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State Treasurer

REMARKS
FINANCIAL LITERACY SUMMIT
SALEM CONFERENCE CENTER
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Good morning.

Thank you for inviting me, and thanks to all of you for being here.

I want to thank David Bell and Melody Thompson for their tireless commitment to improving financial literacy in Oregon, and I also want to recognize Michael Parker, from the State Treasury, who is the director of our 529 College Savings network and is helping to represent us on the board for Financial Beginnings.

Since I was appointed Treasurer last year, I've had the opportunity to meet Oregonians from all walks of life. And one of the clearest messages I heard from Maupin to Medford to Newport to Portland was that Oregonians expect their State Treasurer – and all their leaders, and I include you in that category -- to be a big picture leader.

In other words, Oregonians expect me to be a competent administrator, and to be a relentless advocate for taxpayers when it comes to managing the state's $70 billion in investments. And you expect me to continue to go after bad actors on Wall Street or any other street who defraud Oregon.

But being your State Treasurer means more than that. It means being the guardian of Oregon's financial future.

And in my mind, Oregon's financial future is not tied only to the health of our government. It is about improving the lives of Oregon families.

As Treasurer, I want every Oregon family to lead the happiest and healthiest lives they can, and financial security is a key part of that.

At a time when so many people are struggling to find work or even to make ends meet, the last thing they need is to make financial decisions that will hurt them.

As my wife Katrina and I were waiting for the results on election night, we handed out piggy banks because – win or lose – I wanted to reinforce the message that saving is vitally important.

We are already taking some steps at the state Treasury to improve financial awareness, including the Reading is an Investment program, which donates books with financial themes to elementary school libraries across the state, and gives students who read those books a chance to win college scholarships through the Oregon College Savings Plan.

We also administer the College Savings Network, which allows families to save for college and receive tax benefits.

But financial education doesn't end at helping kids learn money sense, although that is important. It's also not just about helping vulnerable populations protect their wallets, although that also is important.

Financial education is about all of that, and more. This is about preserving and enhancing the quality of life … for all of us.

You have to look no further than the economic implosion of 2007 and 2008 to see that a lack of financial knowledge can create devastating shockwaves. What people didn't know hurt them dearly

And that lack of knowledge hurt the entire economy. It hurt the retirement security of hundreds of thousands of people. And it hurt Oregon families that lost not just their homes, but their creditworthiness.

Recent studies paint a pretty gloomy picture when it comes to the financial IQ of our society. I fear that has made too many of us into easy marks.

There's an old saying that "Practical wisdom is only to be learned in the school of experience."

That observation came in the 19th century from Samuel Smiles, a Scottish author and political reformer, but it is equally true today … and it cuts both ways, because there are two kinds of real world experience.

Katrina and I were driving home a few days ago and we found ourselves behind a car with a big yellow "student driver" sign on it.

The driver wasn't going particularly quickly, which was fine, and he was also being very careful at intersections and did a good job at signaling their lane changes.

When our kids are learning to drive, we put them behind the wheel. And we don't just rely on a written exam. You can't even get a license until you've demonstrated in a driving test that you understand the rules of the road and can deal with the uncertainties of traffic.

We don't just hand people the keys. We make them get practical experience.

Let's contrast that to financial education.

We believe in real world education when it comes to financial literacy, as well. And too often, we can sum it up in a 4-word phrase: Learn the hard way.

I think that's wrongheaded, because it can take decades to recover from bad choices. Yes, I believe that people need to be free to make their own decisions, and this is a free market.

When it comes to key financial decisions, we have been too content in Oregon, and for too long, to let people find out the hard way. And we are all paying the price for it.

That's why I am so pleased to see you at this summit today, and to partner with the many efforts that are starting to make headway in the effort to improve our collective money sense, from childhood through retirement.

I want to read you some sobering statistics:

- 4 in 10 families in the United States do not have at least one month's savings put away.

- People are not secure when it comes to their retirement. In fact, it's not even close. 86% of employees in the United States don't even know if they have a comfortable retirement plan or not. (Not that they don't… but that they <u>don't know</u>.)
  National Retirement deficit $6.6 billion (Retirement USA)
  Pensions under attack, 401ks less generous.

- 43% of Americans spend more each month than they make, resulting in a combined $2 Trillion in consumer debt.

- Without understanding basic principles like interest rates or equity, Americans are even more at risk of falling prey to financial scams.

- Example: In 2008, during a debate on mortgage reform in the Oregon Senate Commerce Committee, a woman from Eugene was defending the practice of "reverse mortgages," saying that her broker had assured her that it would allow her to stay in her house as she continued to build equity in it. Upon pointed questioning from then-Senator Westlund, the broker (who was in attendance) had to admit that, in fact, the woman was <u>losing</u> equity in her home, much to her surprise.

The reality is, we cannot expect people to make the best financial decisions without any sort of practical training.

How can you comparison shop when you don't even know what to compare in the fine print?

Do you even know what to ask, and what to avoid, when the radio ads say that you can "come on down" and buy a car if you have just $129?

On your mortgage, what is an “incentive to broker” and what does that mean to your interest rate?

And, really, can you save a lot of money by taking advice from a talking lizard?

Clearly, when it comes to making financial decisions, the last thing we want is for anybody to get in, over their heads.

Next week, I will attend my first meeting as treasurer of the State Board of Education, where the Treasury is represented in an ex officio capacity (thanks to the work of my friend and former State Sen. Rick Metsger.)

That new position will allow the Treasury to stress the importance of financial literacy in classrooms.

While we cannot cram another subject into the school day, what we can do is get a stronger commitment to focus on real world, practical money skills, and do it inside the existing curriculum.

Through this linkage with the State board of Education, I will:

- Work with stakeholders like JumpStart to find ways to survey and monitor Oregon’s students’ understanding of financial literacy – what works and what doesn’t; and

- Cooperate with educators to work financial literacy into school curriculum in a manner that doesn’t put an undue strain on current (onerous) requirements;

In particular, I would like to see an even stronger effort to fold practical money skills into math curriculum. “No Child Left Behind” imposes requirements that help kids learn important subjects like science and advanced algebra. But in the real world, most people do not need to know what an imaginary number is – they need to know how a credit cards works and how to read a bank statement.

You’ll notice I said it again: practical skills.

I look forward to working with the JumpStart coalition on that effort, and the goal is to list resources across the state. If you have ideas for things that should be included, please let us know.

Also, my challenge to all of you today is to think about how we can move past just offering the information, and actually put people behind the financial steering wheel.

I'm not suggesting that we require licenses before Oregonians can sign up for credit cards. But it would be nice if they have at least enough experience to know to avoid the potholes and dead ends. Let's be creative, because all Oregonians have something to gain – and too much to lose.

Thank you again for your commitment and your energy.

This is the kind of event we need to keep this conversation going, and I am looking forward to working with all of you.