

Consumer News & Views

Published twice monthly

April 15, 2012



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Financial Literacy for Consumers is Important in Tough Economic Times. *By Roger W. Ferguson Jr.*

April has been designated National Financial Literacy Month, so now is a good time to reflect on the importance of financial literacy and its impact on our nation's future financial health. Many Americans still need better resources and targeted education to help them understand the most important issues affecting their finances. Schools, families, governments, and financial institutions must all play a role in promoting financial literacy if our nation is to return to financial health.

A number of surveys illustrate the extent of the problem, showing that a large proportion of U.S. consumers fail basic financial literacy tests. In a study conducted by fellows of the TIAA-CREF Institute, Americans over 50 were asked three questions. To answer them correctly, they needed to understand interest rates, the effects of inflation, and the concept of risk diversification. Only one-third of the respondents were able to correctly answer all three questions.



The problem is likely to become worse as Generations X and Y head into middle age: A recent survey from the Financial Industry Regulatory Authority (FINRA) found that young Americans were less likely to be financially capable than older Americans. However, that's hardly surprising. Despite the fact that financial decision-making is more complex today than ever before, 26 states have no financial literacy requirements at all in their K-12 education systems. Only four states mandate that students take a personal finance class in high school.

When viewed through the prism of race and ethnicity, the effects of low financial literacy are greatly magnified. Minorities, along with women and the least educated, have some of the lowest financial literacy rates in the nation.

Why It Matters:

People with low levels of financial literacy suffer from that lack of knowledge at every stage of their lives: Another study from the TIAA-CREF Institute shows that people with a high degree of financial literacy are more likely to plan for retirement, and that people who plan for retirement have more than double the wealth of people who don't.

Conversely, people who have a lower degree of financial literacy tend to borrow more, accumulate less wealth, and pay more in fees related to financial products. They are less likely to invest, more likely to experience difficulty with debt, and less likely to know the terms of their mortgages and other loans.



The cost of this financial ignorance is high, leading many people to incur avoidable charges and fees from things like making late credit card payments or paying only the minimum amount due, overspending their credit limit, and using cash advances.

So what can be done to raise the level of financial literacy in America?

Financial education must start early. Like reading and math, financial education must become part of the core curriculum in our schools. Likewise, parents should engage in regular, constructive conversations about

money matters to give kids a solid foundation for financial wellbeing. Teaching our kids to be financially savvy is a gift – one that will keep on giving throughout the course of their lives.

Teachers need the right training to provide financial education. A recent survey by the National Endowment for Financial Education found that 89% of K-12 teachers agree that students should either take a financial education course or pass a competency test. Yet very few of those teachers believed they were prepared to teach personal finance. In states that have financial education standards, over 60% of teachers felt they were not well qualified to teach to these standards.

One size does not fit all. Financial literacy rates vary substantially by age, race, gender, and socioeconomic status. Developing sound financial education programs must take into account these variables as well as individual preferences and learning styles.

For most Americans, planning for financial well-being has become a do-it-yourself proposition, and it's more essential than ever to know how to go about it. This is an issue with broad implications for our nation's economic health. To ensure we have the strongest, most globally competitive economy possible, our nation needs its citizens to be able to manage their financial lives well. To get there, we must make a commitment to raising the level of financial literacy among Americans. Let's dedicate this month to finding and pursuing ways to achieve this objective.

Roger W. Ferguson Jr. is president and CEO of TIAA-CREF, a financial services organization, and a former vice chairman of the U.S. Federal Reserve.



About Lafayette Federal Credit Union in Kensington, Maryland.

Lafayette Federal Credit Union is one of the premier financial institutions in the Washington, D.C. suburb of Montgomery County, Maryland and very consumer-friendly! Since LFCU's founding in 1935, this outstanding credit union has provided its members with a safe and convenient place to save as well as low loans at rates and terms more favorable than those of other financial institutions. Lafayette FCU also works hard to provide top-notch customer service.

Throughout the years, the various types of financial services that Lafayette FCU offers has changed to keep pace with the changing financial needs of its growing and diverse membership. If you're interested in a financial service that Lafayette FCU doesn't currently offer, please let them know. Listening to member needs and responding accordingly has made Lafayette FCU the successful and trusted financial institution that it is today.

To become a member of Lafayette FCU, please visit: <https://www.lfcu.org>



Ledge Light Federal Credit Union Caters to Pharma Colleagues Worldwide and Offers Scholarships to High School Students

Ledge Light Federal Credit Union has dedicated itself to helping Pharma professionals to reach their financial goals since 1968 – the year we opened our doors as a niche financial institution created by Pfizer employees. More than 40 years later, we've committed ourselves to giving pharma colleagues an unparalleled service experience – one that revolves around them and their needs. The organization was built on this principle and we deliver on it every day.

Ledge Light FCU also has an outstanding Scholarship program for eligible high school students. To apply by the April 27 deadline, please visit: www.ledgelightfcu.org

Ledge Light FCU Members:

Our members are successful pharmaceutical professionals in their prime earning years. They come to us because we are a strong, financially-stable organization. They come to us because of our deep insights into the unique needs of the pharmaceutical community. They come from all over the globe because they want recognized expertise, personalized attention and financial services that help with the nuances of working in the pharma industry.

To inquire about membership in Ledge Light FCU, contact: 877 860-MYCU (toll-free), or locally, (860) 445-1060. You can also visit: www.ledgelightfcu.org

Green CSM Certification Accepting Applications for 2012 Spring Cycle:

If your company or organization would like to increase its credibility with consumers, you should consider applying for the **Green CSM Certification**. Applications for the 2012 Spring cycle are now being accepted through April 30, 2012.

It's a proven fact that consumers want to do business with companies that are eco-friendly and practice Corporate Social Responsibility (CSR). The process is straight-forward and all applicants are recognized by ACC and the Green USA Institute.

All applicants complete the criteria and submit their responses to ACC's Green Consumer Council for review, assessment and feedback. Program details and the **Green CSM Certification** criteria can be viewed at ACC's website located at: www.americanconsumercouncil.org/green



For more information, please call ACC at 1-800-544-0414 or visit ACC's website by [clicking here](#).

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