

**Recommendation of the Investor as Purchaser Subcommittee of the SEC Investor  
Advisory Committee regarding  
Financial Literacy and Investor Education**

## **Introduction**

In an evolving financial landscape where more Americans than ever are investing in the securities markets, educating investors with the knowledge to make informed and rational investment decisions is paramount. Investors with limited knowledge may be vulnerable to selecting inappropriate investments and to predatory issuers of securities and illusory securities. Well-informed and educated investors are better equipped to navigate the complexities of the securities markets, understand the benefits and risks associated with various investment products, and discern between legitimate opportunities and fraudulent activities. Education serves as a shield against fraudulent schemes and misconduct, empowering investors to recognize and avoid potential pitfalls.

## **Background Discussion**

The number of Americans who own stocks has never been higher. About 58% of U.S. households owned stocks in 2022, according to the Federal Reserve's 2023 Consumer Finance Survey.<sup>1</sup> This is up from 53% in 2019 and marks the highest household stock-ownership rate recorded in the triennial survey.<sup>2</sup>

As the number of new investors continues to grow, limited investor knowledge and financial illiteracy create new challenges. Moreover, there is a new generation of younger investors entering the market with substantially different investment behaviors and attitudes than older generations.<sup>3</sup> The Financial Industry Regulatory Authority (FINRA) Investor Education Foundation's recent survey, "Investors in the United States: The Changing Landscape," found:

- Investors of color are entering the market at a faster pace than white investors.

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<sup>1</sup> Board of Governors of the Federal Reserve System, *Changes in U.S. Family Finances from 2019-2022 Evidence from the Survey of Consumer Finances* (October 2023), at 19, available at <https://www.federalreserve.gov/publications/files/scf23.pdf>.

<sup>2</sup> *Id.* (This cohort includes families holding individual shares directly and those owning stocks indirectly through funds, other managed assets, or retirement accounts.).

<sup>3</sup> FINRA Investor Education Foundation, *Investors in the United States: The Changing Landscape, A Report of the FINRA Foundation National Financial Capability Study* (January 2024), available at <https://www.finrafoundation.org/sites/finrafoundation/files/investors-of-color-in-the-us.pdf>. Page 1 of the Report notes: "Findings are based on analyses of data from the 2021 NFCS Investor Survey coupled with a series of focus groups conducted with young Black/African American, Hispanic/Latino, and Asian American/Pacific Islander investors in March 2023. In both the survey and focus groups, respondents were required to have securities investments held in non-retirement accounts (that is, outside of retirement accounts such as 401(k)s and IRAs)."

- Investors of color, particularly Black/African American and Hispanic/Latino investors, tend to be much younger than white investors.
- Investors of color, therefore, exhibit many of the same behaviors typical of younger investors, such as reliance on social media for investment information and trading risky investments like cryptocurrencies and so-called meme stocks.
- Many participants reported that investing is not common in their communities, as preceding generations did not invest due to socio-economic status (insufficient money) driven in part by historical policies that limit opportunities, or generational status (recent immigrants with little knowledge of the financial system), or both. Thus, they have had to teach themselves how to invest, or seek the help of colleagues (often white) with more investment knowledge and investment experience.<sup>4</sup>

The lack of investor education is not limited to new or younger investors; it also affects each generation, including older Americans. Recent survey research from the TIAA Institute and the Global Financial Literacy Excellence Center (GFLEC) found that retirement fluency (i.e., knowledge that promotes financial well-being in retirement) needs attention, with baby boomers and silent generation respondents able to answer only half of the questions correctly.<sup>5</sup> These people are nearing or already in retirement. This is especially concerning given the need for older investors to understand how to stretch their savings over a longer lifespan. All of this culminates in the need for quality investor education, often best provided in real time, to ensure lifetime financial security.

Comprehensive and consistent access to investor education is lacking at all life stages and uneven in different communities, limiting investors' ability to make sound and appropriate investment decisions based on their financial goals and life stages and protect themselves from fraud and misconduct. Exposing all high school students to a course in personal finance would ensure the greatest distribution of financial literacy; however, to date, only 25 states require high school students to take a personal finance course.<sup>6</sup> Beyond high school, access to investor education in college and beyond is a matter of chance and personal initiative. Financial services firms are not required to provide such resources. Nor are employers. Although personal money management concepts can be taught within families, there are communities where insufficient knowledge of such concepts limits the ability of certain communities to invest and grow wealth.

While investor education resources are available from governmental and nongovernmental organizations, unless people take it upon themselves to seek out investor education, it is uncertain they will receive it, and meaningful access to investor education is uneven at best.

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<sup>4</sup> *Id.*

<sup>5</sup> See The 2024 TIAA Institute-GFLEC Personal Finance Index, Data Brief, at 2, available at [https://gflec.org/wp-content/uploads/2024/04/TIAA\\_GFELC\\_FluencySummary\\_08.pdf](https://gflec.org/wp-content/uploads/2024/04/TIAA_GFELC_FluencySummary_08.pdf).

<sup>6</sup> See Next Gen Personal Finance, Live U.S. Dashboard: Guarantee States, available at <https://www.ngpf.org/live-us-dashboard/>.

On December 7, 2023, the Investor Advisory Committee held a panel discussion regarding practical applications for enhancing financial literacy, involving experts who confirmed the need for more accessible investor education for various life stages.<sup>7</sup>

The SEC has a key role to play in advancing financial literacy through investor education, as part of its investor protection mission. Specifically, the SEC’s mission, in part, is to protect investors by “provid[ing] resources to help [them] evaluate their investment choices and protect themselves against fraud.”<sup>8</sup> The SEC has taken commendable steps to promote financial literacy through its Office of Investor Education and Advocacy (OIEA), which provides a wealth of investor education resources. We encourage the SEC to expand its investor education efforts to address the evolving needs of the public in an increasingly complex financial environment.

We believe the SEC is uniquely positioned to assist in this effort.

## **Recommendations**

In this context, we propose the following recommendations, which aim to bolster investor education and improve financial literacy in the United States.

### **1. Seek to Increase Funding and Staffing for Investor Education at the SEC**

We recommend that the SEC seek a substantial increase in financial resources in order to be able to dedicate significant additional human resources to investor education. The Office of Investor Education and Advocacy (OIEA) is the SEC office dedicated to this crucial part of the SEC’s mission. Of the over 4500 SEC staff, OIEA has 45 positions. However, this total includes the staff that manage all of OIEA’s duties, including investor assistance, maintaining Investor.gov, creating Investor Alerts and Investor Bulletins, public investor education outreach, as well as management and administrative functions. We recommend increasing the number of staff dedicated to investor education and advocacy, as well as increasing the resources available to these employees.

Financial literacy impacts the well-being of individuals, families, and the American economy as a whole. Money spent on investor education today should pay future dividends in lower costs to the federal government and the industry, including potential costs associated with SEC

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<sup>7</sup> Our panelists included: Dr. Annamaria Lusardi, PhD, Senior Fellow, Stanford Institute for Economic Policy Research (SIEPR), Director of the Financial Freedom Initiative, a collaboration between SIEPR, the Graduate School of Business, and the Economics Department at Stanford University; Tim Ranzetta, Co-Founder, Next Gen Personal Finance; Dr. Inger Daniels-Hollar, PhD, Assistant Professor of Finance, School of Business and Industry, Florida A&M University; Gerri M. Walsh, President, Financial Industry Regulatory Authority (FINRA) Investor Education Foundation; Senior Vice President, Investor Education; Gary Tidwell, Consultant, International Organization of Securities Commissions (IOSCO). Links to their presentations are available at <https://www.sec.gov/advocate/iac120723-agenda>. We thank them for their contributions.

<sup>8</sup> The SEC’s mission statement is available on the SEC’s website at <https://www.sec.gov/about/mission>.

enforcement activities and other actions to remedy inappropriate and fraudulent actions in the market.<sup>9</sup>

Moreover, personal finance courses provide compounding returns to those who have the benefit of taking them. A 2024 report by Tyton Partners in collaboration with Next Gen Personal Finance found that just one high school personal finance course benefits students by an average of \$100,000 each over their lifetimes.<sup>10</sup> Such courses lead to better credit scores, reduced insurance costs, lower borrowing costs, and increased retirement assets.<sup>11</sup>

Finally, we reemphasize the IAC's prior recommendations (dated June 9, 2022 and March 8, 2018) regarding financial support for law school clinics that support investors.<sup>12</sup> These recommendations highlighted the important role the clinics play in the protection of retail investors, in part through their investor education efforts.<sup>13</sup>

## 2. Amplify the Availability and Usefulness of SEC Investor Education Materials

We recommend that the SEC increase awareness of the OIEA's existing excellent content and make these resources more easily accessible and user friendly to Main Street investors. This will enable them to turn to the SEC as a source for investor education, which may help them avoid serious financial mistakes. Lack of awareness means retail investors may seek unreliable sources for information and instruction or make financial decisions without consulting any resources at all.

The SEC website (including Investor.gov) and other SEC educational materials contain reliable and helpful information, including investor alerts and information about investment products and fees. Broad publication of these resources through various media outlets would increase the number of retail investors turning to the SEC when they have a question about investing, rather than or in addition to turning to industry or influencer websites or apps that may appear more exciting or user-friendly but whose missions do not include investor protection.

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<sup>9</sup> See, generally, Olivia S. Mitchell, and Annamaria Lusardi, *Financial Literacy and Economic Outcomes: Evidence and Policy Implications*, J. Retire. 2015 Summer; 3(1): 107-114 (2015), at pages 7-8, available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5445906/>; Olivia S. Mitchell and Annamaria Lusardi, *The Importance of Financial Literacy: Opening a New Field*, National Bureau of Economic Research (NBER) Working Paper Series (April 2023), at pages 16, 18, available at [https://www.nber.org/system/files/working\\_papers/w31145/w31145.pdf](https://www.nber.org/system/files/working_papers/w31145/w31145.pdf); Tyton Partners, *Investing in Tomorrow: Lifetime Value of Financial Education in High School* (February 7, 2024), at 11, available at <https://tytonpartners.com/investing-in-tomorrow-2024/>.

<sup>10</sup> Tyton Partners, *Investing in Tomorrow: Lifetime Value of Financial Education in High School* (February 7, 2024), at 8, available at <https://tytonpartners.com/investing-in-tomorrow-2024/>.

<sup>11</sup> *Id.* at 9.

<sup>12</sup> These recommendations are available on the SEC IAC's webpage at <https://www.sec.gov/spotlight/investor-advisory-committee-2012/20220609-investor-clinic-recommendation.pdf> and <https://www.sec.gov/spotlight/investor-advisory-committee-2012/law-clinics-recommendation.pdf>.

<sup>13</sup> SEC IAC Members Elissa Germaine and Christine Lazaro are affiliated with law school clinics.

We recommend making Investor.gov an interactive and user-friendly app available on all platforms, as well as incorporating some of these interactive learning features on the website itself.<sup>14</sup> As discussed further below, we also recommend that the SEC require the industry to bring attention to and provide access to this SEC content.

The SEC should employ public service campaigns that emphasize, among other things, the importance of financial literacy, awareness of common errors in decision making, and care in choosing sources of financial advice. These campaigns can leverage various media outlets, including television, radio, streaming platforms and print and social media, to reach a broad and diverse audience. These campaigns should be life-stage tailored and include an emphasis on connecting with near and current retirees, who may be engaged on different platforms than younger investors. According to our panelists, some of the best, most effective messages are case studies and personal testimonies. Such narratives serve to demonstrate how financial literacy is essential for everyone and can empower anyone. The SEC should remain vigilant in the social media space and find ways to amplify its warnings about frauds and scams.

These campaigns can serve as a counterweight to the many “finfluencers” operating on social media. Thirty-four percent of Gen Z is learning about personal finance from social media.<sup>15</sup> Currently, there are millions of viewers of influencer-produced content, but only thousands for the SEC’s HoweyTrade program on Investor.gov.<sup>16</sup> The SEC should consider engaging celebrity “finfluencers” of its own for this purpose. We have seen the (mostly negative) impact that celebrities and other influencers can have on investors and their decision making. If celebrities and professional athletes can tout questionable securities, why not harness their influence for good? Consider celebrities who might serve as SEC spokespeople to get the message out and identify influencers who appeal to different ages of investors. Possibilities include actors, professional athletes, and/or beloved characters from books, television, movies, or other social media avenues. Additionally, the SEC should cultivate new or expanded partnerships with organizations for outreach events that can better reach investors at different life stages.

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<sup>14</sup> One example of an interactive, multi-modality, educational website is OCC Learning, available at <https://www.optionseducation.org/theoptionseducationcenter/occ-learning>. OCC Learning characterizes itself as “a self-guided eLearning destination to provide practical options education for a variety of learning styles and experience levels.” The OCC Learning website notes that the “OCC [Options Clearing Corporation], the world’s largest equity derivatives clearing organization, is committed to providing thought leadership and education to market participants and the public about the prudent use of all OCC-cleared products. One of the ways that OCC supports its mission is through the programs and services of The Options Industry Council (OIC).”

<sup>15</sup> Tim Ranzetta, Next Gen Personal Finance, *Practical Applications for Financial Literacy* (SEC IAC panel presentation on December 7, 2023), at page 8 (citing *Go Banking Rates Gen Z Survey*), available at <https://www.sec.gov/files/spotlight/iac/sec-iac-presentation-ranzetta-120723.pdf>.

<sup>16</sup> *Id.* at 20.

Consider an SEC mascot to spread the word and share educational resources on social media. The SEC could even have a contest to pick this new mascot. A new mascot could get involved in public discourse on social media, in schools, and in other arenas. This could be tied to a public service campaign.

To determine how to best meet the needs of various age and other demographic groups to make informed and appropriate investor decisions, we recommend the SEC establish focus groups to assess investor education levels and needs, as necessary. These focus groups could be held by each of the eleven SEC regional offices to capture different needs across the country, with the data acquired rolled back up to SEC headquarters.

In addition, the SEC Commissioners and staff can help to amplify the importance of investor education and the availability of these resources whenever they are engaged in public speaking, writing, and social media communications. In addition, to further increase visibility and public awareness, the SEC should make Investor.gov and other SEC or partner resources a prominent part of communications with the public and press releases of public interest. The SEC should continue to take advantage of opportunities to partner on investor education events and resources with NASAA and the FINRA Investor Education Foundation.

### **3. Support Efforts to Prioritize High School Financial Literacy Courses**

Teaching financial literacy in high schools is one of the keys to creating educated investors with the ability to make sound financial and investment decisions in communities and across generations. However, only 25 states currently require financial literacy education as a graduation requirement.<sup>17</sup>

As a member of the Financial Literacy and Education Commission (FLEC), the SEC works with 23 fellow federal agencies, including the Department of Education, to set national strategy on financial education, policy, practice, research, and coordination. Thus, we recommend that the SEC advocate within FLEC that federal funding be used to incentivize more states to mandate financial education course requirements in high schools, while taking care not to promote unfunded mandates that financial literacy be taught. The SEC could partner with the Department of Education to support development of the courses, including teacher training and creation of course materials.

In addition, the SEC should amplify its efforts to provide its investor education resources to high school students. It also should work with education professionals to reach high school students in other engaging and effective ways, e.g., by partnering with reputable nonprofits or content publishers that already provide quality content to high school students. This would have

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<sup>17</sup> See Next Gen Personal Finance, Live U.S. Dashboard: Guarantee States, available at <https://www.ngpf.org/live-us-dashboard/>.

the effect of providing trustworthy content to students, while also familiarizing them with the SEC and its mission, so they turn to the SEC as a trusted resource with their questions about investing as they mature into college students, employed adults, and eventually retirees.

In the short term, high school courses in financial literacy benefit the students enrolled in and teachers teaching the courses, as well as their families and peers. Therefore, this approach also furthers the goal of expanding access to financial education across more segments of the population by leveraging students and teachers' newfound knowledge to reach their networks.

#### **4. Support Efforts to Increase Financial Literacy and Investor Education of Students at Colleges and Universities**

We recommend that the SEC provide direct and indirect support to colleges and universities to provide financial literacy and investor education to their students. Direct support can include on-site investor education seminars, town hall meetings, investment brochures, and other mediums on college campuses to enhance students' knowledge and benefits.

In addition, this can include support of personal finance courses taught at the college level<sup>18</sup> and of non-profit organizations with student ambassador-type programs to scale campus-wide financial literacy and investor education.<sup>19</sup> The students who participate in the student ambassador programs are trained in key components of personal money management and the process of researching and acquiring investment vehicles. After their training, the students teach their peers these concepts so they can make informed decisions about investing. SEC support of these programs can be a combination of in-kind support of materials, training, speakers, and networking assistance.

#### **5. Require Financial Services Firms to Provide Access to Investor Education in Real Time**

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<sup>18</sup> A model for personal finance course at the college level is Professor Lusardi's personal finance courses at George Washington University and Stanford University, which demonstrate the high student interest and demand for this type of investor education. When the Stanford course opened, 362 students signed up, becoming one of the most popular courses in Econ. These types of courses have the added benefit of serving as a springboard to scale compelling curriculum online to a wide variety of constituents. *See* Annamaria Lusardi, *Knowledge about Investing and Risk: Evidence from the P-Fin Index* (SEC IAC panel presentation on December 7, 2023), at pages 17-19, available at <https://www.sec.gov/files/spotlight/iac/sec-iac-presentation-lusardi-120723.pdf>.

<sup>19</sup> The Society for Financial Education and Professional Development (SFEPD) has a model Student Ambassador Program to train college students to teach their peers about financial education. SEC IAC Member Ted Daniels is the Founder and the President of SFEPD. The SFEPD program targets students at historically Black colleges and universities (HSBCUs), many of whom are first generation, to help them manage their finances and build wealth. *See* Student Ambassador Program, SFEPD, available at <https://sfepd.org/student-ambassador-program/>; Inger Daniels-Hollar, Ph.D., *An Effort to Enhance Financial Literacy Among College Student and Underserved Populations* (SEC IAC panel presentation on December 7, 2023), available at <https://www.sec.gov/files/spotlight/iac/sec-iac-presentation-hollar-120723.pdf>.

We recommend that the SEC require regulated firms to provide access to conflict-free investor education materials in real time, when and where investors need credible, reliable information. As a starting point, the SEC should require firms to include a readily apparent reference and hyperlink to Investor.gov on the initial webpage that a firm intends to be viewed by retail investors and any other key webpages or documents, as well as in comparable locations in firms' apps. FINRA requires a similar reference to BrokerCheck on its members' webpages.<sup>20</sup>

In addition, the SEC should require the use of “guard rails” or “speed bumps,” including investment protocols or decision trees, at key decision points to help investors determine if an investment is in their best interest and would serve the purposes they want it serve.<sup>21</sup> Guard rails and speed bumps serve to slow down investor activity to encourage good decision making.

We also recommend the SEC require financial services firms to include a standardized “things you need to know” label for investments, like a nutrition label. This would allow apples to apples comparisons between investment products. These labels could include information about the type of securities offered, risk level, potential for loss or gain, tax implications, liquidity, and how the investment is best used.

## **6. Work with the Department of Labor to Encourage Employers to Provide Financial Education and Resources to Employees**

Employers are well positioned to play a role in offering access to investor education for their employees. As more companies large and small, public and private, offer their employees defined contribution plans (e.g., 401(k) and 403(b) plans), they have the opportunity to provide and encourage education for employees about saving and investing for retirement at pivotal points in time for employees, such as starting a new job or getting a promotion. Additionally, employers should be encouraged to provide education on how to manage investments post-retirement to ensure their savings can provide lifetime income.

The SEC should work with the Department of Labor to encourage more employers to take this opportunity. In the same way that the tax code provides incentives for employers to create savings plans, rulemaking could be enacted to incentivize employers to provide financial education resources to employees who are considering these plans. Larger companies could offer access to nonbiased, informational forums for employees to learn about the tax implications, associated fees, wealth building opportunities, and appropriate investment choices

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<sup>20</sup> See FINRA Rule 2210(d)(8) Communications with the Public, which provides: “BrokerCheck (A) Each of a member's websites must include a readily apparent reference and hyperlink to BrokerCheck on: (i) the initial webpage that the member intends to be viewed by retail investors; and (ii) any other webpage that includes a professional profile of one or more registered persons who conduct business with retail investors.”

<sup>21</sup> See, e.g., U.S. Securities and Exchange Commission Office of the Investor Advocate, OIAD Working Paper 2023-01, *Investor Testing Report on Registered Index-Linked Annuities*, at 62 (September 2023), available at <https://www.sec.gov/files/rila-report-092023.pdf>.



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within the plans. Both larger and smaller employers could include links and references to similar information on documents related to the plans. In this regard, it would be helpful for the SEC to make the section of Investor.gov covering retirement savings more robust, to include, for example, how retirement funds can be invested or how to determine whether to contribute to a Roth or a traditional IRA.

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