

Make Financial Literacy a Top Priority



by JoAnn Johnson,
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How can we emphasize personal finance values in our children when adults establish bad spending habits?

As part of the National Credit Union Administration's (NCUA) Access Across America initiative, we continue to encourage credit unions to develop financial education programs that instill the values of having a solid financial foundation.

Recently, I was appointed to serve on the Financial Literacy and Education Commission established as a part of the Fair and Accurate Credit Transactions Act of 2003 (FACT Act), signed into law by President Bush to promote financial education and improve the financial literacy of all Americans. And, as chairman of NCUA I have made promoting financial education one of my top priorities.

Historically credit unions have led the financial education movement by empowering their membership with the tools necessary to make informed decisions and realize their American Dream. This is not a new challenge for credit unions.

However, millions of people in the United States are outside the financial mainstream and lack the tools necessary to make good financial choices. We often think of the so-called "unbanked," who often are immigrants or minorities with low to moderate incomes, as the segment of society that needs financial education. But we also recognize the growing need among many higher income individuals who maintain a routine of living paycheck-to-paycheck. Because they may lack a basic understanding of how money works in our society and the tools necessary to save and manage money, they are deprived of financial independence.

The benefits of financial education extend beyond the individual. It fosters stability in families and communities. Studies show that the better educated people

are about financial choices, the more likely they are to increase savings, become homeowners, and improve their financial position.

While educating young people is the key to building a lifetime of great habits, adults need to develop a firm understanding of the consequences of poor and uninformed decisions. Financial illiteracy has become a national epidemic—personal debt and bankruptcy are at an all time high. How can we instill personal finance values in our children when adults establish bad spending habits?

This is where I challenge the credit union industry to continue educating its members and developing innovative programs to combat financial illiteracy. This supplement details a wealth of resources from Credit Union National Association (CUNA) and other providers to further the cause of financial literacy. Finally, I especially encourage low-income designated credit unions to consider developing financial education programs and accessing the technical assistance grants NCUA has available for such efforts. Grants available through NCUA may provide the added resources to develop or enhance an innovative program for financial education.

"People helping people" has long been the credit union motto. As such, it is a recognized duty to provide the financial education to America's credit union members and communities that offers a foundation for a lifetime and achieving financial self-sufficiency.