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## Financial Literacy: Educating Students to Understand The Benefits and Risks of Investments

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inappropriately allowed Congress to act as a moral police power under the cloak of the Commerce Clause should be expected.

<sup>40</sup> *U.S. v. Lopez*, 514 U.S. 549, 551 (1995).

<sup>41</sup> *Id.*, 514 U.S. at 563-564 (1964).

<sup>42</sup> *Id.*, 514 U.S. at 567 (1964).

<sup>43</sup> *Id.*

<sup>44</sup> *Id.*, 514 U.S. at 557 (1964) citing *National Labor Relations Board v.*

*Jones & Laughlin Steel Corporation*, 301 U.S. 1, 37 (1937).

<sup>45</sup> *Id.*, 514 U.S. at 564 (1964).

<sup>46</sup> *Id.*, 514 U.S. at 577 (1964).

<sup>47</sup> *Id.*, 514 U.S. at 568-583 (1964).

<sup>48</sup> *Id.*

<sup>49</sup> *Id.*, 514 U.S. at 584 (1964).

<sup>50</sup> *Id.*

<sup>51</sup> *Id.*, 514 U.S. at 592 (1964).

<sup>52</sup> *Katzenbach v. McClung*, 379 U.S. 294, 301 (1964).

<sup>53</sup> *U.S. v. Morrison*, 529 (1964).

<sup>54</sup> *Id.*, 529 U.S. at 610-611 (2000).

<sup>55</sup> *Id.*, 529 U.S. at 615 (2000).

<sup>56</sup> *Id.*, 529 U.S. at 627 (2000).

<sup>57</sup> *Id.*

<sup>58</sup> *Id.*, 529 U.S. at 624 (2000) citing to *Civil Rights Cases*, 109 U.S. 3 (1883).

<sup>59</sup> *Civil Rights Cases*, 109 U.S. 3 (1883).

<sup>60</sup> *Id.*, 109 U.S. at 24-25 (1883).

<sup>61</sup> *U.S. v. Morrison*, 529 U.S. 598, 624 (2000).

<sup>62</sup> Hearings before the Committee on the Judiciary, United States Senate, 108<sup>th</sup> Congress, 1<sup>st</sup> Session, U.S. Government Printing Office. Serial No. J-108-1. Part 3. Available as a PDF on the Web. Retrieved February 22, 2012.

<<http://www.access.gpo.gov/congress/senate/pdf/108hrg/92548.pdf>>

<sup>63</sup> *United States v. Rybar*, 103 F.3d 273, 286-294 (3d Cir. 1996). Rybar was convicted on two counts of possessing an illegal machine gun under the Firearm Owners Protection Act of 1986, legislation created under the Commerce Clause.

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*, 103 F.3d at 286 (1996).

<sup>66</sup> *Id.*, 103 F.3d at 294 (1996).

## FINANCIAL LITERACY: EDUCATING STUDENTS TO UNDERSTAND THE BENEFITS AND RISKS OF INVESTMENTS

by

Roy J. Girasa\*

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### INTRODUCTION

The financial crisis of 2007-2009 that continues to reverberate globally exposed an underlying flaw both within the financial community and among the general population. The lack of knowledge about the basic understanding of finance becomes more and more apparent. This ignorance affects not only the public at large, but also sophisticated investors who were deceived by the complex financial instruments that were a hallmark of the giddy rise of values especially in the housing market.<sup>1</sup>

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This crisis highlights the need for a broadband access and spread of information beginning at lower levels of scholastic training to investors who are either too busy with their daily occupations or are unable to keep up with the innovative developments in the financial sector.

Many universities have introduced an Introduction to Business course, a popular study for incoming business students. At our university it is entitled "Contemporary Business Practice"; the course introduces the students to the world of business and is, in essence, an overview of the main areas of business in which students may major: marketing, management, accounting, finance, and employment relations. A number of excellent texts couple video presentations, power points, and other accessories for student learning.<sup>2</sup> This article proposes that university offer an alternative or additional course which will acquaint all students with a seriously neglected area of studies, namely, a course on financial literacy. This article discusses the meaning of financial literacy; the efforts of governmental and non-governmental organizations to educate the public concerning financial matters, both locally and internationally; the effectiveness of those efforts; and concludes that financial literacy among all citizens requires urgent attention.

## FINANCIAL LITERACY

Financial literacy presently concerns many national and international organizations. The International Organization of Securities Commissions (IOSCO), the G8<sup>3</sup>, the World Bank<sup>4</sup>, and the Organization of Economic Cooperation &

Development (OECD)<sup>5</sup> sponsor international conferences. A general consensus among national and international groups defines "financial literacy" as including the possession of knowledge and understanding of financial matters<sup>6</sup>; the skills and knowledge about financial matters sufficient to take effective action that best fulfills and individual's personal, family, and global community goals<sup>7</sup>; the ability to make informed judgments and manage money effectively<sup>8</sup>. Financial literacy combines consumer/investor understanding of financial products and concepts and the ability to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve financial well-being<sup>9</sup>.

Financial literacy is related to consumer protection, but differs from it. Consumer protection merely supplies information that allows consumers to make informed decisions and avoid fraudulent and deceptive practices. Financial literacy offers consumers and others the practical skills to understand and evaluate the information they receive.<sup>10</sup>

## U. S. GOVERNMENTAL AND NON-GOVERNMENTAL FINANCIAL LITERACY EFFORTS

### *Learning Modules*

The Financial Industry Regulatory Authority (FINRA) Investor Education Foundation provides modules for both high school and college level students. For high school students, a course on financial literacy consists of eight instructional modules and handouts.<sup>11</sup> The eight modules are entitled Asset

Allocation and Security Selection; Creating and Monitoring a Diversified Stock Portfolio; Internet Resources for Bond and EFT Investors; Investing in Equity Mutual Funds; Investing for Retirement; Personal Financial Statements; Portfolio and Risk Management; and Selecting a Financial Advisor.

For example, the first module for the high school students describing Asset Allocation and Security Selection, contains three topics: (1) investor's risk and risk tolerance; (2) approaches to asset allocation strategies-aggressive, moderate, or conservative; and (3) exploration of security selection techniques by use of an online worksheet and stock screening tool. Numerous website references at the end of this and every module further allow enhancement of a student's learning potential.

The modules for investors and post-high school students include Preparing to Invest; Key Investment Concepts; Bank Products; US Treasury Securities; Common Types of Investments; Retirement Savings Vehicles; Choosing the Right Investments; Managing Investment Risk; Evaluating Performance; Investment Professions; Safeguarding Your Investments.<sup>12</sup>

Each module is subdivided into 6-12 segments detailing the particular module. For example, the initial module, "Preparing to Invest", discusses savings and investing, earning interest, bank products, growth through investing, the prospective of time, creating a budget, paying off credit cards or other high interest debt, setting investment goals, establishing an emergency fund, choosing investments wisely and practicing good habits. A student undertaking such a course would become substantially familiar with the practical

aspects of finance so that s/he will be able to make intelligent choices in determining his or her financial future. Few persons today have the capability of understanding financial products. A course which enlightens one's knowledge of the intricacies of finance may form the basis for budgeting and investing intelligently.

The FINRA Investor Education Foundation has sponsored many other materials that were prepared and issued by grantees of its funding.<sup>13</sup> Among the materials are the following:

- *The Gen I Revolution* developed by the Council for Economic Education to teach personal finance skills to middle and high school students through the use of interactive materials to combat "Murktide", which is personal confusion among the population concerning person finance principles;
- *Are You Financially Fit*, which is a brochure and workbook in English and Spanish that was created by the Florida State University that contrasts the personal finance strategies of households that had similar opportunities to accumulate wealth over their lifetimes but ended with substantially different results;
- *Get Rich Slow*, which is a women's retirement game developed by the Boston College Center for Retirement Research;
- *Investing for Farm Families*, which is an online course developed by the Cooperative Extension Service for farmers and ranchers;
- *Your Mind or Your Money*, which is a feature series that explores personal finance and its implications for investors produced in cooperation with the Nightly

Business Report and Kiplinger's Personal Finance; and other materials.

- *FINRA Investor Education Foundation Newsletter*, which discusses current articles and programs to combat financial illiteracy and fraud.<sup>14</sup>

Other noteworthy projects sponsored by the FINRA Investor Education Foundation developed by law schools include the following:

- *Investor's Guide to Securities Industry Disputes: How to Prevent and Resolve Disputes with Your Broker*, which was prepared by the Pace University Law School<sup>15</sup>, uses the format of questions and answers that emphasizes "The Arbitration Process" and "The Mediation Alternative". It includes the names, addresses and contact persons of law school clinics which were created to aid investors;
- *Guidelines for Establishing a Law School Investor Advocacy Clinic* developed by Northwestern Law School, which details how a law school may create an investor advocacy clinic, staffing, facilities and equipment, student participation, clients and case section, case handling, funding sources, and a number of appendices that practically facilitates the creation of a clinic.<sup>16</sup>

FINRA has sponsored a report, *Critical Choices: How Colleges Can Help Students and Families Make Better Decisions about Private Loans*, prepared by the Institute for College Access & Success, an organization devoted to making college more affordable and accessible for people of all backgrounds, and which is funded by the Bill & Melinda Gates

Foundation and other foundations.<sup>17</sup> The Report concerns the very important decisions that parents and students make annually concerning the affordability and choices available to them. It discusses the differences between private and federal student loans, institutional policies and practices, policies and market context, and recommendations for college policies and practices. The explicit language of the report aims at clarifying the misunderstandings, availability, and unawareness of student loans. It identifies useful models for all colleges and related issues.<sup>18</sup>

The American Institute of Certified Public Accountants (AICPA) promotes a multi-curricular, multi-media education program for students entitled "360 Degrees of Possibilities and other programs for high school and college level students. The Alliance for Investor Education publishes *The Investor's Clearinghouse*, which promotes a greater understanding of investing, investments, and the financial markets among investors of all ages.<sup>19</sup>

The Institute for College Access & Success<sup>20</sup>, a not-profit organization funded in part by the Bill & Melinda Foundation and other Foundations, seeks to promote the availability and affordability of higher education to persons of all backgrounds. Under the auspices of FINRA, it issued a report, *Critical Choices: How Colleges Can Help Students and Families Make Better Decisions about Private Loans*, which discusses a number of topics relevant to students and their families in making informed decisions particularly about making financial decisions. Among the topics are the major differences between private and federal student loans,



institutional practices, policy and market context, and recommendations for college policies and practices.<sup>21</sup>

#### *The Financial Literacy and Education Commission*

Established under the *Fair and Accurate Credit Transactions Act of 2003 (FACT ACT)*<sup>22</sup>, the Financial Literacy and Education Commission is chaired by the Secretary of the Treasury and consists of the heads of 20 other federal agencies.<sup>23</sup> Its primary tasks are to create a national financial education web site known as *MyMoney.gov* coupled with an accompanying hotline, 1-800-MyMoney a national strategy on financial education.<sup>24</sup> The U.S. Government Accountability Office (GAO) was charged with assessing the effectiveness of the Commission. Three years after the creation of the Commission, the Commission determined that the National Strategy for Financial Literacy was “a useful first step in focusing attention on financial literacy”.<sup>25</sup> Nevertheless, it criticized the Commission for presenting as “calls to action” descriptive initiatives or broad pronouncements but did not include a specific implementation plan. There is a need for “clear and specific goals or performance measures” in carrying out its mission. It recommended that the Commission test its websites for usability or consumer satisfaction and to achieve consensus among the 20 federal agencies concerning financial literacy efforts.<sup>26</sup>

#### *President's Advisory Council on Financial Literacy*

In the United States, the need for financial literacy is a non-partisan matter. Initially, President George W. Bush signed Executive Order, which created a 16-member President's Advisory Council on Financial Literacy and established for the first time that it is “the policy of the federal government to encourage financial literacy among the American people”.<sup>27</sup> Two years later, President Barack Obama signed an Executive Order establishing the President's Advisory Council on Financial Capability.<sup>28</sup> Each Executive Order has a 2-year termination date. Both are similar in that each sets up a Council whose functions are to collect data concerning financial literacy (called capability under the Obama Order), advise the President concerning financial education directed at individuals from youth to adults, promote the private sector of the economy, educate consumers about the effective use of products and services, and identify effective financial education approaches.

Chaired by the famed broker, Charles R. Schwab, the initial Council issued a report on January 6, 2009 citing the efforts made by the Council to initiate programs of financial literacy. It did so by creating an “easy-to-use” financial literacy curriculum for middle school students, the launching of community pilot programs, hosting numerous town hall, conferences, and other meetings, collaborating with governmental agencies to launch financial literacy programs, and many other efforts. It also made a series of Recommendations that would mandate financial education for all students beginning as early as Kindergarten through post 12<sup>th</sup> grade. It further recommended that there should be tax initiatives for employers to provide such education to

employees and that the Internet be used by the Treasury Department as a resources for professionals and employers. In addition, there should be increased access to financial services for millions and Americans who are underserved by financial institutions as well as developing a standardized set of skills and behaviors that a financial education program should teach an individual.<sup>29</sup>

#### *The Dodd-Frank Act*<sup>30</sup>

Section 917 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*<sup>31</sup> mandates the Securities and Exchange Commission to conduct a study the identify the existing financial literacy among retail investors and to identify methods to improve the level of disclosures to investors in order to permit them to make informed investment decisions.<sup>32</sup> Accordingly, on April 19, 2011, the SEC published a request for public comments concerning effective investor education programs. It also noted that it had upgraded its *Investor.gov* website exclusively devoted to investor education.<sup>33</sup> Among the changes made was the addition or expansion of a variety of topics including how to research investments and investment professionals, understanding fees, and, more importantly, the SEC targeted materials to specific groups including members of the military, teachers and retirees. It also added videos, interactive quizzes, and other investor education materials.<sup>34</sup>

Among the comments was that of The Financial Services Roundtable which noted that its members completed some 301,000 community service projects, and over 28,000 financial education programs mainly with the assistance of

465,000 volunteers who assisted over 7.4 million consumers.<sup>35</sup> It collaborates with 17 non-for-profit partners, eight of which are specifically concerned with financial education. The programs include teaching financial literacy to students from K-12 through Junior Achievement, a 10-week financial literacy program to 5<sup>th</sup> grade students by bankers from the Fifth Third Bancorp's "Young Bankers Club", programs directed to African American students by the Society for Financial Education and Professional Development; and by the Ebenezer HOPE Center at the MLK Sr., Community Resource Complex in Atlanta, Georgia.<sup>36</sup>

A further comment emphasized that the SEC should encourage investors to think of themselves as shareowners rather than shareholders who use the investment strategy of churning rather than owning and holding shares. The comment also encouraged the SEC to facilitate development of additional financial advice sources such as MoxyVote.com and ProxyDemocracy.org through seed funding from agency budgets or from fees from corporations.<sup>37</sup>

## GLOBAL FINANCIAL LITERACY DEVELOPMENTS

### *Developing Countries*

As might be expected, financial literacy in developing countries, such as India and sub-Sahara countries, lags substantially behind the so-called developed world. There are a number of studies that illustrate the low levels of literacy in general and financial literacy in particular in these poorer nations. In a study conducted by the Organization for

Economic Cooperation and Development (OECD), the U.K. Department for International Development (DFID), and the World Bank, it was found that the meager savings of poor laborers were squandered on high-interest loans and no-interest savings in India while in many African nations, only 29 percent of adults have a bank account and, even in the more advanced nation of South Africa, 60 percent of the inhabitants do not understand the term "interest".<sup>38</sup>

These organizations have commenced a number of initiatives to address the lack of financial literacy among the poorest nations. The OECD has developed analytical papers and methodologies to educate the public in these areas especially in the sectors of credit and pensions, in schools and workplaces, and at financial intermediary institutions. It has formulated its first international *Recommendations on Principles and Good Practices for Financial Education and Awareness* and has provided an international forum for exchange of information and recent national experiences at international conferences worldwide.<sup>39</sup>

The DFID has created a new fund (The Financial Education Fund) to improve financial literacy among the world's poorest inhabitants. The Fund seeks to enhance awareness of financial literacy by providing educational awareness in both the public and private sectors. It does so by providing initially some \$6.3 million grants to governmental and non-governmental organizations (NGOs) based on strict criteria to assure that financial education projects are implemented and supplemented by evaluations of existing projects and interventions to improve the environment for financial education.<sup>40</sup>

The World Bank Group has undertaken analyses to evaluate the impact of financial literacy programs especially in Russia and in other countries which is financed by the Russian Federation's Financial Literacy Program Trust Fund of \$15 million. The World Bank, through its Consultative Group to Assist the Poorest (CGAP), is seeking to strengthen access to the many financial services including by the use of new technologies such as mobile banking, smart cards, and point-of-sale networks. It has developed a pilot program of country diagnostic reviews of consumer protection and financial literacy in six countries in Europe and Central Asia.<sup>41</sup>

At the forefront of investor education is the Organization of Securities Commissions (IOSCO). Based in Madrid, Spain, it is composed of 115 jurisdictions which encompass 95 percent of all securities transactions. It promotes global standards for securities regulators.<sup>42</sup> It also conducts seminars globally to enlighten investors and the general public to financial products.<sup>43</sup> Its current emphasis is a focus on training IOSCO members to understanding financial products in order to improve securities regulation among its members.<sup>44</sup>

#### *The European Union*

The European Union (EU) is concerned extensively about financial literacy schemes. In its *Survey of Financial Literacy Schemes in the EU 27*<sup>45</sup>, it noted the importance of financial literacy as European economies have grown extensively in the prior two decades and the needs of individuals and financial products have become far more complex. Using a time frame of nine months and the



distribution of 800 questionnaires to carefully selected address, it found that there were some 180 initiatives of financial literacy schemes by the 27 member states. The number and distribution of financial literacy schemes varied broadly among the member states. The United Kingdom (UK), Germany, and Austria possessed the most financial literacy schemes, France and the Netherlands had advanced but less active programs, and Poland led the Eastern European member states for its advanced literacy campaigns. The UK had a third of all schemes to spread financial literacy while other member states had substantially fewer schemes. A fourth of the schemes targeted low-income or low-education groups. Other findings in the Report noted that the main target audiences for such campaigns were children and young adults, that a majority of schemes was provided through intermediaries, and that the Internet has become a major source of spreading financial literacy.<sup>46</sup>

The schemes tended to cover a number of content areas of financial services and basic money issues. Some 15% of the schemes are operated by private financial service providers, which target customers and non-customers. Some schemes target specific target groups or purposes such as Financial Management in young households in Germany mainly for pregnant women, Money Advice in the UK mainly for single parent households, and Fit for Money–Fit for Life in Austria directed to young apprentices.<sup>47</sup>

## CONCLUSION

The effort to spread financial literacy does succeed in many circumstances. There are, of course, naysayers who dispute its effectiveness.<sup>48</sup> The essence of objections is that there is a lack of proof that financial literacy campaigns have been effective. Although survey analysis can control certain observable variables, nevertheless, there may be unobserved variables such as the persons selected for the study may not reflect the true population, causality that financial literacy education actually brings about the greater use of financial services, and other variables. What is needed are more rigorous studies to establish not only that financial literacy movements have produced the desired results and/or that such campaigns may need to be more focused to particular sub-segments of the less-developed population.<sup>49</sup>

The 2007-2009 financial debacle illustrated vividly the lack of understanding of financial products even among so-called sophisticated investors. Although securities laws generally exempt some of the stringent filing requirements as they pertain to such investors, nevertheless, their lack of knowledge highlighted the overall lack of knowledge of financial basics such as budgeting one's finances, use of credit cards, and the like. The movement of spreading financial literacy from the very young to seasoned investors has spread globally. The need to give such advice and understanding has been promulgated from the G-20 to IOSCO to individual country and local jurisdictions. No ages are excluded inasmuch as such knowledge is being spread from kindergarten to graduate levels of education and investors. The movement will continue unabated as the complexity of financial products

increases and investments in diverse parts of the world become a part of the ordinary citizen's portfolio.

<sup>1</sup> There are numerous books and articles concerning the financial crisis of 2007-2009 that continues to affect global markets to this day. Among them that illustrates the lack of understanding of innovative financial instruments are: Nouriel Roubini and Stephen Mihm, *CRISIS ECONOMICS: A CRASH COURSE IN THE FUTURE OF FINANCE* (2010); Michael Short, *THE BIG SHORT* (2010); and Joseph E. Stiglitz, *FREEFALL: AMERICA, FREE MARKETS, AND THE SINKING OF THE WORLD ECONOMY* (2010).

<sup>2</sup> Among the texts for the introduction to business course are: Courtland L. Bovee and John V. Thill, *BUSINESS IN ACTION* (2011) and Marce Kelly and Jim McGowen, *BUSN* (2012).

<sup>3</sup> The G8 or "Group of Eight" is a forum created in 1975 and is composed of the leaders of 8 major countries, namely, the U.S., France, Germany, Italy, Japan, the United Kingdom, Canada, and Russia.

<sup>4</sup> The World Bank is composed of two development institutions, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) owned by 187 member countries, [web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,pagePK:50004410~p....](http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,pagePK:50004410~p....)

<sup>5</sup> For example, the OICU-IOSCO conducted a three-day training seminar entitled "Understanding New Financial Products and the Regulatory Implications of Those Products, in Marrakesh, Morocco from June 8-10, 2011. The G-8 conducted

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a seminar "International Conference on Improving financial Literacy" in conjunction with the Minister of Finance of the Russian Federation and the OECD in Moscow on November 28-30, 2006, [www.oecd.org/document/15/0,3343,en\\_2649\\_15251491\\_3758\\_3951\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/15/0,3343,en_2649_15251491_3758_3951_1_1_1_1,00.html).

<sup>6</sup> Investopedia, *Financial Literacy*, [www.investopedia.com/terms/f/financial-literacy.asp](http://www.investopedia.com/terms/f/financial-literacy.asp).

<sup>7</sup> National Financial Educators Council, *Financial Literacy Definition*, [www.financialeducatorsCouncil.org/financial-literacy-definition.html](http://www.financialeducatorsCouncil.org/financial-literacy-definition.html).

<sup>8</sup> U.S. Government Accountability Office (GAO), *Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy*, Report to Congressional Committees (Dec. 2006)

<sup>9</sup> The International Bank for Reconstruction and Development/The World Bank and the OECD, *The Case for Financial Literacy in Developing Countries*, citing OECD definition (2009), p. 2, [www.oecd.org/dataoecd/35/32/43245359.pdf](http://www.oecd.org/dataoecd/35/32/43245359.pdf).

<sup>10</sup> The World Bank, *Good Practices for Consumer Protection and Financial Literacy in Europe and Central Asia: A Diagnostic Tool* (October 2008).

<sup>11</sup> The modules and handouts were developed by The Center for Financial Studies at Southern New Hampshire University (2010), [www.finrafoundation.org/resources/education/training](http://www.finrafoundation.org/resources/education/training).

<sup>12</sup> The modules were prepared by Lightbulb Press for the FINRA Investor Education Foundation, [www.finrafoundation.org/resources/education/learning/](http://www.finrafoundation.org/resources/education/learning/).

<sup>13</sup> FINRA Investor Education Foundation, *Learning Materials from Grantees*, [www.finrafoundation.org/resources/education/learning/](http://www.finrafoundation.org/resources/education/learning/).

<sup>14</sup> [www.finrafoundation.org/news/newsletters/P124424](http://www.finrafoundation.org/news/newsletters/P124424).

<sup>15</sup> Jill Gross and Alice Oshins, ed., *Investor's Guide to Securities Industry Disputes: How to Prevent and Resolve Disputes with Your Broker*, Pace Law School Investor Rights Clinic, [www.sec.gov/spotlight/invadvcmm/iacmeeting051710-agenda.pdf](http://www.sec.gov/spotlight/invadvcmm/iacmeeting051710-agenda.pdf).

<sup>16</sup> J. Samuel Tenebaum and Thomas H. Morsch, Northwestern Law School, *Guidelines for Establishing a Law School Investor Advocacy Clinic*, [www.finrafoundation.org/web/groups/foundation/@foundation/documents/foundation/p118734.pdf](http://www.finrafoundation.org/web/groups/foundation/@foundation/documents/foundation/p118734.pdf).

<sup>17</sup> [www.ticas.org/files/pub/critical\\_choices.pdf](http://www.ticas.org/files/pub/critical_choices.pdf).

<sup>18</sup> *Id.*

<sup>19</sup> [www.investoreducation.org/whatisaie.cfm](http://www.investoreducation.org/whatisaie.cfm). For example, one of its articles is *Older Americans and Investment Fraud: 10 of the Best Resources to Protect Yourself and Your Parents/Grandparents* at [www.investoreducation.org/release061511.cfm](http://www.investoreducation.org/release061511.cfm).

<sup>20</sup> [www.ticas.org](http://www.ticas.org).

<sup>21</sup> [www.ticas.org/files/pub/critical\\_choices.pdf](http://www.ticas.org/files/pub/critical_choices.pdf).

<sup>22</sup> Public Law 108-159 (2003), which amended the *Fair Credit Reporting Act*, 15 U.S.C. Sec. 1681. The Act has a number of titles which include the right of all persons to procure an annual free credit report, protections against identity theft, right to contest alleged errors in credit reports.... A criticism of its provisions is its preemption of stricter consumer protection laws in some states.

<sup>23</sup> [www.treasury.gov/resource-center/financial-education/Pages/commission-index.aspx](http://www.treasury.gov/resource-center/financial-education/Pages/commission-index.aspx).

<sup>24</sup> *Id.*

<sup>25</sup> U.S. Government Accountability Office, Report to Congressional Committees, *Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy* (Dec. 2006).

<sup>26</sup> *Id.*

<sup>27</sup> Executive Order 13455 (January 22, 2008).

<sup>28</sup> Executive Order 13530 (January 29, 2010).

<sup>29</sup> President's Advisory Council on Financial Literacy, *2008 Annual Report to the President* (January 6, 2009).

<sup>30</sup> Pub. L. No 111-203, 124 Stat. 1376 (2010).

<sup>31</sup> Pub. L. No 111-203, 124 Stat. 1376 (2010).

<sup>32</sup> Sec. 917(a)(1)-(3). It reads as follows:

- (a) IN GENERAL.- The Commission shall conduct a study to identify—
- (1) The existing level of financial literacy among retail investors, including subgroups of investors identified by the Commission;
  - (2) Methods to improve the timing, content, and format of disclosures to investors with respect to financial intermediaries, investment products, and investment services;
  - (3) The most useful and understandable relevant information that retail investors need to make informed financial decisions before engaging a financial intermediary or purchasing an investment product or service that is typically sold to retail investors, including shares of open-end companies....;
  - (4) Methods to increase the transparency of expenses and conflicts of interests in transactions involving investment services and products, including shares of open-end companies....;
  - (5) The most effective existing private and public efforts to educate investors; and
  - (6) In consultation with the Financial Literacy and Education Commission, a strategy (including, to the extent practicable, measurable goals and objectives) to increase the financial literacy of investors in or der to bring

about a positive change in investor behavior....

<sup>33</sup> Securities and Exchange Commission, *SEC Seeks Public Comment on Effective Investor Education Programs* (April 19, 2011), [www.sec.gov/news/press/2011/2011-93.htm](http://www.sec.gov/news/press/2011/2011-93.htm). The SEC Office of Investor Education and Advocacy can be found at [www.sec.gov/investor.shtml](http://www.sec.gov/investor.shtml). An example of the information provided is its *Investor Bulletin: Reverse Mergers*.

<sup>34</sup> *Id.* See, also, Lori J. Shock, Director of the SEC's Office of Investor Education and Advocacy, *Speech: Remarks at InvestEd Investor Education Conference* (May 15, 2011), [www.sec.gov/news/speech/2011/spch051511ljs.htm](http://www.sec.gov/news/speech/2011/spch051511ljs.htm).

<sup>35</sup> Judy Chapa, Letter to the SEC's Secretary, dated June 22, 2011, [www.fsround.org/frs/policy\\_issues/regulatory/pdfs/pdfs11/DFAFinancialLiteracyStudy.pdf](http://www.fsround.org/frs/policy_issues/regulatory/pdfs/pdfs11/DFAFinancialLiteracyStudy.pdf).

<sup>36</sup> *Id.*

<sup>37</sup> James McRitchie, *SEC Seeks Comment on Investor Education* (April 30, 2011), <http://corpgov.net/?p=5959>.

<sup>38</sup> Margaret Miller (World Bank Group), Nicholas Godfrey (Department for international Development, DFID), Bruno Levesque (Organization for Economic Cooperation and Development, OECD), and Evelyn Stark (Consultative Group to Assist the Poorest, CGAP), *The Case for Financial Literacy in Developing Countries: Promoting Access to Finance by Empowering Consumers* (2009), p.4. [www.achancetowork.org/ifcext/economics.nsf/AttachmentsByTitle/CON\\_FinLitSeminar\\_2008\\_GodfreyLevesqueMiller/\\$FI](http://www.achancetowork.org/ifcext/economics.nsf/AttachmentsByTitle/CON_FinLitSeminar_2008_GodfreyLevesqueMiller/$FI)



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<sup>39</sup> *Id.* at pp. 8, 9.

<sup>40</sup> *Id.* p. 10.

<sup>41</sup> *Id.* at 11-12.

<sup>42</sup> IOSCO's mission is to:

- Cooperate together to promote high standards of regulation in order to maintain just, efficient and sound markets;
- Exchange information on their respective experiences in order to promote the development of domestic markets;
- Unite their efforts to establish standards and an effective surveillance of international securities transactions; and
- Provide mutual assistance to promote the integrity of the markets by a rigorous application of the standards and by effective enforcement against offenses. OICU-IOSCO, *Media Release IOSCO/MR/009/2007* (Nov. 8, 2007).

<sup>43</sup> For example, it conducted four-day courses on "Examination, Investigation, and Litigation of Insider Training and Market Manipulation Cases in Securities Regulation" in Madrid, Spain on October 27-30, 2009 and in Taipei, Taiwan on June 29-July 2, 2010, and a seminar on "Understanding New Financial Products and the Regulatory Implications of

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Those Products" in Madrid, Spain on October 19-22, 2010 and in Marrakesh, Morocco, on June 8-10, 2011.

<sup>44</sup> Letter dated April 12, 2011 to prospective invitees to the training program in Marrakesh, Morocco.

<sup>45</sup> Habschick, Marco, Britta Seidl, Dr. Jan Evers, *Survey of Financial Literacy Schemes in the EU27*, VT Markt/2006/26H-Final Report (November, 2007), [http://ec.europa.eu/internal\\_market/finservices-retail/docs/capability/report\\_survey\\_en.pdf](http://ec.europa.eu/internal_market/finservices-retail/docs/capability/report_survey_en.pdf).

<sup>46</sup> *Id.* At 3 and 21-22.

<sup>47</sup> *Id.* At 22.

<sup>48</sup> For example, see Bilal Zia, *The Fad of Financial Literacy?* (Aug. 12, 2010), <http://blogs.worldbank.org/allaboutfinance/the-fad-of-financial-literacy>.

<sup>49</sup> *Id.*