



2019 Advertising Regulation Conference

October 24—25 | Washington, DC

Plenary Session III – Investor Education and Financial Capability

Thursday, October 24, 2019

4:15 p.m. – 5:00 p.m.

Join FINRA staff as they discuss the state of the U.S. Financial Capability Study and how innovations, financial education offerings and changes in the economy may impact the financial decisions and behaviors of millions of Americans.

Introduction: Thomas Pappas
Vice President, Advertising Regulation
FINRA Advertising Regulation

Speakers: Gary Mottola
Director of Research
FINRA Investor Education Foundation

Gerri Walsh
President, FINRA Investor Education Foundation and Senior Vice President, FINRA
Investor Education
FINRA Office of Investor Education

Plenary Session III – Investor Education and Financial Capability Panelist Bios:

Introduction:

Thomas A. Pappas is Vice President of the FINRA Advertising Regulation Department, which regulates the advertisements, sales literature and correspondence used by FINRA member firms. His responsibilities include rule development, management of the filing and surveillance programs and related enforcement activities. He served in the same role at NASD before its 2007 consolidation with NYSE Member Regulation, which resulted in the formation of FINRA. He was previously registered with Davenport & Company LLC. He received a bachelor's degree from The University of Richmond and an MBA from Virginia Commonwealth University.

Speakers:

Gary R. Mottola is the research director for the FINRA Investor Education Foundation and a social psychologist with more than 25 years of research experience. In his role at the FINRA Foundation, he oversees and conducts research projects aimed at better understanding financial capability in America, protecting investors from financial fraud, and improving financial disclosure statements. Dr. Mottola received his B.A. from the University at Albany, M.A. from Brooklyn College, and Ph.D. from the University of Delaware. He was a visiting scholar at Wharton in 2006 and is an adjunct professor of statistics in Villanova University's MBA program.

Gerri Walsh is Senior Vice President of Investor Education at the Financial Industry Regulatory Authority (FINRA). In this capacity, she is responsible for the development and operations of FINRA's investor education program. She is also President of the FINRA Investor Education Foundation, where she manages the Foundation's strategic initiatives to educate and protect investors and to foster financial capability for all Americans, especially underserved audiences. She joined FINRA in May 2006. Prior to joining FINRA, Ms. Walsh was Deputy Director of the Securities and Exchange Commission's Office of Investor Education and Assistance (OIEA) and, before that, Special Counsel to the Director of OIEA. She also served as a senior attorney in the SEC's Division of Enforcement, investigating and prosecuting violators of the federal securities laws. Before that, she practiced law as an associate with Hogan Lovells in Washington, D.C. Ms. Walsh was the founding executive sponsor of FINRA's Military Community Employee Resource Group and leads FINRA's Corporate Social Responsibility efforts. She serves on the Advisory Council to the Stanford Center on Longevity and represents FINRA on IOSCO's standing policy committee on retail investor education, the Jump\$tart Coalition for Personal Financial Literacy, NASAA's Senior Investor Advisory Council and the Wharton Pension Research Council. Ms. Walsh received her J.D. from N.Y.U. School of Law and her B.A., *magna cum laude*, from Amherst College. She is a member of the New York and District of Columbia bars.



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Timed Agenda:

- I. Introduction
- II. Background
 - a) About the NFCS
 - b) What is Financial Capability?
 - c) Setting the Stage—the Economy
- III. The Big Picture
 - a) The “New Normal”?
 - b) Widening gaps in financial capability
- IV. Financial Anxiety in America
 - a) Overall
 - b) Women and financial anxiety
 - c) What’s driving financial anxiety?
 - i. Student loans
 - ii. Financial fragility
 - iii. Dependents
 - iv. Medical costs
 - v. Savings/debt
- V. Financial Literacy and Financial Education
 - a) Financial literacy levels are falling, but why?
 - b) The Gender gap
 - c) Financial education can help

VI. The Financial Knowledge and Characteristics of Investors

- a) Active vs. work-place only investors
- b) Early results from our Investor Knowledge Quiz

VII. Wrap up and Q&A



Investor Education & Financial Capability

2019 FINRA Advertising Regulation Conference

Gerri Walsh & Gary R. Mottola

October 24, 2019

Agenda

1 Setting the Stage

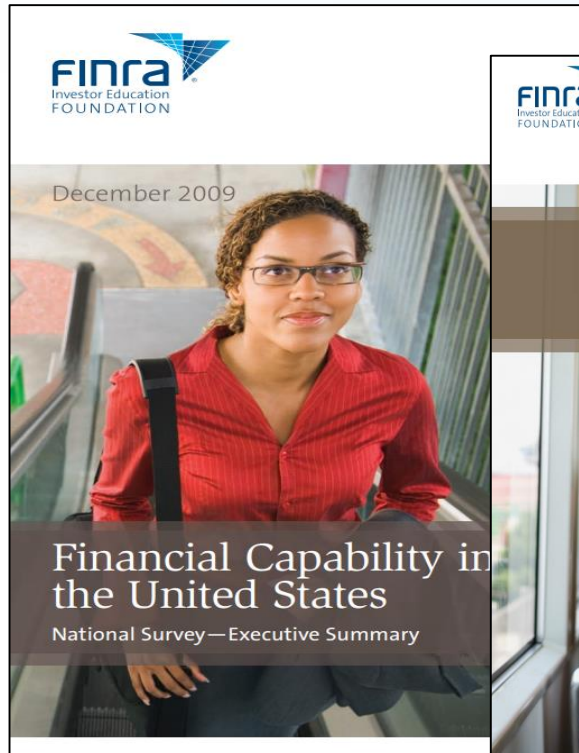
2 The Big Picture

3 Financial Anxiety in America—And What's Driving It

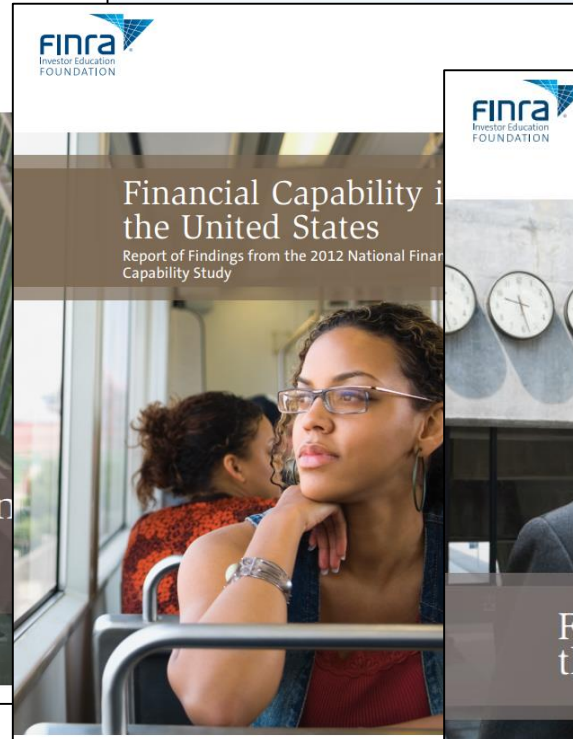
4 Financial Literacy and Financial Education

About the NFCS

2009



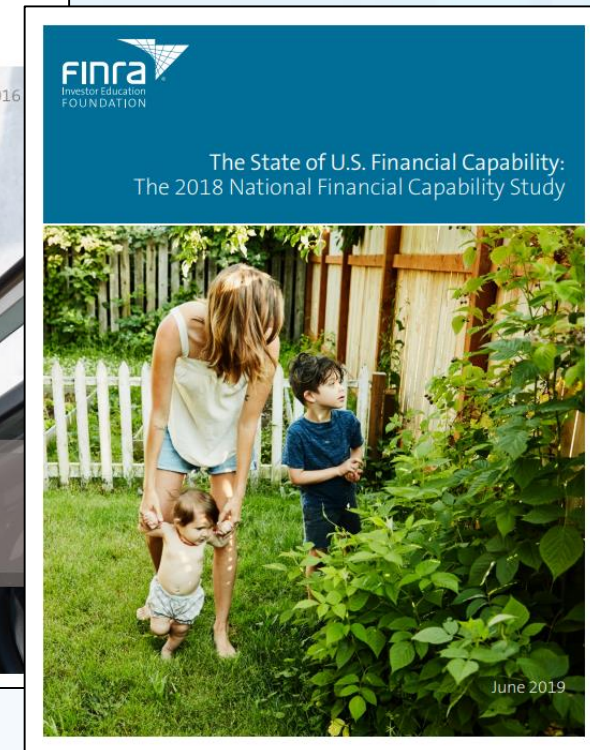
2012



2015



2018

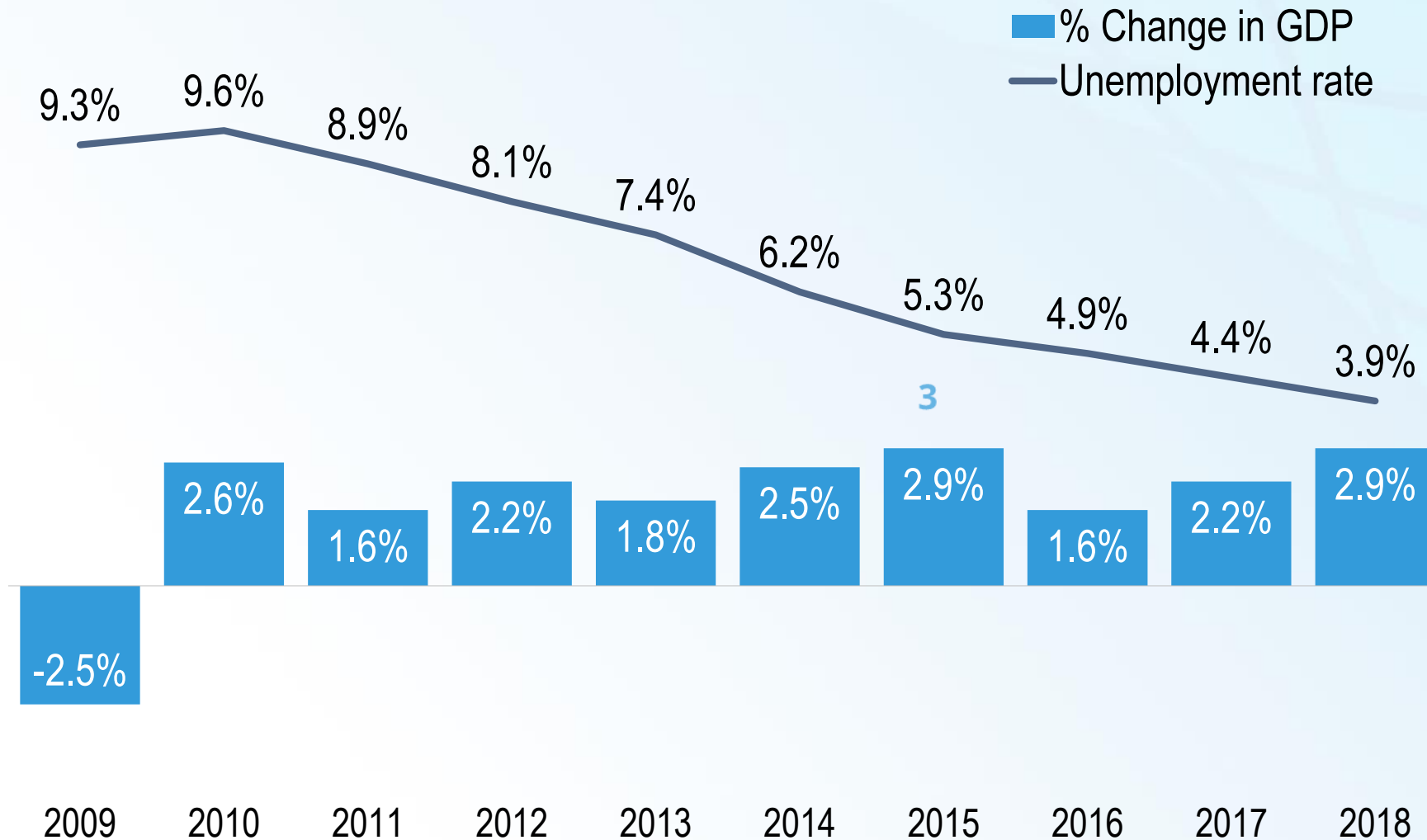


What is Financial Capability?

“Financial capability is a multi-dimensional concept that encompasses a combination of knowledge, resources, access, and habits”.

1. Making Ends Meet
2. Planning Ahead
3. Managing Financial Products
4. Financial Knowledge

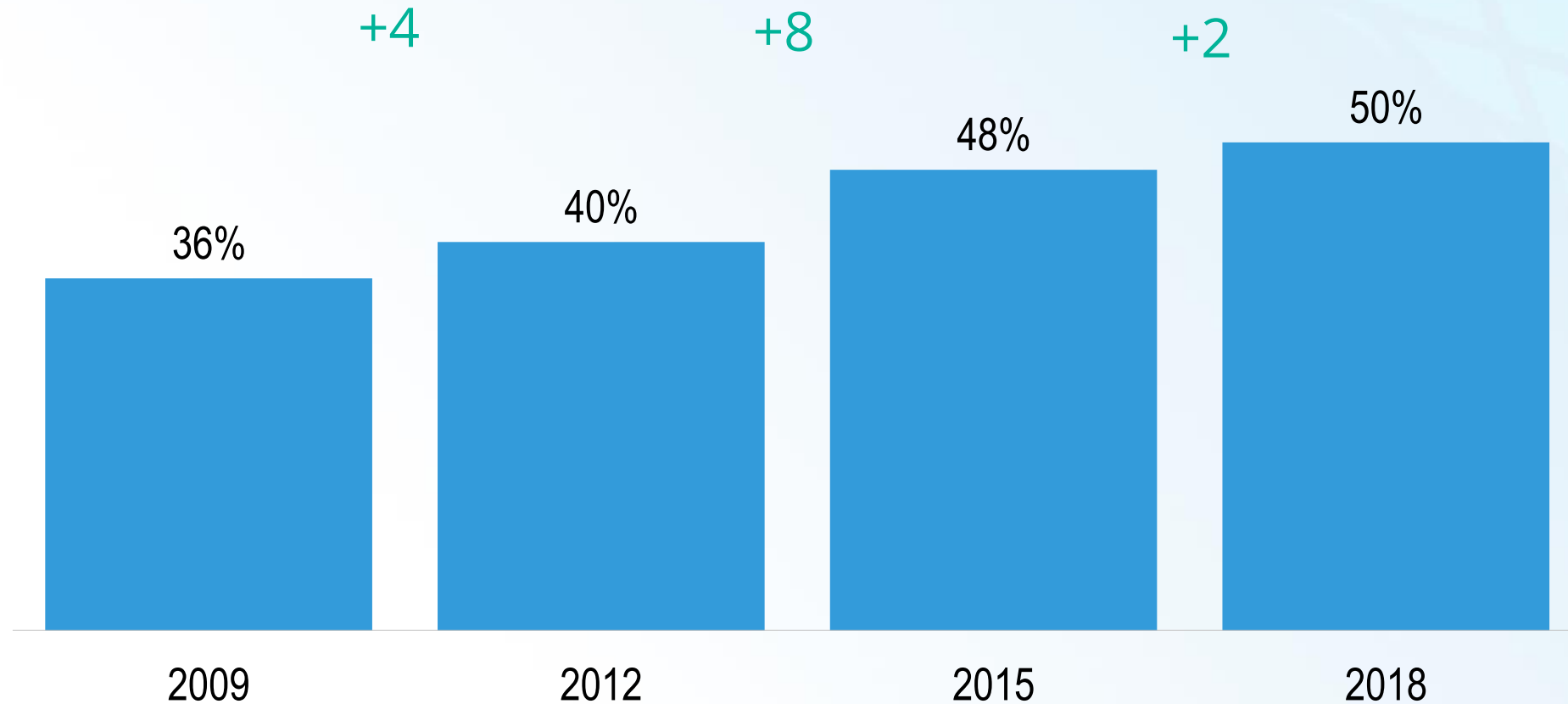
The Economic Backdrop



*GDP figures from U.S. Dept. of Commerce, unemployment figures from U.S. Dept. of Labor

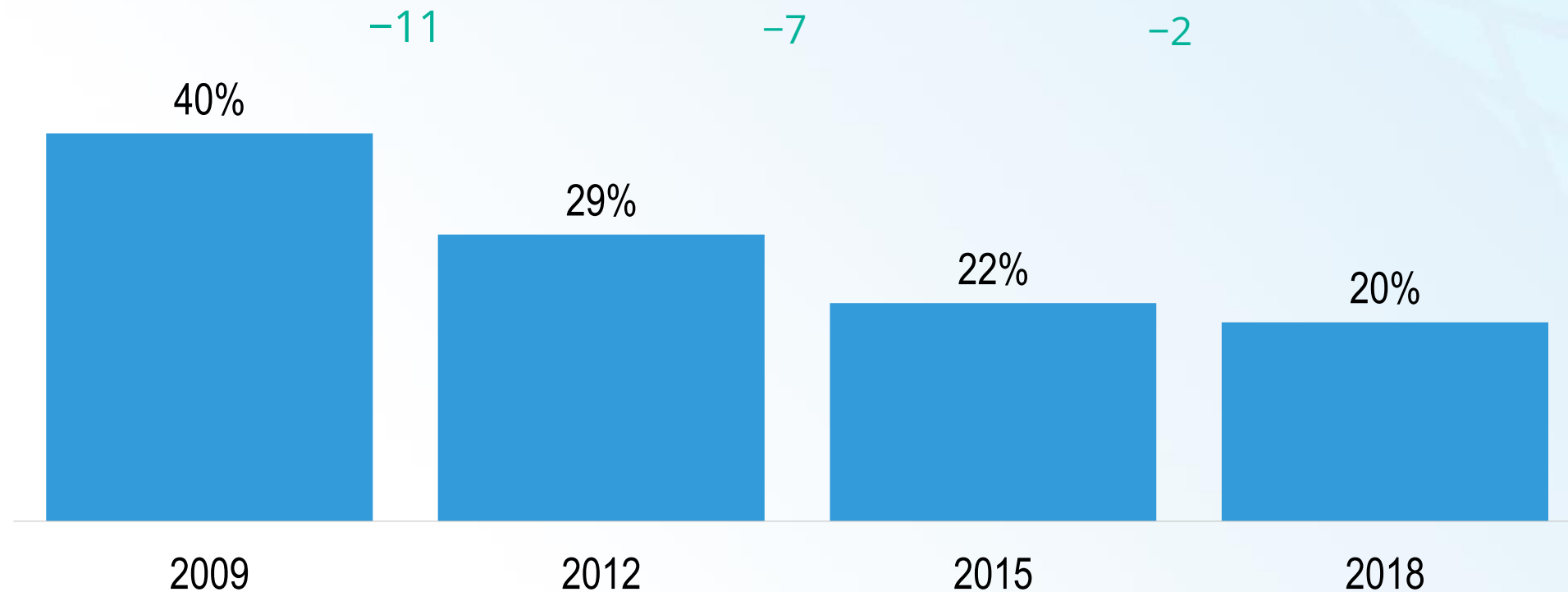
Capability Lagging Economic Growth

Find it not at all difficult covering expenses and paying bills



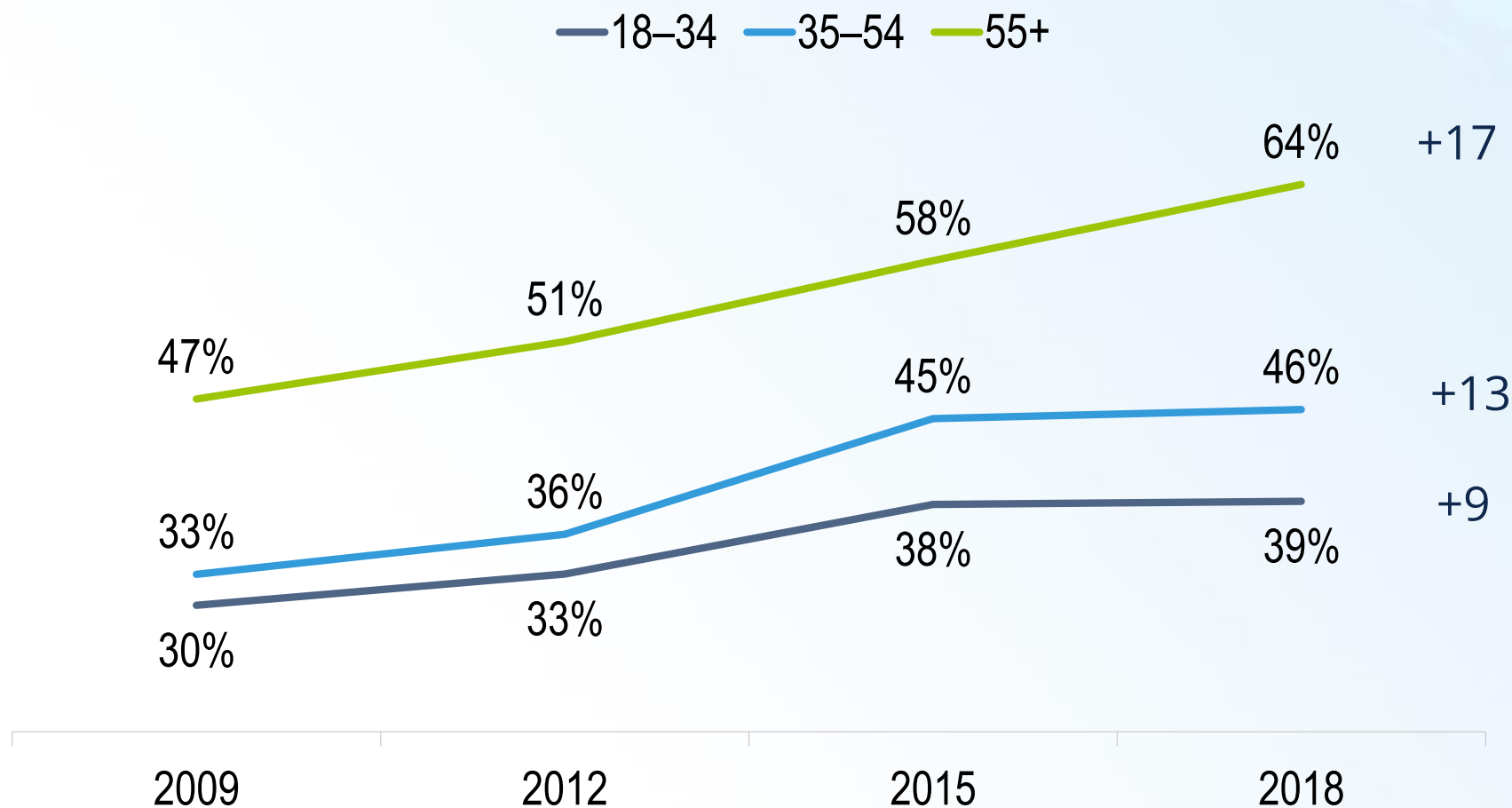
Ability to Make Ends Meet Leveling Off

Have experienced unexpected income drop



Widening Gap by Age

Find it **NOT** difficult covering expenses and paying bills



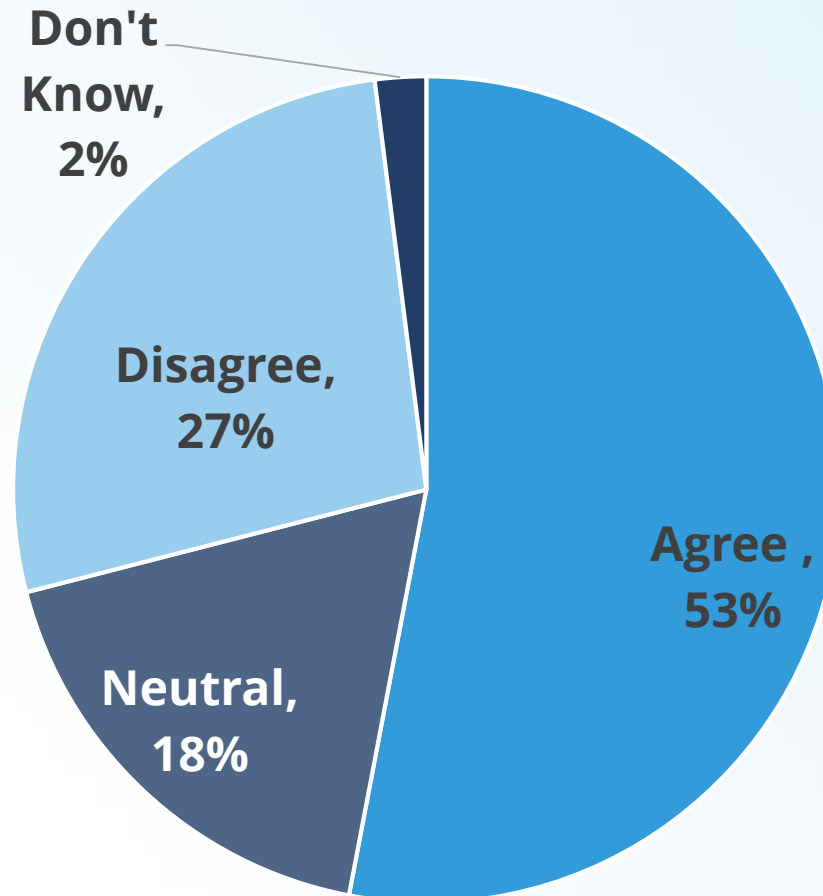
Some Groups Falling Behind

Spend less than income

	2009	2012	2015	2018	Change from 2009 to 2018
White	42%	41%	41%	42%	0%
African-American	40%	39%	36%	34%	-6%
Hispanic	42%	41%	41%	39%	-3%
Asian-American	48%	49%	45%	46%	-2%

Financial Anxiety in America

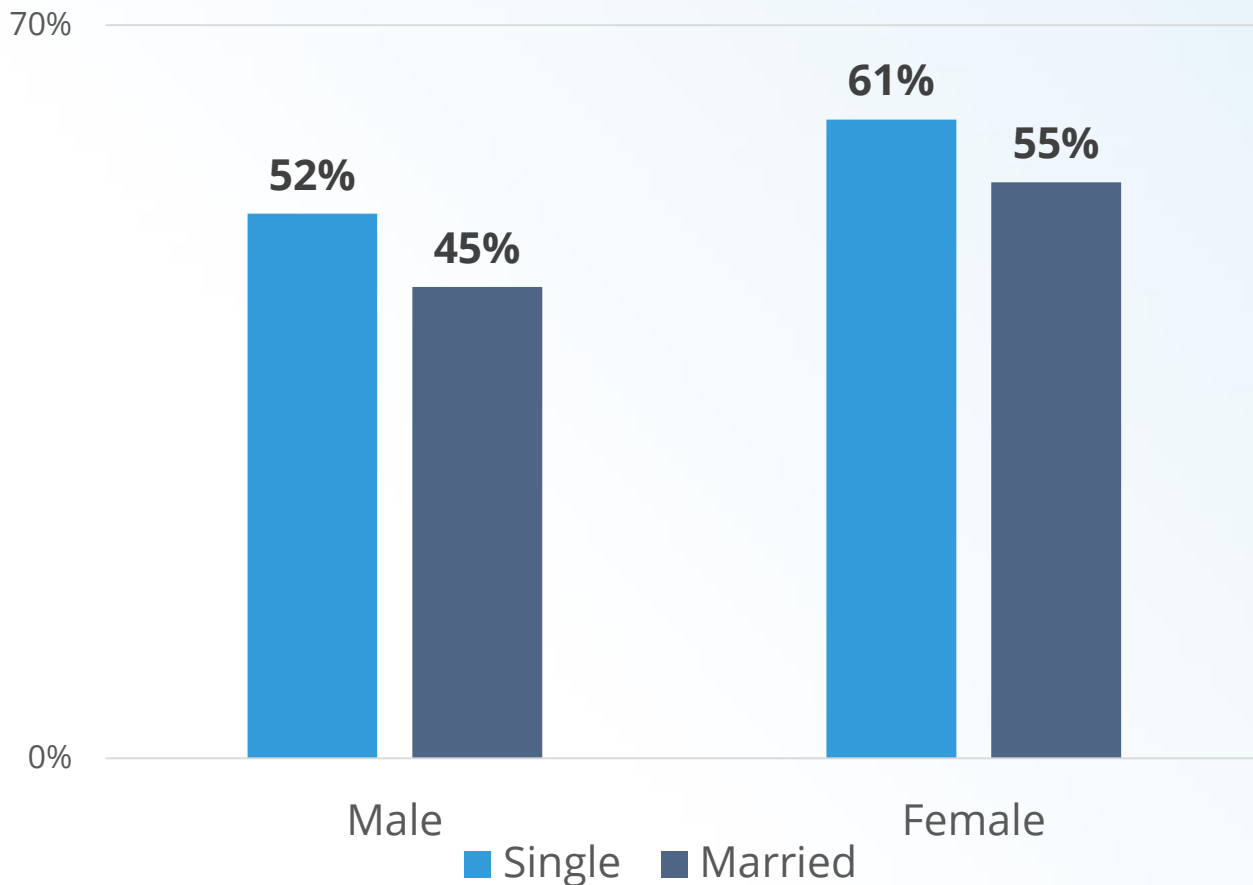
“Thinking about my personal finances can make me feel anxious.”



**Over half
feel anxious**

Gender and Financial Anxiety

“Thinking about my personal finances can make me feel anxious.”



Forever in Your Debt

Among student loan holders with payments due:

42% have been late with payments

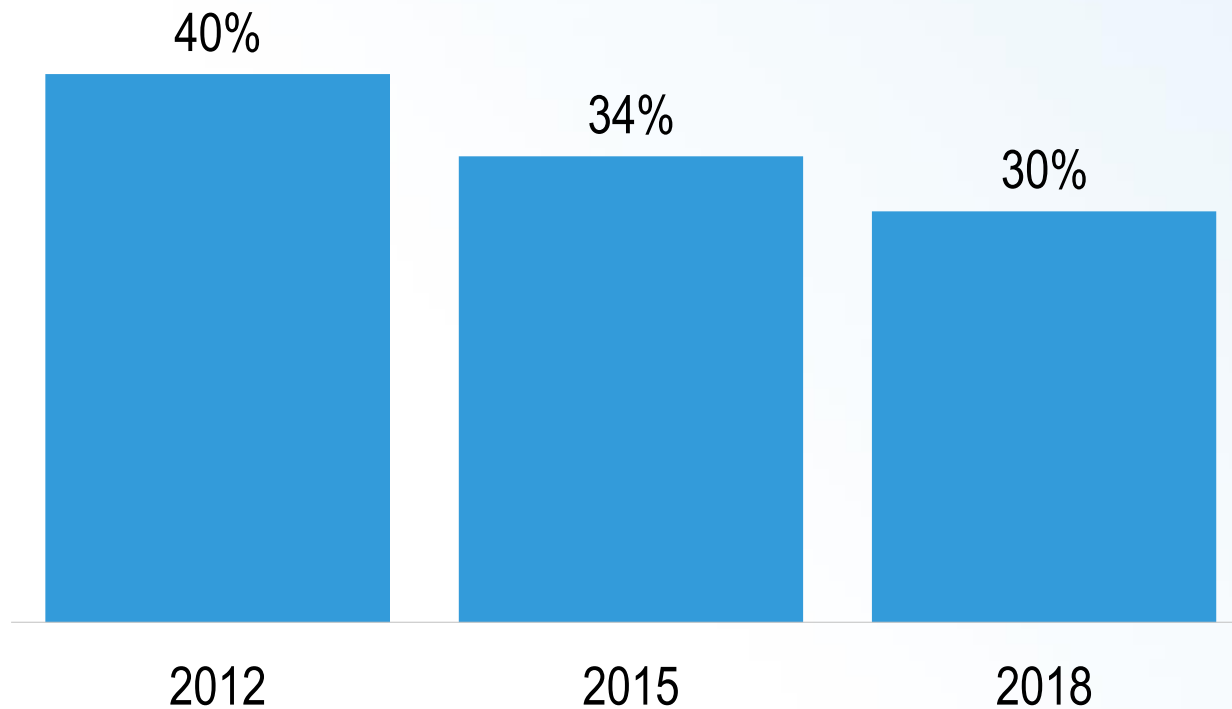
48% are worried they won't be able to pay off their loan

47% wish they had gone to a less expensive school



Financial Fragility

% who probably or definitely could NOT come up with \$2,000 in 30 days in the event of an emergency



Medical Cost Difficulties

Because of cost:

17% did not fill a prescription for medicine

19% skipped recommended medical tests, treatment or follow-up

21% who had a medical problem did not go to a doctor or clinic

	Gender		Age			Income		
	Male	Female	18-34	35-54	55+	<\$25K	\$25-75K	\$75K+
Had medical cost difficulties	26%	32%	41%	32%	17%	36%	32%	21%

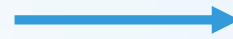
The High Cost of Kids

	Dependent Children	No Dependent Children	Difference
"Thinking about my personal finances can make me feel anxious."	61%	48%	13 Points
Medical Cost Difficulties	38%	25%	13 Points
Worry about Running Out of Money in Retirement	58%	47%	11 Points

Can Americans Save?

Nearly **half** have
emergency
savings

Up sharply since 2009



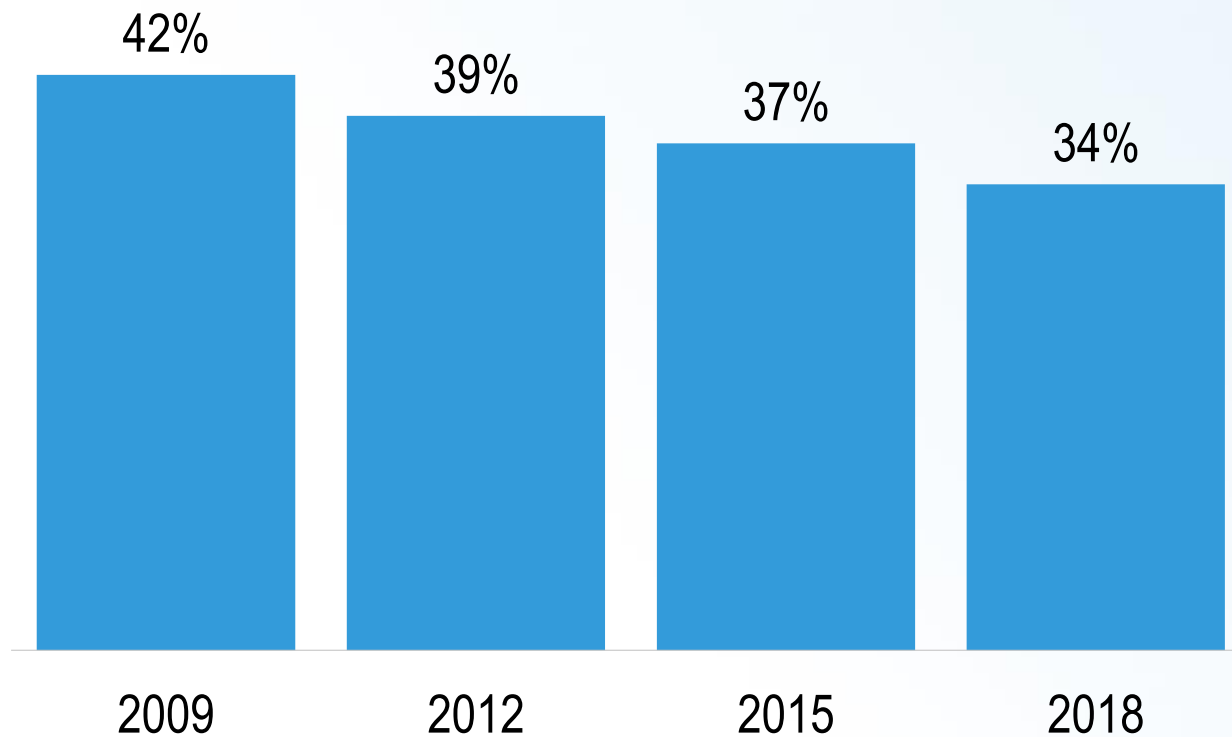
Among those with
incomes below
\$25K the figure falls
to **23%**

Dropped since 2009

About **6 in 10** have retirement savings accounts
Flat since 2009

Falling Financial Literacy

% High Financial Literacy

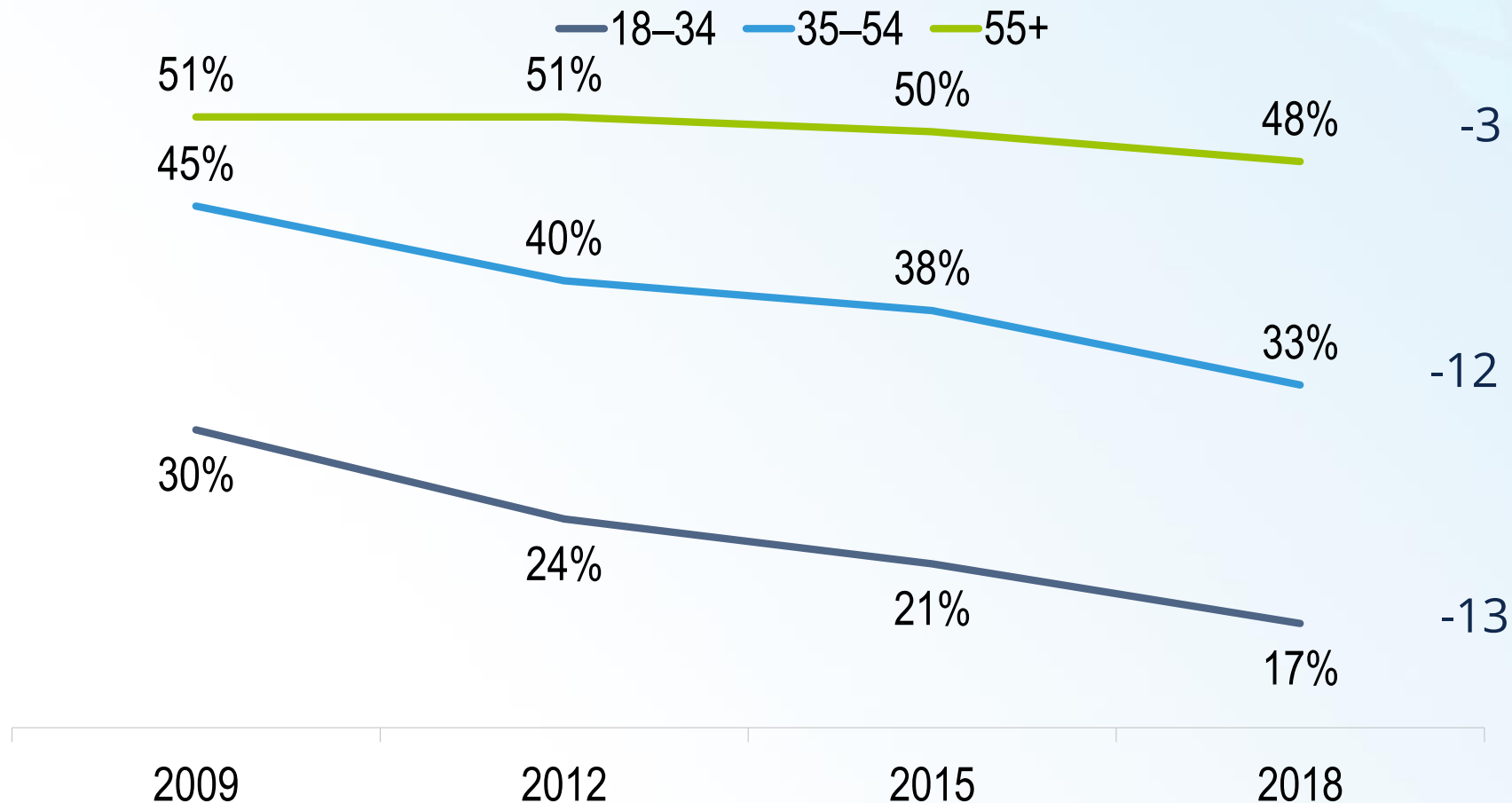


Why is it Falling?



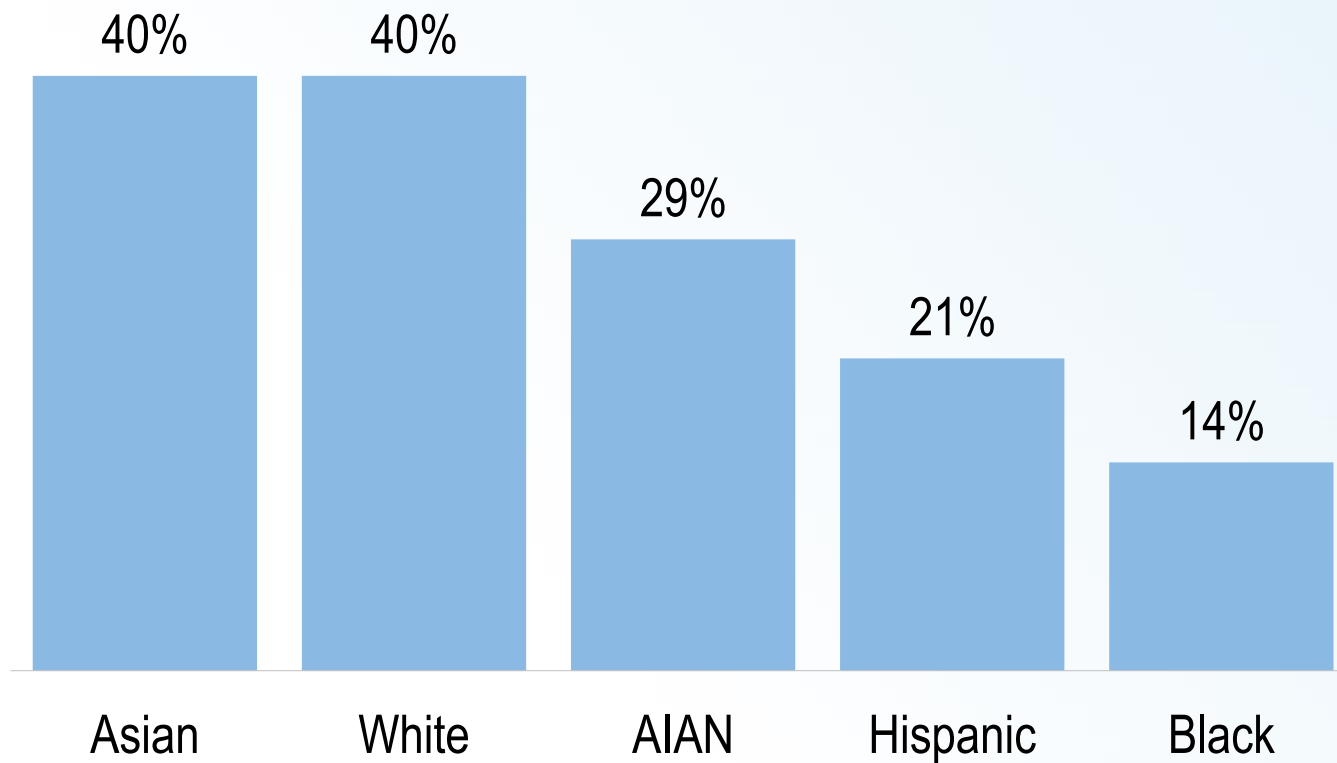
Age Driving Decrease ... in Part

% who answered four or more quiz questions correctly



Financial Literacy by Race

% High Financial Literacy



Large race-based differences in Financial literacy

Gender and Financial Literacy

High financial literacy

Women 26%

Men 42%

Why the gap?

“Don’t know?”

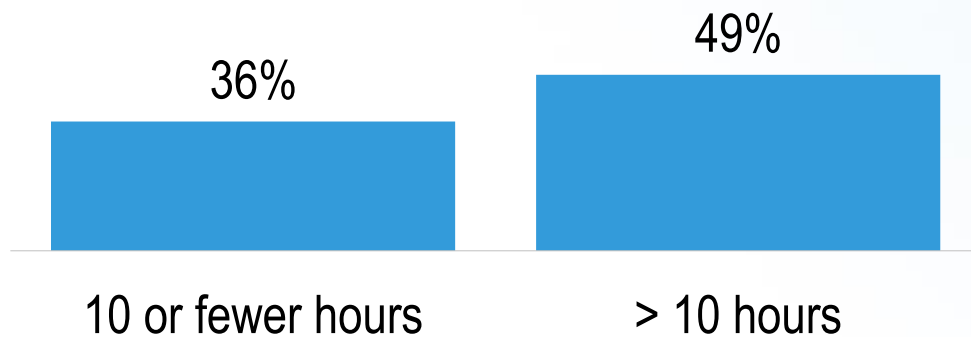


Financial Education

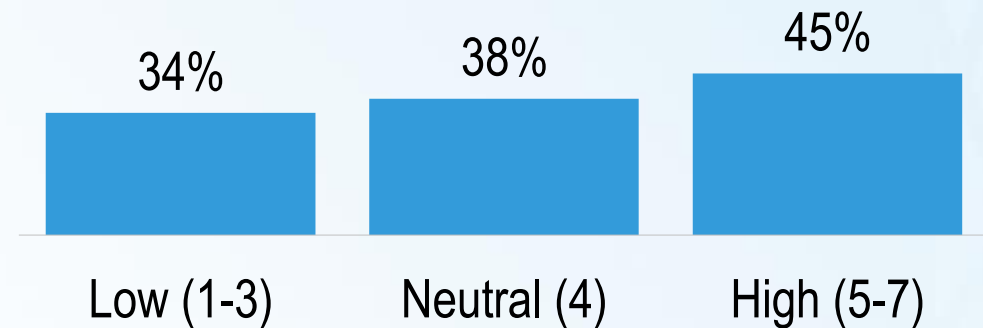
Quantity and Quality Matter

% Spending Less than Their Income

By AMOUNT of financial education



By QUALITY of financial education



Key Takeaways

Financial capability is no longer improving in step with the economy

Financial capability gaps are widening—young & minorities falling behind

1

Financial anxiety is high—particularly among women

Nearly a third of Americans has avoided medical services for cost reasons

Student loans are still a drag

2

Financial literacy is falling, and we're not sure why

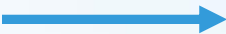
Financial education could help

3



High-Cost Borrowing

- Pawn shop
- Short-term payday loan
- Rent-to-own store
- Auto title loan
- Tax refund advance



29% have used one or more

	Age			Ethnicity				Dependents	
	18-34	35-54	55+	White	Black	Hispanic	Asian	Yes	No
Used one or more	45%	32%	12%	23%	50%	38%	24%	42%	22%

Second Jobs and the Gig Economy

One third of Americans have a second job

17% have taken on a work assignment through Website or app

Large differences by age and race

