VERMONT'S FINANCIAL LITERACY

ACTION PLAN

HELPING VERMONTERS BEAT FINANCIAL FUNK

Recommendations from the Vermont Financial Literacy Task Force

12.18.2014

CHAMPLAIN COLLEGE

CHAMPLAIN COLLEGE
Center for Financial Literacy

CONTENTS

FELLOW VERMONTERS,

When it comes to “money smarts,” far too many Vermonters aren’t making the grade. In fact, in a national test of high school financial literacy, the state scored a D – far below the national average. This must change.

Six months ago, John Pelletier, director of the Center for Financial Literacy at Champlain College, assembled a group of state leaders with diverse backgrounds in education, government, business and the nonprofit sector to recommend ways to improve the financial literacy of Vermonters.

From my perspective as a nonprofit CEO (and retired for-profit CEO), parent of a college student and 30-year Vermont resident, it was a daunting task. Vermont’s dismal score in financial literacy, combined with record levels of student debt and an adult population facing a much-reduced lifestyle in retirement, made it clear, though, the time for action is now.

With that in mind, we broke into three separate committees to address the needs of K-12 education, college-age students and the adult population. Each committee was to develop a maximum of five recommendations, all with the same criteria: that the recommendation impacts many Vermonters; and that each recommendation has a high likelihood of being implemented.

Some of the major challenges highlighted in the reports are as follows:

- Financial literacy topics in Vermont’s Framework of Standards and Learning Opportunities have not been updated since the year 2000. Today, only seven Vermont high schools have adopted a personal finance graduation requirement.
- High school students make one of the most important financial decisions of their life – whether to attend college – without connecting their field of study with their projected income level on graduation.
- Less than 50 percent of Vermont workers participate in an employment-based retirement plan, and only 36 percent of adults have a rainy day fund that would cover three months of life’s necessities. Sixty percent of adults in Vermont find it very or somewhat difficult to cover expenses and pay bills.

I would like to thank all 20 committee members for their dedication to this project and their thoughtful recommendations. Special thanks go to my committee co-chairs, Linda Tarr-Whelan and Scott Giles.

The responsibility to act on the recommendations is now in the hands of parents, business and nonprofit leaders, policymakers and educators throughout our great state. It is our hope that this report will not result in endless debate, but rather act as the catalyst that drives Vermont to become a national example in its commitment to the financial literacy of its citizens.

Bob Allen

Bob Allen
Task Force Chairman

OVERCOMING FINANCIAL FUNK

Many Vermonters are in a financial funk. Some are suffering the continuing effects of the Great Recession; others never really learned the basics of personal financial planning in school or in life; and some are in for a rude awakening when it comes time to pay for college, buy a home or retire. While many states offer financial literacy training to prepare their citizens for the complex world of savings, spending and financial survival, Vermont has fallen behind.

Why does it matter if Vermonters have financial skills? The reason is quite simple. Financial literacy – the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being – is crucial for the economic growth and prosperity of Vermont and Vermonters.

As former President Bill Clinton recently stated, financial literacy is “a very fancy term for saying spend it smart, don’t blow it, save what you can and know how the economy works.” Financial literacy, like reading, writing and arithmetic, builds “human capital” by empowering individuals with the ability to create “capital for humans” to use in their lifetime – for buying a home, going to college, having a rainy day and a retirement fund. By helping Vermonters save and live within their means, we are also helping our society generate capital that can be invested back into our local communities. That is why having financially sophisticated citizens is in everyone’s best interests.

Vermont students and adults need a clear path to building their personal finance knowledge and skills. Vermont needs to increase its focus on helping Vermonters become wiser consumers, savers and investors. Financial literacy education is not a handout; rather, it is a helping hand that gives individuals the knowledge and skills that can lift them out of a financial problem, or prevent difficulties from occurring. Vermont can, and must, do more to increase the financial literacy of its citizens.

Vermont's K-12 Students Need Help

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. For example, a recent survey by Vermont Works for Women indicated that young women believe that a lack of personal finance training was a major deficiency in their education.

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.

On paper, personal finance education is required in our K-12 schools. Vermont's Framework of Standards and Learning Opportunities clearly requires that students be taught how to make informed decisions with regard to personal economics and career choices.

Currently, no one in Vermont is focused on how *all* of our schools meet these personal finance educational standards. Frankly, the data is lacking, there is a lot we do not know and the fear is that at some schools these topics may not be taught at all.

These standards were written in the year 2000, have not been revised or revisited over the last 14 years and are not very specific. By comparison, the educational standards for the topic of sustainability are three times more detailed than those for personal economics, and twice as detailed as those for career choices. This lack of clear and specific personal finance educational standards may negatively impact the importance that these topics are being given at some of our schools. Given this background, it's not surprising that Vermont high schools received a grade of D for their efforts in financial literacy education in a national financial literacy report card.

We applaud the schools that are doing an impressive job teaching personal finance. Pockets of excellence in financial literacy education exist across our state, thanks to the efforts and passion of smart educators, administrators, school boards and the Office of the Treasurer. Our challenge is to spread these great educational practices to all Vermont K-12 students.

Vermont's College Students Need Help

If our young citizens are not learning about money in our K-12 schools or in their homes, surely they must be learning this important life skill at college. Sadly, they are not.

Except in some targeted programs and occasional courses, most Vermont college students are not offered much in the way of financial literacy education. Personal finance education often consists of brief mandatory entrance and exit counseling for students with federal loans, along with reminders to Vermont students to repay their loans (which averaged $28,299 for the two-thirds of the graduates of 2012 who had loans).

Today's college graduates need to be financially sophisticated because they face greater challenges than previous generations experienced. Many are worse off than their parents were at the same age, with more debt and stagnant or lower incomes. They have higher unemployment rates than older citizens, more live at home with their parents, while fewer own a home, have children or are married. A lack of financial skills is clearly a factor in the failure of many in this generation to launch and is having a substantial impact on our overall economy.

Vermont's Adults Need Help

Vermont adults are struggling. Nearly half have subprime credit ratings, nearly two-thirds don't have rainy day funds for emergencies or have not planned for retirement, and more than half either live paycheck to paycheck or are spending more than they earn. Less than half of Vermont adults participate in an employment-based retirement plan. What kind of retirement is in store for them?

Vermont Needs an Action Plan for Financial Literacy

Vermonters need the skills and tools to take control of their financial lives. Studies have shown that financial literacy is linked to positive outcomes like wealth accumulation, stock market participation, retirement planning and avoidance of high-cost alternative financial products.

When they graduate, Vermont high school students should, at a minimum, understand how credit works, how to budget, and how to save and invest. College graduates should understand those concepts in addition to the connection between income and careers, and how student loans work. Vermont adults need to understand the critical importance of rainy day and retirement funds and the amounts they will need in those funds.

This report includes a series of recommendations for government officials, educators, employers and nonprofit organizations. We believe that the recommendations of this Task Force, once implemented, will materially increase the financial knowledge of all our citizens and enable them to make positive changes in their personal and professional lives.

We believe that a more financially sophisticated citizenry will help improve Vermont's economy. Vermont's Financial Literacy Action Plan is intended as a roadmap for policymakers, educators, and business and nonprofit leaders who seek to improve the level of financial sophistication among primary and secondary school students, postsecondary students and adults. We hope that you find the information contained in the report informative and useful.

RECOMMENDATIONS

From the Entire Task Force

1. Establish a Vermont Financial Literacy Commission with representation from business, education, government and nonprofit organizations.

From the K-12 Committee

2. Update Vermont's existing personal economics and career choices education standards to be more consistent with highly regarded national and international financial literacy standards that have been adopted by many states.
3. Ensure that all Vermont high school students have access to a personal finance course.
4. Provide personal finance training opportunities to K-12 educators.
5. Create an online clearinghouse of vetted and trusted financial literacy resources for Vermont K-12 educators.
6. Establish financial literacy grants for K-12 schools and supervisory unions to launch new or materially enhance existing financial literacy education programs.

From the College Committee

("college" in these recommendations refers to all postsecondary institutions in Vermont)

7. Offer access to robust financial literacy education opportunities to all Vermont college students.
8. Create a Financial Literacy Resource and Training Center for all colleges in the state to use.
9. Develop a partnership among all Vermont colleges to create a Virtual Career Center.
10. Create a pilot Child Savings Account Program.

From the Adult Committee

11. Provide adults with a wide variety of personal finance learning opportunities, when and how they need them.
12. Increase the opportunities and incentives for low-income Vermonters to save and build assets.
13. Increase the percentage of Vermont employees who are saving for retirement.

THE NEED FOR A COMMISSION

Entire Task Force Recommendation

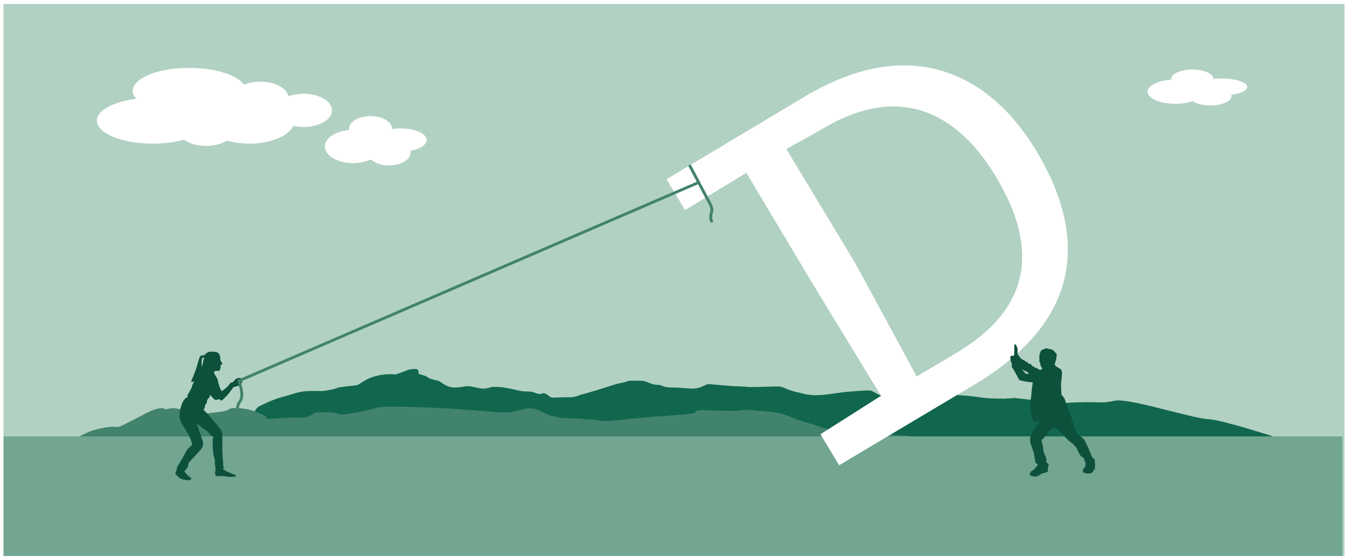
Background:

All Vermonters should have access to content and training that will help them increase their personal finance knowledge. Like other states that excel at promoting financial literacy, we believe that Vermont should have a group of diverse citizens who are appointed at the state level, who meet on a regular basis to discuss ways of increasing the financial literacy of Vermonters and make formal recommendations on how to achieve these goals. Historically, the Governor and the Legislature in Vermont have created a variety of standing committees or commissions focused on topics of critical importance to Vermonters: women's rights, the environment, aging, substance abuse, health care, criminal justice, disabilities, housing and economic development. Financial literacy is a topic worthy of similar focus by the State of Vermont.

Recommendation:

To ensure that the issues of financial literacy and financial capability continue to receive the attention that they deserve, now and in the future, we recommend:

1. **Establish a Vermont Financial Literacy Commission.** We recommend that the Governor, Treasurer and Legislature investigate the feasibility of creating a financial literacy commission with representation from business, education, government and nonprofit entities. The mission of this commission will be to identify ways to equip Vermonters with the training, information, skills and tools they need to make sound financial decisions throughout their lives. The commission should be tasked with making periodic policy recommendations to achieve its goal of increasing the financial capability of all Vermonters and would issue regular progress reports. Finally, the commission would raise awareness about the importance of financial literacy as well as trusted training and counseling options that will benefit our citizens.



CHANGING THE GRADE

K-12 Committee Recommendations

Background:

Under state standards, 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.

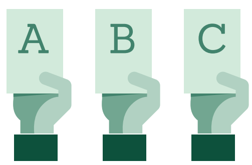
We applaud the passionate teachers who are working on a class-by-class basis to teach personal finance, however, this approach does not reach the entire student population, and the integration of these materials is not occurring at a pace sufficient to address the lack of financial literacy in our schools.

Where opportunities for personal finance instruction exist, teachers report that students are very engaged and positive. For example, 135 schools in the state use *Reading is an Investment* (an elementary school program), between 30 and 40 schools play the "Stock Market Game," the State Treasurer's Office draws a number

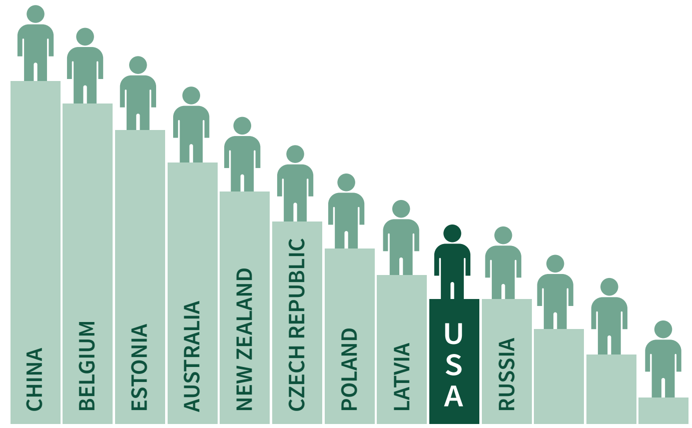
K-12 FINANCIAL LITERACY

REPORT CARD

Vermont has a “D” grade in a national report card on state efforts to improve financial literacy in high schools.



More than half of the states received a grade of A, B or C.

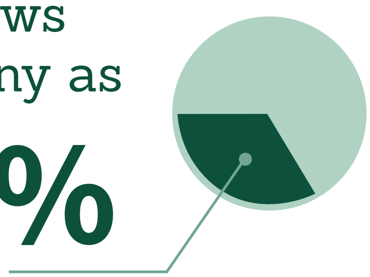


OECD PISA international financial literacy test of 15-year-olds – U.S. ranked **9th out of 13** countries participating in the exam and statistically tied with Russia.

ROUGHLY 10% of high schools in Vermont (7 out of 65) have a financial literacy graduation requirement.

Survey shows that as many as

30%



of Vermont high schools may not even offer a personal finance elective course for their students to take.

That survey also shows that even at high schools where the elective is offered, high school administrators estimate that **more than two-thirds** of the students graduate without achieving competence in financial literacy topics.

of high school teams to its annual "Treasury Cup" economic competition, and there is an online personal finance high school course through the Vermont Virtual Learning Cooperative. The Champlain College Center for Financial Literacy also plays a key role in preparing educators to teach financial literacy (a topic not currently taught in teacher education programs in the state).

These "success stories" are overshadowed by the fact that only seven out of 65 Vermont high schools currently have graduation requirements for financial literacy (Burlington, Fair Haven Union, Missisquoi Valley, Mount Abraham Union, Spaulding, U-32 and Vergennes Union). Many more offer electives but, based on 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.

Keeping in mind our commitment to be practical, impactful and realistic, a careful review of the current education landscape in Vermont led to these understandings:

- The current environment of budget cuts and consideration of major changes in school financing including consolidation, Common Core implementation, multiple new standards, and Personal Learning Plans under Act 77 have resulted in extraordinary pressures on schools;
- Vermont's long tradition of independent school districts means there is no appetite for state-mandated graduation requirements for coursework on financial literacy; and
- Successful school districts with financial literacy graduation requirements have provided these course offerings with existing educators at modest or no cost to the school district.

There are, however, some clear opportunities to move forward. Vermont's Framework of Standards and Learning Opportunities has not been updated since the year 2000 and financial literacy could be an integral part of a review on social sciences standards. There are also opportunities for competency-based approaches. Personal Learning Plans could include the goal of preparing students for further education and work. Finally, the excellent information from other state and national efforts around financial literacy could be tailored by Vermont educators to advance curriculum, lesson plans and assessment at the local level.

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, schools and educators will have the resources they need to succeed in implementing personal finance education.

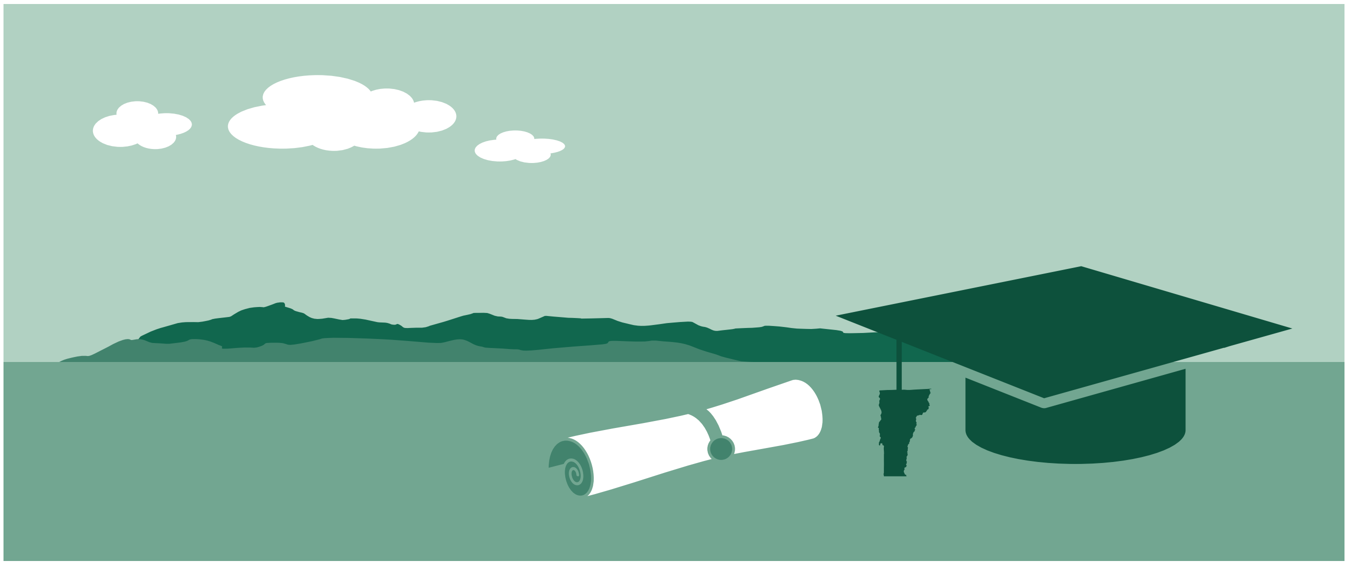
1. **Vermont's existing personal economics and career choices education standards should be updated to reflect highly regarded national and international financial literacy standards.** Current Vermont standards are not very specific. By comparison, the educational standards for the topic of sustainability are three times more detailed than those for personal economics and twice as detailed as the standards for career choices. As noted, financial literacy topics in Vermont's Framework of Standards and Learning Opportunities have not been revised in more than 14 years. We recommend that the Vermont Agency of Education convene a group of experts to propose revisions to these standards; make recommendations on how personal finance topics may be incorporated into each student's Personal Learning Plan; and identify how personal finance topics could be embedded into a supervisory union's comprehensive student learning assessment system. We strongly encourage all school boards to ask school administrators how current K-12 personal finance education obligations are being implemented in their supervisory union. In addition, parents, local media and other interested citizens should raise this question with their local school board.

2. **All Vermont high school students should have access to a personal finance course.** Today, approximately 10 percent of public and historic academy high schools in Vermont have adopted a personal finance graduation requirement. Although many high schools in the state offer a personal finance course as an elective, a survey indicates that even where the elective is offered, two-thirds of graduating students fail to achieve competence in financial literacy topics. At a minimum, all high school students should have access to a personal finance elective, either in the school building or through an easily accessible online alternative. For smaller supervisory unions, the Vermont Virtual Learning Cooperative could be the solution. It currently offers a personal finance course that is available online to all Vermont high school students. Students and parents should be made aware of this online offering by highlighting its existence in the school's course catalogue.

3. **Provide personal finance training opportunities to K-12 educators.** Based on national surveys, we know that educators are often not confident in their ability to teach personal finance topics. 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. We also recommend that colleges in Vermont that are preparing our future educators offer courses in personal finance training.

4. **Create an online clearinghouse of vetted and trusted financial literacy resources for Vermont K-12 educators.** We recommend that the Vermont Agency of Education sponsor the creation of an online financial literacy resource tool for educators with grade-appropriate curriculum, lesson plans, videos, games, applications, activities, projects, case studies, books, articles and volunteer speakers. The tool should be created with input from educators who currently and successfully teach these topics, and draw on the extensive national curriculum resources that already exist through government, nonprofit and business sources.

5. **Establish financial literacy grants for K-12 schools and supervisory unions to launch new or enhanced financial literacy education programs.** We recommend that the Vermont State Treasurer establish a financial literacy grant committee made up of financial literacy experts, educators and advocates from the private, public and nonprofit sectors. The committee will help obtain grant funds, and determine a formal application process to award grants for professional development and other personal-finance-education-related initiatives. All funds raised for this purpose would be placed in the existing Vermont Financial Literacy Trust Fund administered by the Treasurer's Office and would be used exclusively for these grants.



HIGHER ED LEADS TO HIGHER WAGES

College Committee Recommendations

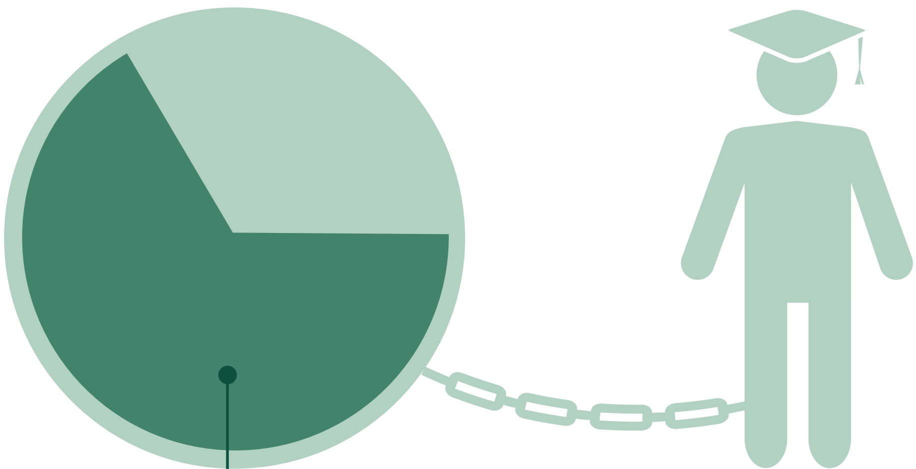
Background:

Education and training after high school are essential strategies for earning a livable wage. In 2013, U.S. adults aged 25 to 32 with only a high school diploma earned $28,000 annually, 11 percent less in constant dollars than they did in 1965. In contrast, adults aged 25 to 32 with a baccalaureate degree earned $45,500 annually, 17 percent more than they did in 1965. Studies also indicate that individuals who have some postsecondary training after high school, even if they do not earn a degree, on average have higher wages and lower unemployment rates than individuals with only a high school degree.

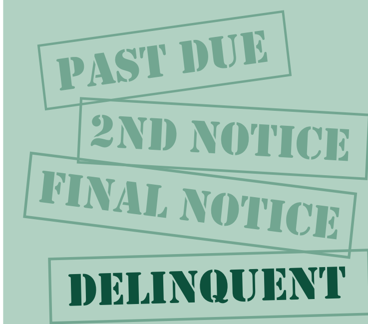
The benefits of expanded education and training accrue to the community as well as the individual. In fact, the economic growth and fiscal stability of Vermont requires a highly educated workforce. Individuals with higher levels of education:

- Earn more, pay more in taxes and save more for retirement.
- Are healthier, have better health outcomes and are more involved in their local communities.

COLLEGE FINANCIAL LITERACY



63 percent of Vermont college seniors in the class of 2012 graduated with student loan debt.



11%

Nationally, nearly 11 percent of all student loan borrowers were delinquent in their payments by more than 90 days as of June 2014.

Only 27 percent of parents in Vermont have set aside funds for their child's college education.

AVERAGE LOAN DEBT UPON GRADUATION: $28,299

Vermont graduates of four-year colleges from the class of 2012 who had loans left college with an average of $28,299 in student loan debt.

- Raise children who perform better in school and are motivated to pursue higher education or training themselves.
- Have higher employment rates and are less likely to require public assistance.
- Re-enter the workforce more quickly if they become unemployed.

These outcomes make it clear that Vermont needs more high school students to participate in postsecondary education or training and more graduates of Vermont colleges, universities and training programs to remain within our state to help our economy grow.

The challenges are significant. According to an April 2014, U.S. Department of Education report, Vermont has one of the highest high school graduation rates in the nation at 87 percent – well above the national median of 79 percent. However, in 2012, only 59 percent of Vermont public high school graduates entered college. This rate is well below the national average of approximately 66 percent reported by the National Center for Education Statistics.

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 27 percent of parents in Vermont have set aside funds for their child's college education. As a result, too many students borrow too much, default on their student loans and damage their credit scores. In 2012, 63 percent of Vermont college students graduated with an average of $28,299 in student loan debt.

Unfortunately, 41 percent of students who start college at a four-year institution in the U.S. do not complete their degrees. Students who leave college before graduation are obligated to pay their outstanding loans without the many benefits of a completed college degree such as higher earnings and employment rates. These individuals are nearly four times more likely to default on their student loans than students who graduate. According to the Federal Reserve Bank of New York, nearly 11 percent of all student loan borrowers nationally were delinquent in their payments by more than 90 days as of June 2014.

Interviews of college “stop-outs” conducted by Public Agenda indicated that they had not gone through a rigorous college selection process prior to entering their program and that they underestimated the financial implications of failing to obtain their degree. Stop-outs are students who drop out but who re-enroll at a later date.

Today’s college students face two significant challenges. First, the process of developing career goals, and identifying the education and training they need to achieve their goals, has grown increasingly complex. This complexity is compounded by the challenge of selecting a training program or institution of higher education that will best meet their social, educational, and financial needs. Add to that the challenges families feel because of the confusing financial aid process itself, and the end result is that few families are prepared to be “good consumers” of education and training.

The second challenge is that too few Vermont college students have received personal finance education in school or at home. In fact, a Schwab survey indicated that parents are nearly as uncomfortable talking to their children about money as they are discussing sex.

At many Vermont colleges, financial literacy education is largely composed of brief, federally mandated entrance and exit loan counseling for students. Student feedback indicates that most do not comprehend the information presented and view it as one more requirement of the financial aid process rather than a learning opportunity.

Declining numbers of traditionally aged students in Vermont and New England have placed great pressures on the ability of Vermont colleges to both recruit new students and retain the students who have already matriculated. For many Vermont institutions, small increases in both admissions and retention can have a significant positive impact on their balance sheet and their ability to fulfill their mission.

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, lower student loan default rates and greater alumni giving (studies show that those with high student loan debt are less likely to give to their alma mater than those with lower student loan amounts). It is in each college's economic self-interest to have financially sophisticated graduates.

Several studies show that financially sophisticated college students have better outcomes. For example, three University of Arizona longitudinal studies that followed students through college and into the workforce clearly demonstrated that achieving financial self-sufficiency, a key developmental challenge of young adulthood, appears to be driven by financial behaviors practiced during emerging adulthood. The study indicated that college students who exhibited responsible early financial practices experienced smoother transitions to adulthood than students who had poor behaviors. The studies also found that those students who were most successful with this transition to adulthood had more financial education through personal finance or economics classes.

When Congress rewrites the Higher Education Reauthorization Act, it is likely to require all colleges to provide student financial literacy education as one means of materially improving student retention and graduation rates. This requirement is one of few areas of agreement between Democrats and Republicans, and includes improving federal entrance and exit loan counseling to enhance comprehension by borrowers.

Recommendations:

(Please note that the word "college" as used in these recommendations refers to all types of postsecondary education.) Today's college students need access to a range of robust financial literacy and career development tools and supports specifically designed to address student needs from college entry through graduation. After a comprehensive review of data and best practices, and an analysis of the needs of Vermont college students, we recommend:

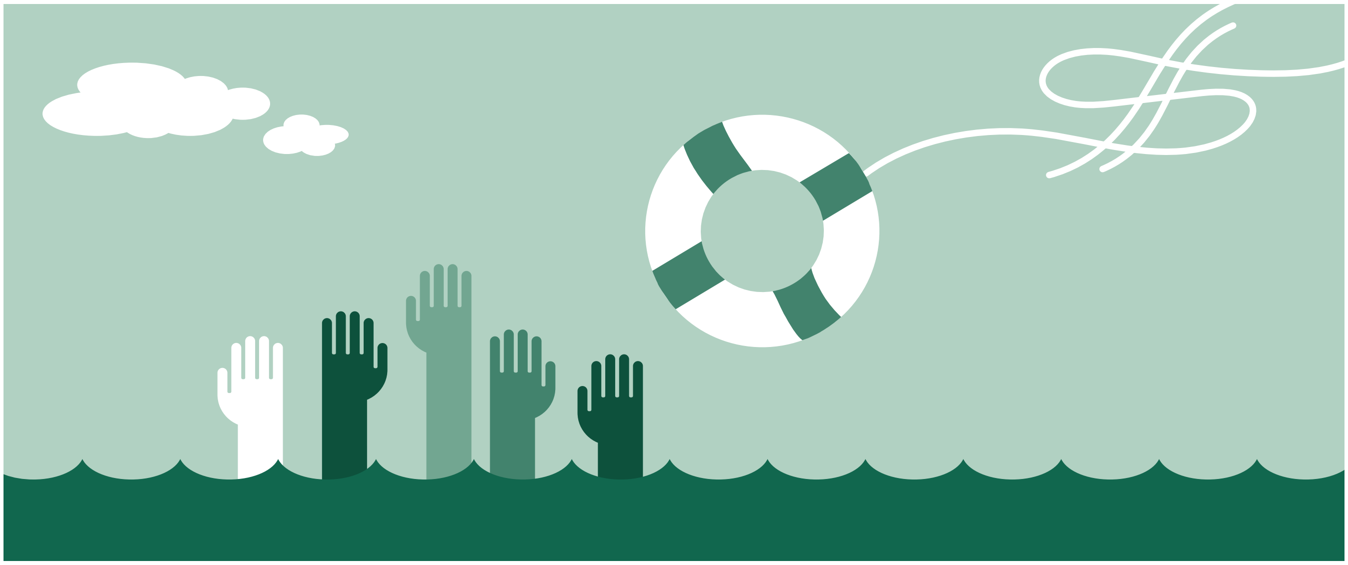
1. **Vermont colleges should provide access to robust financial literacy education opportunities.** The availability and method of financial literacy education varies greatly at Vermont colleges. Each institution will need to take into account the unique needs of its students from college entry to graduation 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.

2. **A Financial Literacy Resource and Training Center should be created for all colleges in the state to use.** We recommend that the Vermont State Treasurer and the Vermont Student Assistance Corporation (VSAC) bring stakeholders together to sponsor the creation of an online financial literacy resource center for college administrators to use when creating their institution's financial literacy education plan. This center will treat financial literacy education of Vermont college students as a shared responsibility among all institutions and will use collaborative processes to share best practices. We recognize that the cost of program delivery can be greatly reduced through partnerships. This center will give relevant personnel access to vetted and trusted age-appropriate financial literacy curriculum, lesson plans, videos, games, applications, activities, projects, case studies, books, articles and volunteer speakers. The center should be created with input from educators who currently and successfully teach these topics in our Vermont colleges and draw on the national resources that already exist. The center will also

focus on ways to provide financial literacy training, programming and curriculum suggestions to the personnel and volunteers providing financial sophistication education to students on campus or online. A forum already exists to help make this a reality. In 2013, the Vermont Colleges Financial Literacy Consortium was launched; it meets on a regular basis at Champlain College.

3. **All colleges in Vermont should partner to create a Virtual Career Center.** We recommend that VSAC, the Vermont Higher Education Council, the Vermont Department of Labor and the Vermont Agency of Commerce and Community Development bring stakeholders together with explore the creation of a mechanism that will give Vermont employers a single point of contact with all Vermont postsecondary educational institutions. Vermont employers will be able to use this system to identify specific job skills and training needs for existing and future employment opportunities. This information will allow colleges to create educational programming and identify student internships tied to these existing and emerging job opportunities. The goal is to give local employers access to newly graduated employees or student interns with the skills and training desired by the employers. Another goal is to match Vermont students with exciting job opportunities in our state and help us expand and grow our economy.

4. **Create a pilot Child Savings Account Program.** Many children in Vermont are born into families with negligible savings to invest in their future, yet research and practice have shown that family ownership of even modest assets can give children not only a measure of economic security, but also create a sense of possibility and hope for the future. 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. A pilot of this nature can be launched and measured with modest funding from public or private sources or a combination of both. A number of New England states are currently engaged in or contemplating similar pilots and programs with the encouragement and support of the Federal Reserve Bank of Boston.



HELPING VERMONTERS

Adult Committee Recommendations

Background:

Many of Vermont's adults struggle financially. The recent recession demonstrated that our citizens have trouble making complex financial decisions that are critical to their well-being. We know that Vermonters need help.

- Less than half of Vermont workers participate in an employment-based retirement plan.
- Forty-seven percent of Vermont adults have a subprime credit rating.
- Many Vermont adults are unbanked (3.4 percent) or under-banked (8.2 percent).
- Vermonters have an average credit card debt of $9,667.
- Thirty-four percent of Vermont adults live paycheck to paycheck and 21 percent spend more than their income.
- About 60 percent of Vermont adults find it very or somewhat difficult to cover expenses and pay bills.

ADULT FINANCIAL LITERACY

41%

OF U.S. ADULTS

gave themselves a grade of C, D or F on their personal finance knowledge.

34%

of adults in the U.S. indicated that they have no retirement savings.

47% OF ADULT VERMONTERS HAVE SUBPRIME CREDIT.

These Vermonters pay a lot more for all credit: auto and home loans and credit card debt.

BIG BANK

$9,667.00

Average credit card debt of adult Vermonter.

LESS THAN 50% **of Vermont workers participate in an employment-based retirement plan.**

62% OF

VERMONT ADULTS

do not have a “rainy day fund,” a liquid emergency fund that would cover three months of life’s necessities.

- 62 percent of Vermont adults do not have a rainy day fund – a liquid emergency fund that would cover three months of life's necessities.
- Only 44 percent of Vermont adults paid off their credit cards in full over the past year.
- About 24 percent of Vermonters overdraw their checking account.
- Sixteen percent of Vermonters are late with their mortgage payments.

Recommendations:

There are ways to help Vermonters by creating incentives and opportunities for savings and asset building. Providing multiple personal finance educational opportunities for Vermonters and giving them access to useful tools and resources will help them make better choices. To increase the personal finance knowledge and financial best practices of all adult Vermonters, we recommend:

1. **Provide adults with a wide variety of personal finance learning opportunities, when and how they need them.** We recommend that employers, schools, colleges, libraries, nonprofits, community organizations, churches and our state and local governments create opportunities for our adult citizens to increase their financial sophistication. In particular, training should be provided to parents to help them and their children become wise consumers of postsecondary education. These engagements should occur at trusted places with trusted content and should never include sales pitches for specific financial products or services. Unfortunately, many Vermonters do not know where or how to access financial education, counseling or coaching services, nor can they easily distinguish quality programs from those that are not. The Vermont Financial Literacy Commission, once established, could make recommendations on how to connect with quality and trusted financial education providers (including print, audio-visual and online educational resources) and asset building services, and identify ways of making all Vermonters aware of the existence of these services through such efforts as public service announcements. In addition, the Vermont Department of Libraries could work with selected public libraries to develop collections of resources on financial literacy, sponsor programs for the public and include financial literacy in library outreach activities.

2. **Increase the opportunities and incentives for low-income Vermonters to save and build assets.** Access to emergency savings is essential for families to weather crises in the short term. In the longer term, families with good savings behavior will be able to leverage their savings into appreciable assets such as an education credential, home or business. A household that is just making ends meet is more susceptible to being driven into poverty during difficult times. An asset-building strategy, providing a route to both financial security and opportunity, should be accessible to all Vermonters. The Vermont Financial Literacy Commission, once established, could investigate some of the following topics related to asset building for low-income Vermonters:

    - What methods will help low-income Vermonters increase their savings?
    - Do any Vermont state policies and programs discourage saving?
    - Are there proven ways that Vermont should consider to encourage more individuals to participate in programs that successfully increase asset building?
    - What have other states done to successfully increase asset building? The following are a few areas of experimentation being undertaken in other states that may be of interest to the commission:
        - Asset test policies for Temporary Assistance to Needy Families (TANF).
        - Methods used to increase the participation of low-income employees that take advantage of the Earned Income Tax Credit (EITC).
        - Allowing local credit unions and state-chartered banks to offer prize-linked savings accounts.
        - Policy modifications designed to reduce the negative impact of public assistance benefit cliffs on income growth and asset building.

3. **Increase the percentage of Vermont employees who are saving for retirement.** Many Vermont employees do not have access to a payroll-deducted retirement plan. Nationally, only 53 percent of employers offer a plan, but that number drops to 17 percent for employers with fewer than 10 employees and to 33 percent for employers with fewer than 50 employees. And if you're saving outside of work, you must grow a nest egg of $1,000 to $5,000 to cover the minimum balance required to open up an Individual Retirement Account (IRA). Although the majority of taxpayers are eligible to save through private IRAs, only 15 percent take advantage of this savings vehicle. We know that many individuals are either not saving for retirement or do not appear to be saving enough. We recommend that all Vermont employers currently offering defined contribution retirement plans consider the benefits to their

employees of adding auto-enrollment and auto-escalation features to their plans where feasible. We also recommend that Vermont employers who are not currently offering defined contribution plans to their employees consider whether adding such plans – or taking advantage of the U.S. Department of Treasury's MyRA program or other programs that encourage retirement security – would be a benefit that they could reasonably offer to their employees. We recommend that the Vermont Financial Literacy Commission, once established, explore ways of promoting saving for retirement and consider how to support ongoing and new efforts to make retirement saving more accessible for all Vermonters. In particular, the commission should review the forthcoming findings of the Public Retirement Study Committee created by the Legislature in 2014.

CONCLUSIONS

Steps We Can Take Right Now

It is clear that many students and adults in Vermont need help and guidance to become more financially sophisticated. This report has identified 13 recommendations that would move Vermont in the right direction. We recognize that we are asking for many things, that all cannot be done immediately, and that it will take time. But we believe there are four steps that can be taken now:

- Establish a Financial Literacy Commission.
- Update Vermont's K-12 Educational Standards that relate to personal finance topics.
- Use Internet sites to deliver trusted and vetted information that K-12 educators, college administrators, employers and community leaders can use to develop and deliver strong personal finance training opportunities for all Vermonters and make sure the existence of these materials is promoted to the public.
- Establish financial literacy grants for K-12 schools and supervisory unions that want to bring personal finance into their classrooms.

PROCESS

Background on the Task Force

Aiming to strengthen Vermonters' financial futures, Champlain College's Center for Financial Literacy launched the Financial Literacy Task Force in late April 2014. The mission of the Task Force is to help policymakers understand the dimensions of the financial illiteracy problem in the state and to make recommendations that would provide a path for all Vermonters to obtain the personal finance knowledge and skills that they need to succeed. The Vermont Financial Literacy Task Force is composed of 20 people from education, government, business and the nonprofit sector with deep knowledge about the financial challenges Vermonters face.

At the initial meeting in June, the Task Force reviewed relevant data, clarified goals and objectives, discussed its charge and agreed on a process to accomplish it. The Task Force was then divided into three discrete committees, focused on K -12 education, college education and adults. A variety of meetings were held from early June through November.

The committees were charged with making no more than five recommendations each. The committees were also given the following selection criteria for identifying recommendations:

- Will this impact many Vermonters? Recommendations should materially increase the financial literacy and/or capability of a large number of Vermonters. The impact of each recommendation should be based on the number of individual lives positively impacted.
- Is the recommendation actionable? Recommendations should have a high likelihood of being implemented when applying a "more likely than not" standard.
- Are proposed recommendations the best from the pool of available options? Committee members should review potential options widely and agree on recommendations that apply best practices suited to Vermont.

There were two full Task Force meetings and three meetings of each committee. The Task Force members each spent approximately 17 hours in Task Force and committee meetings and spent numerous hours between meetings doing research on these topics. We estimate that Task Force members spent more than 400 hours collectively on this project.

The Center for Financial Literacy would like to thank all of the Task Force members for the time and effort they gave to this important topic. Listed below are all the Task Force members and their committee assignments:

Members of the Vermont Financial Literacy Task Force:

Chair: **Bob Allen** President & CEO, Windham Foundation

K – 12 Committee Members:

Chair: **Linda Tarr-Whelan** Consultant; former Distinguished Senior Fellow, Demos; former Ambassador

Kevin Christie Representative, Vermont Legislature, and Member, House Education Committee; Chair, Hartford School District Board

John Fischer Deputy Secretary, Vermont Agency of Education

Daniel French Superintendent, Bennington-Rutland Supervisory Union

Keith Gerritt Retired Principal, U-32 Middle and High School

Lisa Helme Director, Financial Literacy & Communications, Vermont State Treasurer's Office

Juliette Longchamp Director, Professional Programs, Vermont – NEA

Art Woolf Associate Professor, University of Vermont; President, Vermont Council on Economic Education

College Committee Members:

Chair: **Scott Giles** President & CEO, Vermont Student Assistance Corporation

Kelley Beckwith Director, Academic Support Center, Castleton State College

Pamela Chisholm Dean of Enrollment Services, Community College of Vermont

David Provost Senior Vice President for Finance & Administration, Champlain College

John Ryan Director of Institutional Research, University of Vermont

Adult Committee Members:

Chair: **Bob Allen** President & CEO, Windham Foundation

Paul Dragon Chief Administrator, Office of Economic Opportunity, Department for Children and Families, Vermont Agency of Human Services

Lisa Falcone Working Bridges Project Director, United Way of Chittenden County

Susan Leonard Senior Vice President/Chief Financial Officer, New England Federal Credit Union (NEFCU)

Mary Niebling Director, Community Economic Development, Capstone Community Action

Martha Reid State Librarian, Vermont Department of Libraries

Sean Woodroffe Senior Vice President & Chief People Officer, National Life Group

The work of the Task Force was managed by:

John Pelletier Director, Champlain College's Center for Financial Literacy

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and other various private donors

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