



FOUNDATION

August 30, 2021

VIA ELECTRONIC SUBMISSION

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: Special Notice on Investor Education – FINRA Requests Comment on Effective Methods to Educate Newer Investors

Dear Ms. Mitchell:

The SIFMA Foundation for Investor Education (“SIFMA Foundation”)¹ appreciates the opportunity to provide comments on Special Notice on Investor Education (“Notice”)² to help inform and guide the investor education initiatives that the Financial Industry Regulatory Authority (“FINRA”) and the FINRA Investor Education Foundation (“FINRA Foundation”) undertake, especially pertaining to younger, novice investors and people who have yet to participate in investing outside an employer-sponsored retirement plan.

Below, we detail SIFMA Foundation’s own work in the financial and investor education space, followed by responses to certain questions laid out in the Notice. We hope that the unique perspective we bring as a financial education non-profit organization having served millions of students and teachers across the country will help inform the investor education initiatives offered to younger, novice investors as they embark on their investment journey.

I. SIFMA Foundation’s Work in Investor Education

SIFMA Foundation has offered programming aimed at increasing youth financial capability and awareness of the function and benefits of the capital markets for more than 40 years. Through our flagship program, The Stock Market Game™ (“SMG”), and complementary programs, InvestWrite®, Invest It Forward®, and Capitol Hill Challenge™, SIFMA Foundation has provided financial and investor education programming to over 20 million students across the country. While most 4th-12th graders do not yet independently participate in the capital markets, they are the investors of the future. Furthermore, SIFMA Foundation programs have been shown to positively influence the personal financial behavior and

¹ The SIFMA Foundation is an educational non-profit organization dedicated to fostering knowledge and understanding of the financial markets for individuals of all backgrounds, with a focus on youth in underserved communities and students of color. Drawing on the support and expertise of the financial services industry, the SIFMA Foundation provides high-quality financial education programming that strengthens economic opportunity across communities and increases individuals’ access to the benefits of the global marketplace.

² FINRA Special Notice – 6/30/21, <https://www.finra.org/sites/default/files/2021-06/Special-Notice-063021.pdf>.

investment choices made by teachers and adults.³ SIFMA Foundation provides the foundational knowledge, key skills, and hands-on experiential learning needed to help individuals make informed investment decisions for long-term financial success.

We approach our work in the following ways:

1. Starting Early with Investor Education

SIFMA Foundation equips individuals from an early age with the research, critical-thinking and decision-making skills needed to successfully invest, manage risk and plan for their long-term financial future. This is vital to ensuring young, new investors enter the marketplace with the necessary knowledge and skills to make informed decisions in their financial and investment lives. Our programs are offered starting in fourth grade to coincide with the introduction of integral math concepts such as fractions and to encourage adults and educators to participate with even the youngest learners.

2. Interactive, Real-World Experience via Simulated Environment

The core of SMG programming lies in the simulated trading environment where users can experience real-world investing without the use of real money. SMG participants manage a hypothetical \$100,000 portfolio and invest in real stocks, bonds, and mutual funds that are subject to real-time market pricing and volatility. By enabling students to experiment with investing in a safe space that mimics the real marketplace, SMG helps young investors build confidence and develop critical skills in personal finance, economics, and capital markets, and minimizes the barrier of unfamiliarity that often keeps individuals from participating in the markets.

3. Curriculum with a Focus on Risk Management and Long-Term Planning

SMG teaches risk management and long-term planning. In parallel to the simulated trading environment, we offer a comprehensive curriculum that incorporates critical investment concepts such as financial goal-setting, risk management, diversification, asset allocation, long-term planning, and wealth preservation. Students learn not only how to research and select an investment, but also how to manage that investment, in the short and long term, and as part of a broader, diversified portfolio. This allows young investors to better understand and manage the risks associated with investing and equips them with the skills needed to make prudent investment decisions for long-term financial success.

This focus on learning is especially critical now as recent events have shown that novice investors entering the marketplace today trade via non-traditional avenues such as self-directed mobile apps and often invest based on information delivered via

³ https://www.stockmarketgame.org/assets/pdf/2009_Learning_Point_Study_Brief_Report.pdf

social media and personal connections rather than the traditional investment advice provided by financial firms.⁴

4. Program Enhancements that Make Investing Real and Relevant

Through our three additional, complementary programs, SIFMA Foundation brings investing to life and makes it relevant for participants. Through the InvestWrite® national essay competition, students apply the investment knowledge gained from their SMG session to practical, real-life scenarios. Through the Invest It Forward® initiative, financial professionals volunteer to assist classrooms with SMG curriculum by offering real-world insights, breaking down complex concepts, exposing students to the real-world applications of investing, and building pathways to future careers in finance. Through the Capitol Hill Challenge™ (“CHC”) program, students connect investing to civics and learn the role of the capital markets and fiscal policymaking in building our nation’s economy. Moreover, CHC engages every Member of Congress in advancing this learning by matching them to high-needs public middle and high schools in their congressional districts.

5. Focus on the Changing Demographics of Future Young Investors

In line with the broad demographic and social shifts seen today, particularly around race and gender⁵, SIFMA Foundation has increased our focus on reaching more low-income communities and communities of color to provide greater access to high-quality financial education programming that would otherwise not be available. By targeting our programming to high-needs schools and partnering with youth-serving nonprofits that reach a high percentage of students of color, we aim to build financial capability for all young people, regardless of race or socioeconomic background, and to reach communities that traditionally have experienced limited or no participation in the capital markets and that continue to lag in wealth creation and preservation.⁶

II. Response to Questions Laid out in the Notice

Please Note: We answered questions that pertain to SIFMA Foundation’s work as a non-profit financial education organization. We did not provide answers to questions that apply directly to financial services firms.

1. What is the single most neglected area in the field of investor education? How might this area be developed?

The single-most neglected area of investor education is ensuring its broad reach to individuals of all backgrounds and, in particular, underserved communities. Despite an abundance of investor education providers and initiatives, many individuals still lack

⁴ <https://www.aljazeera.com/economy/2021/7/29/robinhood-and-the-rise-of-teenage-stock-investors>

⁵ <https://www.census.gov/newsroom/press-releases/2021/population-changes-nations-diversity.html>

⁶ <https://apnews.com/article/virus-outbreak-race-and-ethnicity-business-us-news-ap-top-news-69fe836e19a8dfe89d73e8e4be6d480c>

access to high-quality investor education. Providing investor education fully and equitably to all audiences, including through place-based interventions such as in schools and community-based organizations is critical. Moreover, ensuring that programming, content, and delivery of investor education is relevant and effectively addressing the distinct realities of all audiences and backgrounds (socioeconomic status, race, gender, age, education level, etc.) is critical to opening the markets to new investors.

The SIFMA Foundation strategically identifies and works with schools in traditionally underserved communities, providing these schools with supplemental resources such as teacher professional development and support, effective and engaging investor education content, and incentives to address their unique needs. Focused recruitment of and reinforced support for teachers in high-needs school districts ensures greater use of our investor education programs in their classrooms. In turn, they are preparing an informed population of future investors by building confidence and increasing readiness to handle the associated risks and reap the potential benefits of the marketplace.

Another neglected area is the timing of investor education. As investment products and services become more readily accessible to young consumers, so must accompanying educational content. Providing investor education to individuals at a young age – ideally as a requirement in elementary, middle, and high school – delivers the greatest benefits when administered long before individuals begin making real-life financial and investing decisions, and then repeated regularly throughout their lives.

We frequently hear from adults when addressing our students, “I wish I had this when I was your age. I would have started managing my money and investing so much earlier.” Many say that they were not exposed to investing until eligible for an employer-sponsored plan or well into adulthood. There are missed opportunities for wealth building, including earning the benefits of compounding, when investor education comes much later in life. Moreover, there are negative financial consequences when novice investors with limited financial knowledge make mistakes that can affect their lives and livelihood. By offering investor education earlier than adulthood, we can ensure that when young investors join the investment community, they have the knowledge, skills, and confidence to successfully navigate the marketplace.

The final neglected area is effective education around risk management. Many investor education programs introduce basic investment concepts but fall short on presenting the entire investment life cycle. By teaching new investors early on not only how to select investments, but also to understand the risks involved with investing and how to mitigate these through strategies such as diversification, asset allocation, and long-term planning, we enable them to join and remain in the marketplace for the long term. Equipped with effective mitigation tools, risk can be managed. Without these tools, risk can have negative financial consequences.

2. Which methods of educating investors have worked best to increase investor knowledge among self-directed retail investors? Please describe the modes and channels used to reach people and the demographic characteristics of the target audience for such efforts. What should be FINRA's role with regard to educating self-directed investors?

- 3. Which education methods have worked best among investors who receive advice from registered financial professionals? Please describe the modes and channels used to reach people and the demographic characteristics of the target audience for such efforts. What should be FINRA's role with regard to educating investors who receive recommendations from registered financial professionals?**
- 4. What types of effective educational interventions have the highest potential to influence the behavior of investors, particularly newer investors? What are the costs of implementing such interventions?**

The SIFMA Foundation's Stock Market Game is a highly effective educational intervention that prepares individuals for real-world investing and positively influences the behavior of novice investors. SMG is also a cost-effective tool, averaging \$10-15 per user, that equips participants with the research and analysis skills needed to make informed investment decisions. SMG has shown that providing individuals at a young age with an interactive, engaging, hands-on investing experience in a safe, simulated trading environment coupled with comprehensive curriculum that teaches critical thinking and informed decision making is an effective way to positively influence the behavior of young, new investors.

Research has shown that when coupled with the safe environment of a real-world trading simulation, experiential learning has the power to not only teach new skills but to positively change behavior.⁷ Individuals learn from their mistakes and apply that learning to avoid repeating those mistakes in the future.⁸ We often hear from students and teachers that The Stock Market Game not only taught them what not to do, but also taught them what to watch out for and how to do it better next time.

In addition, SMG has shown that our approach not only equips young people to be better future investors, but also positively impacts teachers' personal finance behaviour as they apply these concepts to their own investment and retirement planning.⁹ There is also anecdotal evidence that students bring classroom learning home, positively influencing the personal finance behaviour of parents and family members, and introducing them, often for the first time, to saving and investing.

- 5. What metrics do you use to track the results of educational interventions? To what extent do these results change over time?**

As an educational non-profit, the SIFMA Foundation employs both quantitative and qualitative metrics to track the results of our programming. While these metrics do not change drastically year over year, shifts in the education and financial sectors can affect results.

⁷ <https://www.eaglesflight.com/blog/using-experiential-learning-to-change-behavior-improve-performance>

⁸ <https://www.baycrest.org/Baycrest-Pages/News-Media/News/Research/Making-mistakes-while-studying-actually-helps-you>

⁹ https://www.stockmarketgame.org/assets/pdf/2009_Learning_Point_Study_Brief_Report.pdf

Quantitatively, we track program participation via schools, teachers, and students served, including both passive participation (teacher curriculum accessed) and active participation (transactions made in users' simulated investment portfolios). We also employ an equity lens to our metrics by measuring our reach to traditionally underserved communities with high-needs schools as well as estimating the race and gender characteristics of our student population. Given the recent demographic shifts and the clear indication that future young investors are not likely to be of the same age and background as novice investors of the past, we anticipate our impact will continue to evolve accordingly.

In addition, we incorporate qualitative feedback through bi-annual teacher surveys as well as periodic topic-focused feedback initiatives, specifically around ways to meet the needs of our diverse student population. Anecdotally, we also know that the findings of the 2009 randomized controlled trial and national survey of The Stock Market Game¹⁰ generously funded by the FINRA Foundation continue to hold true.

- 6. ~~What experience and evidence of effectiveness can you share regarding the integration of investor education into other types of service delivery (such as workforce development, general financial planning or client cultivation)?~~**
- 7. What lessons have been learned from qualitative or quantitative study of target audiences, input from behavioural science professionals, data analytics or other inputs regarding effective ways to educate investors generally and newer investors specifically?**

Through SIFMA Foundation's work in youth financial education and partnership with other financial education partners such as the FINRA Foundation, we have garnered a few key lessons regarding effective ways to engage newer investors:

- a. Lay the groundwork for investor education early so that financial skills become engrained and can inform future decision making
- b. Ensure that investor education reaches all communities, especially those traditionally left out of the capital markets
- c. Emphasize the relevance of investing and why it is important to an individual, focusing on financial security and building wealth for the future
- d. Begin with the basics (i.e. asset definitions, compound interest, fundamentals) before introducing complex concepts (i.e. risk, diversification, technical), but ensure that the full spectrum of investment concepts is covered
- e. Ensure investors are equipped with the necessary knowledge and decision-making skills before making consequential real-life choices

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https://www.stockmarketgame.org/assets/pdf/2009_Learning_Point_Study_Brief_Report.pdf

- f. Provide education and resources on how and where to invest (i.e. self-directed accounts, workplace plans, financial advisors)
 - g. Ensure continuity of investor education throughout life stages, aligning lessons and concepts with experiences at each stage in life
 - h. Incorporate behavioral economics into products and services in order to motivate positive investment behavior (i.e., offer incentives for completing investor education training before making an initial investment)
 - i. Tailor investor education content to the intended audience (i.e. across life stages, socioeconomic status, race, gender, age, education level, etc.) and ensure investor education resources and materials are culturally sensitive, accounting for individuals' unique circumstances
 - j. When working with youth, make learning fun, interactive, and real-world
- 8. Does simulated trading help educate investors or potential investors about different aspects of investing, such as risk, diversification, costs, and performance?**

Yes – when coupled with curriculum, simulated trading is a highly effective way to educate investors and potential investors. The ongoing success of SMG is an excellent example as the program's primary focus is simulated trading combined with comprehensive curriculum. The educational lessons are teacher-facilitated or student self-directed and include essential investment topics such as financial goal setting, risk management, diversification, asset allocation, and long-term planning and wealth preservation; but the true effectiveness of engaging youth and future investors in this learning process is in their tangible experience of the dynamism of the real capital markets via simulated trading.

Furthermore, to provide participants with the opportunity to apply research, analysis, and critical thinking to their investment choices, SMG provides this experiential learning not in simulated time (i.e., 50 years of history simulated into one year), but rather in real time with students investing in the live marketplace and portfolios subject to the same current events, economic factors, market dynamics, and price fluctuations as users would experience in their real investment portfolios.

- 9. ~~For broker-dealers and other financial services firms that offer investor education resources through mobile apps or websites, what has been your experience regarding customer usage of the tools and information you offer? Which platforms and modalities have the highest utilization? Which have been most effective? Have you measured changes in investor knowledge? If so, how and with what results?~~**

10. How might FINRA and the FINRA Foundation best serve the field of investor education?

Having worked closely in the past with FINRA and the FINRA Foundation on several investor education initiatives, we know much has already been done to advance the field as well as to increase awareness of and education around the benefits of the capital markets and the role investing plays in helping individuals reach retirement and life-long financial goals. Our recommendations for continuation of this work are:

- a. Invest in youth financial education through existing and new partnerships with financial and investor education providers, with a specific focus on equity and access for those communities traditionally left out of the capital markets
- b. Commission, lead, and promulgate research around the need for and benefits of early investor education, especially in elementary, middle, and high schools
- c. Advocate for financial legislation that encourages K-12 schools to require financial and investor education in the curriculum to equip the next generation of new investors with the knowledge and skills needed to successfully navigate the marketplace in service of short and long-term financial goals
- d. Support the financial services industry in educating new investors in the benefits of the capital markets for long-term wealth building as well as learning effective risk management tools and strategies to make informed investment decisions that ensure future wealth preservation and successful achievement of individual financial goals

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The market events of the past year coupled with the unprecedented changes brought on by the global pandemic underscore the need to provide investor education to all individuals to ensure equal access to the capital markets and opportunities for long-term financial independence. The SIFMA Foundation has been dedicated to this endeavour for more than 40 years and continues to work tirelessly to advance financial capability for all young people through investor education. We are pleased to provide our thoughts on ways to expand and improve investor education initiatives and look forward to working with FINRA and the FINRA Foundation in advancing this important goal.

Thank you for considering our comments, and please contact me with any questions.

Respectfully submitted,



Melanie Mortimer
President, SIFMA Foundation