

**Statement of the Honorable Susan Molinari
Chairman, Americans for Consumer
Education and Competition**

House Financial Services Committee

April 20, 2005

Chairman Oxley, Ranking Member Frank, members of the Committee, my name is Susan Molinari. I am the national Chairman of Americans for Consumer Education and Competition (ACEC), an organization dedicated to improving the financial literacy of young people and to educating consumers about their rights and choices in a free market. ACEC has the financial support of VISA USA and working partnerships with national organizations that share our goals. Thank you for the opportunity to submit this statement.

ACEC was created in response to a national survey that found that 81% of adults wanted solid, personal finance courses taught in their children's schools. The same survey indicated that less than 1 in every 5 adults believed their children's schools were adequately teaching personal money management skills. As we found out in most of our surveys, adults themselves were not highly literate in financial management issues and therefore, not prepared to pass on to their own children personal money skills.

Currently, young adults are the fastest growing and largest category of bankruptcies in the United States and as we will hear today, America's savings rate remains in the low single digits. Planning for expenses like college tuition and long-term care expenses is something far too many Americans are not doing. Budgeting now for retirement later is too often not a part of financial planning during our most productive and higher-earning years.

I applaud you for holding this hearing that very accurately brings financial literacy into the fold as Congress debates Social Security reform. Financial literacy forms the foundation that supports such American dreams as home ownership and a secure retirement. Sound financial skills are crucial to avoiding the pitfalls that result in many of our citizens – particularly young ones – getting into financial trouble. Quite simply,

being financially literate is essential to controlling, rather than being controlled by one's financial circumstances throughout life. And, as Federal Reserve Board officials have pointed out, mastery of these financial ABC's by consumers is essential to the smooth and efficient functioning of our free market economy.

It is evident from this hearing that our federal government and this administration is taking a leadership role along with the financial literacy community in the mission to educate Americans, including many young Americans, of whom will be leading this country in the future, on how to responsibly manage finances and make sound fiscal decisions with their own money. We live in a society where more than half of our households live paycheck to paycheck and have not saved enough for retirement. Our younger generations need to chart a new financial course that prepares them for a more secure future.

ACEC will soon expand its website to include a section on smart financial planning for retirement. Our site could support a "retirement calculator" that permits users to enter some key variables like age and monthly savings so they can determine what kind of nest egg they could expect to accumulate by retirement. Often, even the most financially knowledgeable people are surprised to learn how much of a difference a small increase in savings can make, when compounded over decades.

The bottom line is that we can all learn, Mr. Chairman, from what we hear today by members of the committee and the distinguished panelists. Reforming Social Security is a monumental endeavor. The financial literacy community is encouraged that Congress is including money management education in the discourse on this important public policy. It is a vital piece of the framework.

ACEC pledges to continue to work with Congress and the administration on financial literacy initiatives. Raising awareness in our children and young adult consumers of financial literacy will yield great dividends and prevent us from borrowing on their future. Government, both state and federal, plays a key role in keeping this commitment.

Thank you, Mr. Chairman and members of the committee.

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