

**Statement of Senator Daniel K. Akaka**  
**“The Federal Government’s Role in Empowering Americans**  
**to Make Informed Financial Decisions”**  
**Committee on Homeland Security and Governmental Affairs**  
**Subcommittee on Oversight of Government Management,**  
**the Federal Workforce, and the District of Columbia**

Today the Subcommittee is holding a hearing regarding the government’s efforts to increase financial literacy. It is very appropriate that this hearing be conducted today on the last day of Financial Literacy month.

My interest in financial literacy dates back to when my fourth grade teacher required me to have a piggy bank. We were made to understand how money saved, a little at a time, can grow into a large amount – enough to buy things that would have been impossible to obtain without savings. My experience with a piggy bank taught me important lessons about money management that have stayed with me throughout my life. More people need to be taught these important lessons so that they are better able to manage their resources.

Americans of all ages and backgrounds face increasingly complex financial decisions as members of the nation's workforce, managers of their families' resources, and voting citizens. Many find these decisions confusing and frustrating because they lack the information and skills necessary that would enable them to make wise, personal choices about their finances.

A sample of economic statistics present some disturbing realities. Consumer debt exceeded a record \$2.4 trillion in 2006 and household debt reached a record \$12.8 trillion. Americans’ rate of personal savings, as a percentage of disposable personal income, declined from minus 0.4 percent in 2005 to minus 1.1 percent in 2006, making 2005 and 2006 the only years since the Great Depression when this savings rate has been negative. In a 2006 survey, the Jump\$tart Coalition for Personal Financial Literacy found that high school seniors scored an average of only 52.4 percent on an exam testing knowledge of basic personal finance. The Retirement Confidence Survey conducted by the Employee Benefit Research Institute found that only 42 percent of workers or their spouses calculated how much they need to save for retirement, down from 53 percent in 2000.

Millions of working families are susceptible to predatory lending because they are left out of the financial mainstream. The unbanked rely on alternative financial service providers to obtain cash from checks, pay bills, send remittances, utilize payday loans, and obtain credit. Many of the unbanked are low- and moderate-income families that can ill afford to have their earnings diminished by reliance on these high-cost and often predatory financial services. In addition, the unbanked are unable to save securely to prepare for the loss of a job, a family illness, a down payment on a first home, or education expenses.

Without a sufficient understanding of economics and personal finance, individuals will not be able to manage their finances appropriately, evaluate credit opportunities, and successfully invest for long-term financial goals in an increasingly complex marketplace. It is essential that we work toward improving education, consumer protections, and empowering individuals and families through economic and financial literacy in order to build stronger families, businesses, and

communities.

My colleagues and I have worked on several important initiatives for financial literacy. My legislation, the **Excellence in Economic Education Act**, or Triple-E Act, was enacted as part of the **No Child Left Behind Act** (P.L.107-110). The Triple-E is intended to fund a range of activities such as teacher training, research and evaluation, and school-based activities to further economic principles. I have obtained funding of approximately \$1.5 million for the **EEE Act** each year in each fiscal year since FY04. I will continue to work to fund this important federal program.

In 2003, the **Fair and Accurate Transactions Act** (P.L.108-159), created the Financial Literacy and Education Commission. The Commission is tasked with reviewing financial literacy and education efforts throughout the federal government; identifying and eliminating duplicative financial literacy efforts; and coordinating the promotion of federal financial literacy efforts, including outreach partnerships between federal, state, and local governments, non-profit organizations, and enterprises. The Commission also established a Web site, [www.mymoney.gov](http://www.mymoney.gov), and toll-free hotline, 1-888-MyMoney, to serve as a clearinghouse and provide a coordinated point of entry for information about federal financial literacy and education programs, grants, and other information the Commission deems appropriate.

I worked with my colleagues on this Committee to bring about the enactment of the **Thrift Savings Plan Open Elections Act of 2004** (P.L.108-469). This mandated that the Office of Personnel Management (OPM) develop and implement a retirement financial literacy and education strategy for Federal employees.

During today's hearing, we will learn more about the effectiveness of our federal financial literacy efforts and what must be done to improve financial literacy throughout the nation. Greater financial literacy will result in stronger families, better-functioning markets, and a more secure future for our country. I thank our witnesses for being with us today. I look forward to your testimony and to working with all of you towards this important goal.