



www.MyMoney.gov: A useful site for Everyone!

By Deborah D. Thornton

Recently many politicians and government officials have expressed concern about the financial well-being of the American citizen, based on mortgage defaults, credit card debt, and the negative savings rate. Increasing personal financial literacy, making behavior changes, and creating a more prosperous life are legitimate goals for all citizens.

Established under the Financial Literacy and Education Improvement Act, Title V, of the Fair and Accurate Credit Transactions (FACT) Act of 2003, the Financial Literacy and Education Commission has a goal of improving the financial literacy and education of people in the United States.¹ The Commission's web-site address is <http://www.mymoney.gov>. Unfortunately, based on an informal survey of newspaper headlines, both Americans and their governments need to practice financial literacy:

“Survey shows residents aren't prepared for retirement,”

The Courier, July 12, 2007.

“Rich don't save either, study finds,”

Marketwatch, Thomas Kostigen, June 24, 2007.

“State loses money in effort to save,”

The Des Moines Register, July 25, 2007.

“House approves massive farm bill,”

The Courier, July 28, 2007.

The Jump\$tart Coalition for Personal Financial Literacy, which conducts a nationwide, biennial financial knowledge survey of 12th grade students, reports that the average score is only 52.4 percent. The scores for African American and Hispanic students were significantly lower. When asked what is the greatest cause of serious financial difficulty – defined as not being able to pay their bills – those responding, “Bad Luck,” had scores of only 49 percent. Another 43 percent said it wasn't so bad to not be able to pay your bills, “a lot of families go through this.” On the positive side, some 56 percent of students said that they did not think Social Security is the “be all, end all” of retirement income.²

High school seniors in Iowa ranked #1 in the nation in financial literacy, but still had a failing grade of only 55.7 percent. Only 10.9 percent scored a “C” or better.³ However, according to the National Council on Economic Education, Iowa is the only state that does not have statewide established standards for Economic education, and one of only 10 with no statewide standards for Personal Finance. Both topics are addressed during Social Studies, and Family and Consumer Science courses, but with no statewide standard.⁴

As adults, 27 percent of us have never reviewed our credit report and almost half do not know they can get their credit report for free. One of three Americans does not use a budget to manage their finances.⁵ According to the Federal Reserve 28 million U.S. households are “unbanked,” resulting in higher costs to pay their bills and less ability to positively control their finances.⁶ The national savings rate has been negative since 2005, and is currently at -1.4 percent.⁷ Banking overdraft fees have increased to \$17.5 billion annually, up 70 percent from 2004.⁸

As we review the financial literacy of government, the issues are even worse. The federal government's budget problems are well documented. Currently, Congress is passing the \$3 trillion Fiscal Year 2008 federal budget, which includes a great amount of “pork barrel” projects, agreed to by both parties. For example, legislation passed

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on July 26, 2007 for the Homeland Security Department has spending of \$2.3 billion over that requested by President Bush.⁹ The recently passed farm bill has almost \$286 billion in spending, with significant subsidies for commercial farmers, increases in the food stamp program, and increased regulation of imported meat.¹⁰

According to State Auditor David Vaudt, Iowa state government under Governor Tom Vilsack paid a consultant \$3.7 million to help the state save money, but the amount of money saved was only \$2.9 million - \$800,000 less than the consultant was paid.¹¹ In 2007 the Legislature passed, and Governor Culver signed into law a state budget of \$6 billion dollars, with spending increases of \$650 million built in for 2008.¹² According to State Representative Pat Grassley of New Hartford, the budget will increase by \$1.2 billion over the next two years. Very few of these actions reflect good “financial literacy.”

Cabinet Secretaries who oversee the 20 federal agencies that are members of the Financial Literacy Commission, as well as the Congressmen who passed the FACT Act, and the Iowa State Legislature should take advantage of the resources the “www.myMoney.gov” site offers to improve their financial literacy.

The first steps to personal financial responsibility -- knowing where you are, deciding where you want to be in both the short and long term, and then setting the budget and living by it -- would seem to be critical steps for government as well. Further, the choice of “my Money” as the web address catch phrase for the Financial Literacy Commission is ironic, as the President, Congress, Governor, and State Legislators seem to have forgotten a key fact when dealing with budgets and taxes. “My money” is just that, mine, while yours is yours, and definitely not theirs.

Karen Cerula, author of *Never Saw It Coming*, has words for us to ponder. “Personal spending simply mimics government practices. Politicians simply don’t talk about the growing deficit, so it’s no wonder people don’t make the same leap in their own finances.”¹³ A better idea would be for the American people to first address our own financial literacy and accountability, then hold our elected officials to the same standard.

The Financial Literacy Commission’s next meeting is September 25, 2007 in the Cash room at the Department of the Treasury, 1500 Pennsylvania Ave., NW, Washington, DC. You may want to go, discuss personal and governmental financial literacy with them, and explain how government might set a better example for all of us.

(Endnotes)

¹US Department of Treasury, <<http://treas.gov/offices/domestic-finance/financial-institution/fin-education/commis-sion/>>, (July 25, 2007).

²“Financial Literacy Shows Slight Improvement among Nation’s High School Students,” Press Release, JumpStart Coalition for Personal Financial Literacy, April 5, 2006.

³“Iowa High Schools Rank #1 in Nation for Financial Literacy, Despite Failing Grade,” Press Release, Iowa JumpStart Coalition, April 19, 2006.

⁴“Survey of the States, Economic and Personal Finance Education in Our Nation’s Schools in 2007,” National Council on Economic Education, June 13, 2007, pp. 3 & 8.

⁵“Second Annual America’s Financial IQ survey,” Consumer Action, October 5, 2006.

⁶Jeannine Aversa, “Millions opt to do without bank accounts,” *The Messenger*, June 24, 2007, p. 9A.

⁷Eileen Alt Powell, “Americans need to save more for retirement,” *The Messenger*, July 8, 2007, p. C1.

⁸Eric Halperin, Lisa James, and Peter Smith, “Debt Card Danger: Banks offer little warning and few choices as customers pay a high price for debit card overdrafts,” Center for Responsible Lending, January 25, 2007.

⁹Senate Breakthrough adds \$3 billion to border security, *The Telegraph Herald*, July 27, 2007, p. 10C.

¹⁰“House approves massive farm bill,” *The Courier*, July 28, 2007, p. C1.

¹¹Jason Clayworth, “State loses money in effort to save,” *The Des Moines Register*, July 25, 2007, p. A1.

¹²Mike Glover, “Iowa Legislature adjourns for the year,” *The Messenger*, April 30, 2007, p. A1.

¹³Karen Cerulo, quoted in Marco R. della Cave, “Spending is hotter than the 4th of July,” *USA Today*, July 3, 2007, p. D2.

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