

Copyright 2012 Crain Communications  
All Rights Reserved



July 9, 2012

**SECTION:** Pg. 5 Vol. 16

**LENGTH:** 951 words

**HEADLINE:** Financial literacy in focus as industry awaits SEC study

**BYLINE:** Mark Schoeff Jr.; [mschoeff@investmentnews.com](mailto:mschoeff@investmentnews.com)

**BODY:**

The Securities and Exchange Commission will weigh in soon on the state of financial literacy, highlighting a topic that is near and dear to advisers' hearts.

Under the Dodd-Frank law, the SEC must submit a report to Congress by July 21 outlining the most important information that retail investors should have before hiring advisers and purchasing financial products. The report also will address the efficacy of disclosures and investor education programs.

Savvier investors certainly would make better clients, according to **John Riley**, president of **Cornerstone** Investment Services LLC, who said that investors too often are swayed by the recommendations of television pundits and other cacophony surrounding the markets.

"They need to sort through what's baloney and what's a real story," he said.

"They have to sort through the [CNBC commentator Jim] Cramers of the world. You can't believe the number of people who see that as their source of investment knowledge."

Investors need to build their own foundation of financial knowledge, Mr. Riley said.

"Somebody who's well-grounded in the fundamentals understands what the long-term [value] of the market is," he said. "They're not going to be blown around by the market noise."

**LACK OF UNDERSTANDING**

An investment adviser in Texas saw a glaring lack of financial literacy when he looked across the parking lot of the Brooke Army Medical Center, where he served for three years as a casualty assistance liaison.

Craig Coker, who did tours of duty in Afghanistan and Iraq, and is now president of Coker Wealth Management LLC, worked with wounded soldiers at the medical facility who had received up to \$100,000 in traumatic-injury insurance.

"You would see brand-new \$60,000 cars sitting out there that couldn't be driven because [the soldiers] couldn't afford the insurance. I was really shocked," Mr. Coker said.

"Some of these kids had bachelor's degrees, and some had master's degrees," and yet "they knew so little about finance," he said.

Financial missteps aren't just youthful stumbles. Doctors and lawyers are just as likely to have a limited grasp on how to manage their money.

The general lack of understanding about the markets - as well as mortgages and debt in general - helped contribute to the financial crisis of 2008, according to experts.

"Other than world hunger, financial literacy is probably the greatest topic of our time," Paul Auslander, chairman and chief executive of American Financial Advisors Inc. and president of the Financial Planning Association, said in an interview in April when he was in Washington to participate in a financial literacy awareness day on Capitol Hill.

Under Mr. Auslander, the FPA has made financial literacy a priority.

"People making good money are making foolish decisions about their money because they're financially illiterate," he said.

#### POTENTIAL LEGISLATION

Both the Bush and Obama administrations have sponsored financial literacy councils comprising representatives from the public and private sectors. In May, the White House hosted the Summit on Financial Capability and Empowerment, at which it announced public-private partnerships designed to promote financial education.

The Financial Services Roundtable is trying to generate interest on Capitol Hill in a bill that would be the "unifying piece of legislation" to build the foundation for financial literacy.

Among the important elements: an annual study by the Government Accountability Office of each state's K-12 financial education programs, requiring financial education before students can take out school loans and before consumers can sign mortgages, and allowing parents to establish retirement savings accounts for their children when they are born.

The FSR, which represents 100 large financial services companies, said that it has received interest from about 10 members of Congress from both parties.

"Everybody agrees on the goal of strengthening the level of financial education in America," said Scott Talbott, senior vice president for government affairs.

#### BREAKING THROUGH

The issue is finally breaking through at the political level, Mr. Auslander said.

"Five years ago, they couldn't spell 'financial literacy.' Now they want to know more about it," he added.

Although the spirit is willing, the budgets are often weak at the state level, making it difficult for legislatures to fund K-12 initiatives.

"Interest in financial education has been gaining rapidly, but we're not seeing a lot of new programs because of lack of resources," said Laura Levine, president of the Jump\$tart Coalition, which aims to improve financial literacy.

"We've made great strides," she said. "We're still not reaching all the kids and we're not reaching them early enough or often enough."

Financial advisers can be a key source of financial literacy education that parents can impart to their children, Ms. Levine said.

"Parents are still the principal source for kids for their financial information," Ms. Levine said.

Some financial companies are contributing to financial literacy efforts directly.

In May, The Vanguard Group Inc. rolled out My Classroom Economy, a program offered for free to teachers to help instruct K-12 students about money management.

Last month, Allianz Life Insurance Co. of North America awarded \$475,000 in financial literacy grants to organizations in the Minneapolis-St. Paul area.

Solid financial understanding is as important to daily life as military training is for someone going off to war, according to Mr. Coker.

"It's like basic combat skills," he said.

"Anything you can teach them enhances their survivability," Mr. Coker said. "Life is like a combat zone: You're getting things thrown at you every day."

Twitter: @markschoeff

**LOAD-DATE:** July 12, 2012

Source: [News & Business > Combined Sources > English Language News \(Beyond Two Years\)](#) 

Terms: **"John Riley" cornerstone** ([Suggest Terms for My Search](#))

View: Full

Date/Time: Wednesday, October 15, 2014 - 11:26 AM EDT