their Credit.*

Vermonters who save and manage their credit are more likely to achieve financial security and independence. To increase the number of Vermonters who are saving for future needs, and who are taking steps to proactively manage their credit, the General Assembly should support policies that increase access to private and public savings products in Vermont.

- In accordance with the work of the Public Retirement Study Committee, develop a retirement option that is available to all Vermonters.
- Implement the Achieving a Better Life Experience (ABLE) program to create saving incentives for individuals who experience a disability and spread awareness of the option with promotion and financial education.[iv]
- Provide credit management educational resources to public libraries, in workplaces, and to income disadvantaged individuals to build a broader understanding of the fundamentals of credit and how it relates to a person's financial wellness.

4. *Work with Low Income and Vermonters to Improve their Ability to Save and Manage Credit.*

Economically disadvantaged individuals have limited opportunities to save. The General Assembly should review barriers to saving to determine whether current policies inadvertently discourage saving, and whether policy changes should be made to help low-income Vermonters save and build assets.

- Increase utilization of the Earned Income Tax Credit (EITC) to ensure low and moderate-income working take advantage of the credit.
- Review State programming to determine whether benefit cliffs and asset tests impact saving behaviors, and whether changes could be made consistent with State resources.[v]
- Create linkages with community action agencies and other non-profit organizations to provide more sustainable, long-term personal finance programming.

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[i] FINRA http://www.usfinancialcapability.org/downloads/tables/Vermont_2015.pdf
[ii] FINRA http://www.usfinancialcapability.org/downloads/tables/Vermont_2015.pdf
[iii] AARP-VT Factsheet http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/retirement-all/AARP-Vermont-state-fact-sheet%20Aug%202015.pdf
[iv] See the ABLE Resource Center: http://www.ablenrc.org/about/what-are-able-accounts
[v] Commission members explored modifying asset limits for the Reach Up Program, and other governmental programs, to try to improve saving behavior. See The Council on Pathways from Poverty's 2016 report for more on asset tests: http://governor.vermont.gov/sites/shumlin/files/documents/2016%20Poverty%20Council%20report%20FINAL.pdf

Financial education

- Improving people's understanding of financial products, services, and concepts to help them make informed choices and improve their well-being.
- Workshops, seminars, and programs offered by financial institutions, foundations, and community organizations.
- Formal courses and curricula taught in public schools and universities for credit.

Financial literacy

- The ability to process economic information and make informed decisions about planning, saving, borrowing, and retirement.
- The ability to formulate and make simple calculations requiring applied understanding of compound interest, inflation, and diversification.

Financial capability

- The capacity—using skills, knowledge, and practices—to manage financial resources effectively and improve one's well-being.

Financial well-being

- The ability to fully meet current and ongoing financial obligations.
- Feeling secure in one's financial future.
- The ability to make choices that allow one to enjoy life.
- The stability underlying a good life, assuring material needs are comfortably met and prioritizing personal fulfillment.