FINANCIAL LITERACY AND THE FINANCIAL ADVISOR

by

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ABSTRACT

This thesis examines financial literacy levels in the United States and their implications, discusses the presently utilized methods for solving the problem, and proposes further potential solutions and market opportunities. Traditional research was complemented by data and insight from professional financial advisors which was used in further analyzing the efficacy of advisors, as well as assessing their industry's capability to provide relief to the financial literacy crisis as an alternative to improving financial literacy.

Following an extensive discussion of the problem and the most commonly implemented efforts for solving it, it became clear that current efforts by the Federal government and nonprofits have not been able to make a substantial difference, the traditional financial advisory business model cannot adequately address the problem at scale, and there is a potentially large and impactful market opportunity for a new entrant. Discussion of the details of this new entrant follows the proposal of two potential regulatory changes that could substantially improve financial literacy and welfare in the United States.

INTRODUCTION & RESEARCH QUESTIONS

This thesis utilizes interviews with professional financial advisors, data from government and private sector studies, and studies related to financial literacy and its implications to determine if the currently low levels of financial literacy can be improved with the traditional financial advisor model alongside the efforts of government agencies and nonprofits. Following a discussion of the problem from the perspective of the interviewed advisors, as well as from a country-wide, data-drive perspective and the attempted solutions presently in place, it becomes clear that more needs to be done. The discussion concludes with the proposal of two potential solutions, and a market opportunity for a new advisor model.

For an individual to be financially literate, they must have the necessary skills and knowledge of finance to effectively make decisions that best meet their personal, family, and global community financial goals. The US government defines financial literacy as “the ability to use knowledge and skills to manage one’s financial resources effectively for lifetime financial security” (Hastings, Madrian, & Skimmyhorn, 2013). Financial literacy rates in the United States have been evaluated by a number of government and non-profit agencies, and results have been clear: most Americans do not have the necessary amount of knowledge to make consistently positive financial decisions to ensure their financial stability throughout their lives.

One study conducted by FINRA in 2015 found that only 14% of respondents were able to correctly answer five questions regarding concepts that “may be encountered in everyday life” – interest rates, inflation, bond prices, mortgages, and risk (Lin, et. al., 2016). Studies such as this, as well as research on financial literacy, blame factors such as education, fear, poverty and many others for such dismal statistics. Because each factor surely contributes, the solution to the problem is yet to be found, and attempts have not been sufficiently effective.

The implications of low levels of financial literacy are troubling. A report from the TIAA-CREF institute found that people with a low level of financial literacy "are less likely to invest, more likely to experience difficulty with debt, and less likely to know the terms of their mortgages and other loans." When making financial decisions, they have "ended up borrowing more and accumulating less wealth." (Lusardi & Mitchell, 2009).

One glaring solution is for people with low levels of financial literacy to seek out the guidance of a financial advisor or planner. Advisors can offer their clients an expanse of resources, access to investments, and knowledge they likely could not get otherwise. For someone with a low level of financial literacy, hiring an advisor could fill their knowledge gap, either through providing direct advice, or simply taking care of some of their previously held financial responsibilities. Many advisors are rather costly and require massive minimum deposits to gain access to their services, but, as technology has progressed, there are options for investors of any size and sophistication level to get financial and investment advice. Yet financial advisors are not widely utilized, according to a Northwestern Mutual Study conducted in 2016, which found that only 38% of people have some kind of financial advisor (Fischer, 2016).

These facts collectively point to the following questions: could financial advisors still be the solution to the financial literacy gap? Is there a market opportunity to fill this gap? Or are the traditional, longstanding efforts to solve the problem going to be the ultimate answer?

LITERATURE REVIEW

The most utilized sources in this research are FINRA's Financial Capability Study of 2015, Chien and Morris' and Chang's discussion of stock market participation, the 2016 National Strategy for Financial Literacy from the Financial Literacy and Education Commission (FLEC), the Champlain College State Financial Literacy Report Card from Pelletier, and Collins research in the *Financial*

Services Review. The remainder of sources utilized were important, but served as supporting information, and adding important data points to the discussion.

FINRA's Financial Capability Study of 2015 is the most recent iteration of a study conducted every three years since 2009. It asked over 25,000 Americans questions through an online survey on financial topics FINRA believes to be most readily encountered in an average individual's everyday life. It examines results from each year, and compares them to identify trends in financial capability. The data this study provided served as the cornerstone of this thesis, as it modeled the survey of financial advisors, and acted as a point of comparison.

Chien and Morris' writing from the St. Louis Federal Reserve examined how household stock market participation rates differ across the country – state by state. Their analysis dives into the issue of low levels of stock market participation, and discusses potential causes. The information from this piece, alongside data from government agencies such as the Bureau of Labor Statistics and the U.S. Census Bureau, supported the discussion on the dispersion in stock market participation in the US, and helped to detail how substantial and negatively impactful the problem is.

Chang discussed stock market participation rates of women and people of color in their report for the Asset Funders Network. It examines the specific issues facing these demographics when it comes to wealth and investing, and reasons a dispersion in wealth may exist. The report provided valuable data and graphics to support the discussion on the disproportionate impact of low levels of financial literacy on some demographics.

The National Strategy for Financial Literacy from FLEC is a regularly published document that details the Federal government's evaluation of the nation's financial literacy levels, as well as its goals for improving them. The report provided important information in discussing the Federal government's role in solving the financial literacy problem in America.

Pelletier's Champlain College State Financial Literacy Report Card is a periodic study conducted at Champlain College to identify State's progress on improving financial literacy rates by grading them on the quality, and existence, of personal finance education they offer. The data in this report supported

the discussion of the importance of financial education in high schools, as well as one of the proposed solutions to the financial literacy problem.

Financial Advice: A Substitute for Financial Literacy?, from Collins, discusses the importance of financial literacy for individuals to adequately accumulate wealth throughout their lives, and how utilizing a financial advisor may or may not be able to replace financial knowledge. The research Collins cites is very closely related to the discussion of whether the current financial advisor model could effectively solve the financial literacy problem. It also provided important examples of studies that detail the benefits and pitfalls of financial advice services.

METHODOLOGY

In developing my thesis, I began by reviewing government and private-sector research related to financial literacy, stock market participation, best practices and keys to lifetime financial stability, and other pertinent subjects. Most of this research was to gather comparative data for the data gathered from speaking with financial advisors. I also gathered information regarding initiatives undertaken by the federal government to improve financial literacy levels to use in understanding the broader picture of the problem, and to identify gaps in these initiatives that could be filled.

After gathering background information and research, I began gathering data and information related to the financial advice industry including trends, its composition, drivers, and risks. Similarly, I gathered research related to alternatives to financial advisors such as robo-advisors, and non-profits to improve financial proficiency.

This led to me to develop the survey I utilized when interviewing five different financial advisors. The survey questions, which will be further detailed in the discussion portion of the thesis, are centered around data I already gathered from reports, and specific issues I found to be most important in my background research. Each survey was conducted over the phone and

questions were asked as close to the same way and in the same order as possible during the conversation. The goal of the interviews was to get a broad understanding of the approaches to advising different types of financial professionals take, as well as gain information about their client base and their perception of their clients' level of financial literacy.

DISCUSSION & RESULTS

The financial advisors that were interviewed had many similarities in their operations and approaches to clients, as well as how they perceived the financial literacy of their clients. The advisors' names and firms will not be disclosed to protect client confidentiality, and to make clear the integrity of the answers they provided to the questions. The interview questions are listed below in the order they were asked:

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1. What range of net worth/investable assets do your clients typically have?

2. Do you specialize in serving clients with specific professional or demographic backgrounds? (i.e. energy professionals, married couples)

3. What fraction of your clients utilize your services for planning or investing for retirement only?

4. What fraction of your clients utilize your services for non-retirement investments as well as retirement assets?

5. What fraction of your clients utilize your services for lending? What type of lending, generally? (i.e. mortgages, lines of credit)

6. In a few sentences, what primary goals do you and your colleagues at your firm typically set for your clients? What is your value proposition?

7. How much of your face-to-face interaction with clients involves some degree of teaching?

8. How often do your clients ask you about the specifics, or technical aspects of the investment strategy you employ for them?

9. How often do your clients contact you to ask about market conditions?

10. How important is financial literacy to your work? How does it impact your client facing work?

11. What level of education do your clients typically have: college or more, some college, high school or less?

12. What fraction of your clients would understand the following financial basics: compound interest, how inflation can impact the power of a dollar, how interest rate changes impact bond prices, how different term lengths on mortgages impact payment amounts, and risk and how it diversification can reduce it?

13. What fraction of your clients understand the following investment principles: the basics of the time value of money, the difference between stocks and bonds, diversification and portfolio construction, financial markets and how to interpret them, and financial derivatives?

14. For the demographics of people that need financial advice and information the most, do you think there is anything – a product or service – out there for them?

The most important of the fourteen questions to this thesis are the client net worth range (1), to serve as a means of comparison, the amount of time spent teaching (7), to evaluate the educational aspect of financial advisors, the client understanding of financial and investment basics (12 and 13), to serve as comparative data against country-wide data, and if the advisors believe there is a product available in the market to fill the financial literacy gap (14). Other questions yielded interesting data, but these questions resulted in the most useful and most comparable information.

DATA AND OBSERVATIONS FROM ADVISOR INTERVIEWS

As the following table shows, each advisor was granted a letter (A through E) for means of identification, and the letters are in no particular order. The first table creates the basis for the observations that came from these interviews as it allows each to be identified as an advisor with a general net worth estimate of their clients, as well as other specifics such as the client types they typically work with, and the types of services they provide most often.

Advisor	Min Net Worth	Avg. Net Worth	Max Net Worth	Client Type	% with Retirement & Non-Retirement Accounts	% with Only Retirement Accounts	% who use Lending Services
A	$50,000	$1,000,000	$35,000,000	Broad/Business Owners	100%	0%	20%
B	-	$500,000	-	Retirees/Young Professionals	75%	25%	7.5%
C	$20,000,000	$50,000,000	$500,000,000	Business Owners/Executives	100%	0%	50%
D	$2,000,000	-	$25,000,000	Broad/Young Professionals	100%	0%	30%
E	$500,000	-	$30,000,000	Broad	85%	15%	25%

The broadness of the sample garnered from these interviews was intentional so that as many potential types of clients were represented in the survey answers, and to ensure the perspectives and practices of each advisor were not too similar. The range in net worth is from fifty thousand to $500 million, but after research following the interviews, it is likely that the lower bound is substantially lower. Advisor E, who has one of the more significant ranges in client size, said that they "look at clients as family units. What do you do with clients that have $10 million that are 60 years old with children in their thirties that get annual gifts through a strategy set up by the bank? You keep the kids as clients." This also suggests that the ranges provided are likely wider toward the low end, as this is likely an industry-wide practice. Additionally, Advisor B only provided an average net worth, but given its size, it appears their client base likely has the smallest range of net worth. Client type responses were also interesting in that none had a firm focus on the type of client they seek out from a demographic or professional perspective. This was a positive with regard to the research, as it likely further broadened the types of clients represented.

The data regarding retirement and non-retirement accounts was less useful, but does suggest that the larger the client, the higher the likelihood that the client will be invested outside of their retirement accounts. Similarly, the highest net worth range, Advisor C, had the highest percentage of clients utilizing some type of lending, while the advisor with the lowest range, Advisor B, had the lowest percentage of clients utilizing lending services. While this is an interesting correlation, the data for lending was likely inflated throughout because the inclusion of margin accounts was accepted as a lending product, while specifically separating margin accounts out may have yielded more accurate and rich data.

The following tables and discussion detail the results of the financial and investment knowledge questions, as well as the education level question:

Investment Concepts	Average	Median	Std. Deviation
Time Value of Money	77%	75%	12%
Difference between Stocks and Bonds	95%	100%	10%
Understanding Portfolio Construction/Diversification	70%	75%	33%
Understand/Can Interpret Markets	68%	65%	16%
Understand Financial Derivatives	26%	30%	15%

The advisors' perception of their clients' understanding of investment concepts was generally lower than their understanding of financial basics. These questions were asked in order from least complex to most complex, yet client understanding of the time value of money was not the most well understood. This is likely due to the specificity of the question, and the remainder of the answers trended down as expected. The answers to this set of questions shed light on what types of things clients rely on their advisors for when it comes to investing their money. Clearly one is deploying more complex investment strategies utilizing derivatives, as well as understanding and interpreting markets with respect to their investments. Advisor C explained this by saying "we manage their money so they don't have to learn about [investing], because they make more money working than investing."

Another observation related to investment knowledge as well as education level, detailed in the table below, is that the advisor who perceives their clients as having the lowest level of investment knowledge also has the lowest portion of clients with college degrees or more. While interesting, the education level question is likely somewhat inflated as well because clients may not discuss their education level with their advisors.

Level of Education	Average	Median	Std. Dev
College Degree or More	90%	90%	6%
Some College	6%	5%	4%
High School or Less	4%	5%	4%

An additional and similar observation regarding education level is the advisor with the lowest average net worth has the lowest percentage of clients with college degrees or more. For the most part, though, it seems like the vast majority of clients utilizing the services of these advisors are college educated. Many of the clients, as several advisors mentioned, that did not have college degrees were business owners and entrepreneurs.

The advisors' perception of their clients' financial knowledge is the most important set of data generated from the interviews with advisors. The questions asked for the survey align as closely as possible with the FINRA Financial Capability in the United States study conducted in 2015 to evaluate the financial literacy of Americans. The study asks five questions: an interest rate question, an inflation question, a bond price question, a mortgage question, and a risk question. Each was selected because the authors of the study felt that they were "fundamental concepts of economics and finance that may be encountered in everyday life" (Lin, et. al., 2016). The results of the advisors' clients' financial knowledge are detailed in the table below:

Financial Concepts	**Average**	**Median**	**Std. Deviation**
Compound Interest	89%	95%	12%
Inflation's Impact on Power of Dollar	90%	100%	12%
How Interest Rates Correlate with Bond Prices	50%	50%	18%
How Different Mortgage Terms Impact Payments	84%	85%	14%
Understand Diversification's Impact on Risk	87%	95%	14%

The least understood concept by the clients, how interest rates correlate with bond prices, was similarly the worst for participants in the FINRA survey at only 28% of respondents answering the question correctly. The first question, regarding interest, was tied for the most correctly answered question on the FINRA study at 75%, and the mortgage question was the closest between clients and the study also at 75%. This is not surprising given that mortgages are

among the most utilized financial products, and interest rates are utilized not only when getting a mortgage, but also when picking a credit card or a car loan. The rest of the clients' results, though, vastly surpass that of the study respondents, with 59% correct for the inflation question, and 46% correct for the risk and diversification question (Lin, et. al., 2016). Additionally, relating back to the education level data, the advisor with the highest client net worth range also had the highest perception of their clients' financial understanding.

Finally, questions regarding client interaction, the results of which are detailed in the table below, yielded several important observations. The amount of time the advisors spend teaching their clients when meeting with them face to face had the largest standard deviation at 32%. Advisor D claimed that they are teaching their clients something 100% of the time when meeting face-to-face. Advisor C contrasted by saying "clients want to see the bottom line, they don't care about nuts and bolts." This is likely due to either the presence of a wide range of types of clients represented in the interviews, or due to the various approaches advisors take when serving their clients.

Event	Average	Median	Std. Dev.
Amount of Time Spent Teaching Clients	54%	50%	32%
Amount Clients Ask Questions about Investment Strategy	16%	10%	10%
Amount Asking about Market Conditions	13%	10%	6%
Overall Incoming Communication	12%	10%	5%

Questions from clients about investment strategy are very low, at 16% of the time when advisors are speaking with them. Advisor B explained that this figure is low "because if [they] feel like [they've] done [their] job, then they should trust [them], not question [them]." Advisor E explained that "most calls are just reminders of how much they have in risk assets, but only 30% of the time do they ask about details on their portfolio." As a whole, though, this is likely

related to the manner in which advisors propose and sell strategies to their clients, and the fact that they likely build a considerable amount of trust over time.

Overall incoming communications and questions about markets were also very low at an average of 12% of the time and 13% of the time, respectively. Advisor C explained that their office receives very little incoming communication, particularly when the market is volatile, because their “team is overly proactive. During a flash crash, we call first.” This strategy was shared by most of the advisors. Interestingly, Advisor E said that they “didn’t receive one incoming call during the February downturn which is good and bad. You want the phone to ring when the market is bad. When someone calls to check on their money, that is when the market gets better.” They continued by saying “80% of their communication is outgoing, 20% is incoming. A lot of it is also just changing beneficiaries and distribution changes.” These low figures can surely be related to the proactivity of advisors when the market fluctuates, but it may also be attributed quite substantially to clients’ level of trust in their advisors.

In summation, the three primary observations from the interviews with financial advisors are: 1. Clients are financially knowledgeable, but most advisors still spend a significant amount of time with their clients teaching, 2. clients are generally aware of investment basics, but still utilize an advisor to manage their investments, and 3. clients likely trust their advisors substantially, as they do not often ask questions outside of scheduled portfolio reviews and maintenance. This then leads to the following questions: how does the financial literacy of the advisors’ clients measure up to the rest of the country, as has already been partially discussed? How do less financially literate people without financial advisors fare in handling their finances? What can be done to improve financial literacy and security in the United States considering all of this?

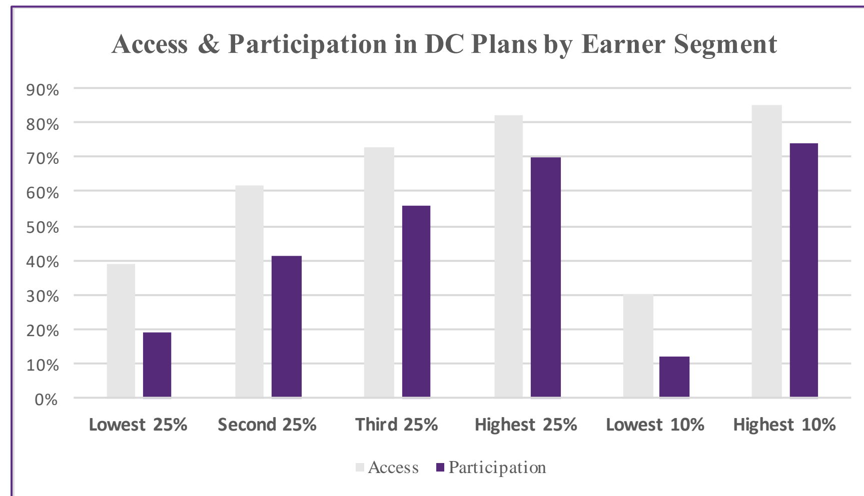
EXAMINING FINANCIAL LITERACY AND ITS IMPLICATIONS

The previously referenced FINRA Financial Capability Study found that only 14% of people are able to answer five basic questions about financial concepts. This means that only 14% can be confidently considered capable of managing their financial resources effectively for a lifetime of financial security. According to the study, 37% of people were able to answer four or more of the survey's questions, which is still very low. When taking the average of the average scores each advisor gave to their clients on the five questions, roughly 80% of them could likely answer these five questions correctly. This gap in financial literacy, considering these clients are among the wealthiest individuals in most cases, sheds light on a massive number of Americans who are in need of financial literacy education or financial advice (Lin, et. al., 2016).

Without such education or advice, people are prone to making easily avoidable mistakes, and are less likely to make positive financial decisions to set themselves up for long-term financial security. This ties to Advisor D explaining that "people want an advisor because they want someone to make sure they are doing the right things." One of these "right things" is saving for retirement. Being adequately prepared financially for retirement is one of the staples of financial advice, and a key to maintaining a healthy and comfortable lifestyle in old age.

Despite its importance, according to the FINRA Financial Capability study, only 58% of people have a retirement account of some kind. For lower income individuals, below $25 thousand annually, this figure drops to 18%, and for high income individuals, $75 thousand annually, jumps to 87%. While this is an understandable correlation between income and retirement savings behavior, it is still troubling considering that the lowest income earners are likely the most at risk of living in poverty after their income ends (Lin, et. al., 2016).

Retirement savings issues connect closely with retirement plans offered by employers, such as 401(k) plans. According to the Bureau of Labor Statistics Retirement Benefits report, just 48% of private companies offer some kind of retirement plan, and only 50% of private industry employees participate in some kind of employer sponsored plan. Participation and access to such plans, specifically direct contribution plans, such as 401(k), is connected closely to income levels, as is detailed in the below chart (Bureau of Labor Statistics, 2017).



Companies, due to adjusted tax laws, have shifted their pension plans and retirement benefits from defined benefit pensions to defined contribution plans. By 2000, "almost 90 percent of [defined benefit] contributions flowed to defined contribution plans" (Lusardi, Michaud, & Mitchell, 2013). This places the decision on how much an individual will make following retirement entirely on the individual. Not only do most individuals now have to determine how much of their paycheck gets put away for retirement, but they also have to determine how their savings is invested. Considering that US financial literacy levels are quite low, and 401(k) assets, as of 2017, were $5.3 trillion, and 54 million Americans had such plans, the amount of potential retirement savings and returns on retirement investments lost due to ignorance is likely significant (Investment Company Institute, 2018).

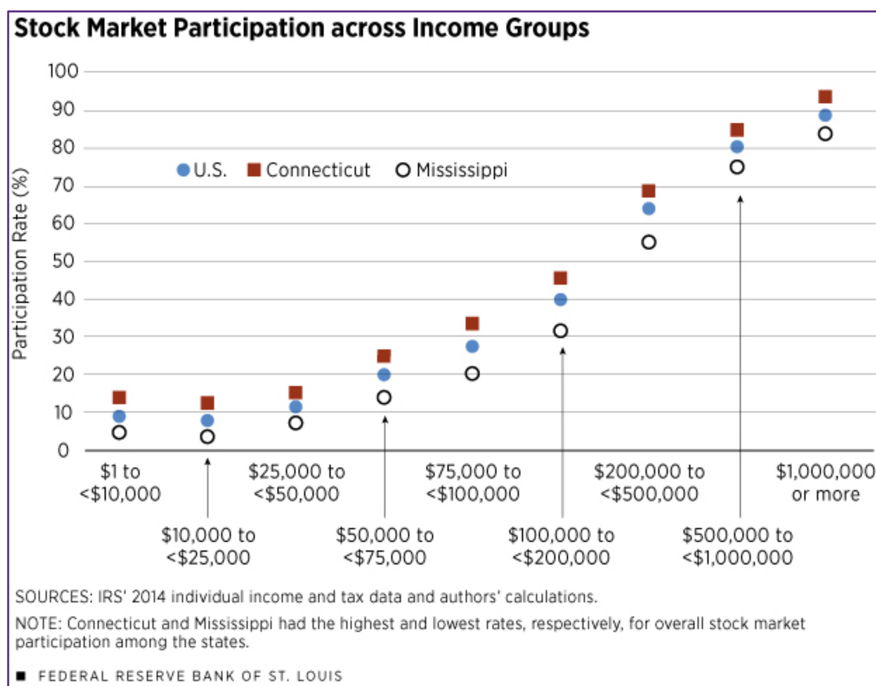
One study that examined 401(k) contributions found that 36% of employees "don't participate or contribute less than the amount that would garner the full employer match, essentially foregoing 1.6% of their annual pay matching contributions." Additionally, decisions on individual funds to invest in without sufficient financial knowledge could lead to easy to avoid mistakes, such as picking a fund with a relatively higher expense ratio. One study found that even well-educated investors "fail to choose a fee minimizing portfolio even in a context in which fees are the only significant distinguishing characteristic of the investments and the dispersion of fees is large" (Hastings, Madrian, & Skimmyhorn, 2013).

Another "right thing" is saving for emergencies. The standard for setting aside emergency funds is having enough money available to cover three months of expenses in case of a sudden drop in income due to an injury, or the loss of employment. According to the FINRA study, only 46% of people set aside this emergency cash – 24% for low-income earners, and 67% for high-income earners. This correlation is even more troubling considering the results of a low-income earner no longer being able to cover critical expenses such as a mortgage payment, or groceries. A correlation also exists related to education levels: 36% of people with a high school education or less set aside emergency funds, while 62% of people with college education or more do. In each instance, the figure is too low, but this shows that a higher level of education likely improves an individual's likelihood of being financially secure (Lin, et. al., 2016).

One of the most important behaviors exhibited by financially literate people is participating in the stock market. Stock market participation is a key contributor to lifetime wealth accumulation. Advisor E explained that "financial literacy can be the difference between putting money in a money market account versus putting it in a broad market fund." When put into dollar terms, which one advisor explained is an impactful way to promote exposure to the

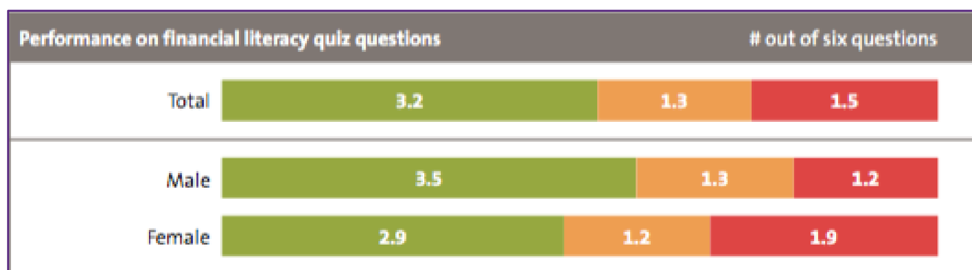
stock market, the benefits of investing in equities are immense. The St. Louis Federal Reserve Bank used this example in a publication: “$100 investments in stocks and in Treasury bills in 1928 would have yielded nearly $329,000 and $2,000, respectively, 88 years later” (Chien & Morris, 2017). While an extreme example, it adequately encompasses the importance of stock market participation, let alone intelligent stock market participation. Despite its importance, a 2017 Gallup report found that from 2007 to 2009, the average percentage of Americans who own stocks was 54%, versus 62% from 2001 to 2008 (Jones, 2017).

The previously referenced St. Louis Fed article stated that only 20% of median income Americans participate in the stock market (Chien & Morris, 2017). Median income is presently $56,516, according to US Census Data, but the Fed report places the range for this figure from income of $50 thousand to less than $75 thousand annually. Census data shows that this range includes over 21.4 million American households, or nearly 17% of the population (United States Census Bureau, 2017). Combining these figures reveals that nearly 13.6% of median income individuals are not taking advantage of the stock market to accumulate wealth, and potentially break out of the middle class.



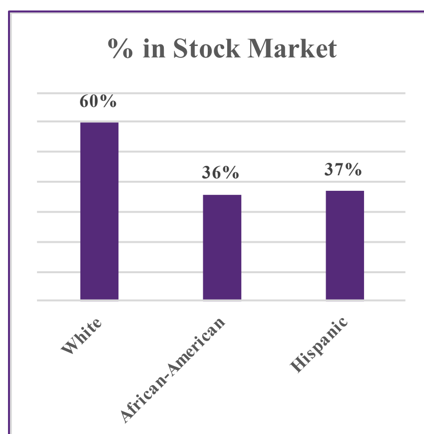
Stock market participation trends across income groups forms an upward sloping curve, as is detailed in the above chart from the St. Louis Fed, which is to be expected. But when looking at income groups in different states, the stock market participation rates make less sense. Chien and Morris of the St. Louis Fed questioned why participation rates in Connecticut at the highest levels of income are still above the same level of income in Mississippi – where the cost of living is substantially lower, people with such high earnings are likley equally intelligent in both states, and access to the stock market is exactly the same. They believe it is likely due to a lack of exposure to the importance of financial planning in the area, which is likely the root of the problem for many other demographics (Chien & Morris, 2017).

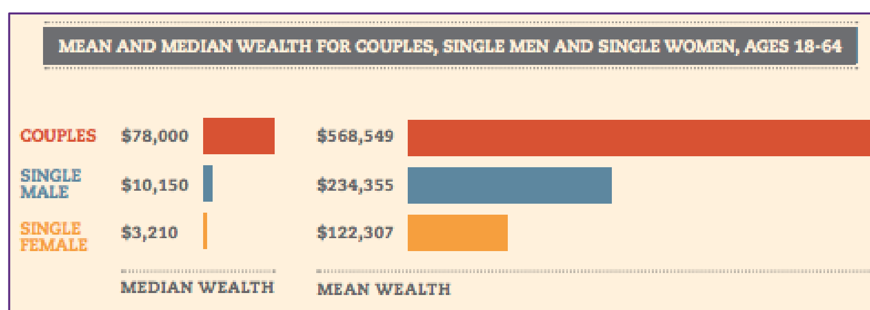
Considering demographics further, low stock market participation levels, as well as low financial literacy levels, are more prevalent in some groups than others. On a gender basis, males are more likely to participate in the stock market, and females performed worse on the FINRA survey, detailed in the figures below.



On an education basis, 78% of individuals with college degrees participate in the stock market, versus 43% of individuals with no college degree according to the previously referenced Gallup poll (Jones, 2017).

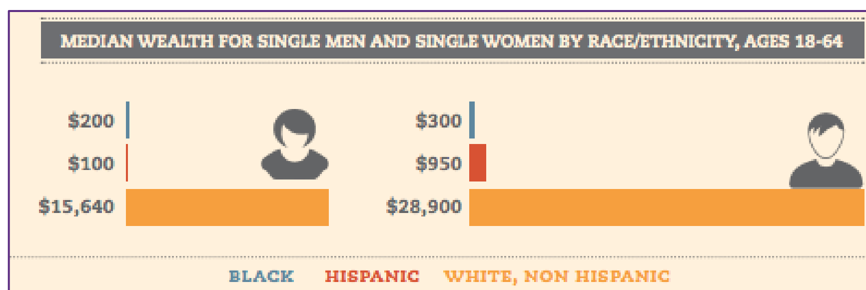
Likely the widest dispersions in stock market participation and financial literacy exist on a race basis, as is detailed in the below chart: results for white and asian individuals outperformed results for african-american and hispanic individuals.





In summation, the most substantially hurt by low financial literacy rates are women and people of color. This is likely due to factors such as gaps in income, education, or exposure to finance, the latter likely being the most substantial. The result, though, can be analyzed by considering the mean and median wealth of men and women alone, and men and women based on race. The median wealth for men was over three times that of women in 2015, according to the above graphic from Mariko Chang, Ph.D. of the Asset Funders Network, a national organization of foundations and grantmakers focused on promoting economic opportunity for low and moderate income Americans (Chang, 2015). The following table shows the median wealth for single men and women separated by race or ethnicity. This graphic, also from Chang,

shows that, by far, women and people of color have been disproporationaly impacted by low finanical literacy levels.



Turning back to the clients of the interviewed advisors, and considering the figures above on the broader population's levels of financial literacy and, because it is among the most significantly important positive financial behaviors, stock market participation, it is clear that there is a substantial problem. 14% of individuals, according to the FINRA study, can be considered financially capable, while 80% of the advisors' clients can be, assuming they go without the services of their advisor. 54% of Americans participate in the stock market, while 100% of the advisors' clients do. Again, the fact that these clients are more financially capable and more engaged in the stock market is not surprising given their levels of wealth, but the fact that this gap is so substantial is concerning. The next question to answer, then, is how can this gap be narrowed? The first solution to consider is to improve financial literacy levels to improve lifetime wealth accumulation.

THE ROLE OF THE FEDERAL GOVERNMENT

The Federal government has identified the issues that a lack of financial literacy can have on the American people, and has attempted to address them. In 2003, Congress passed the Fair and Accurate Credit Transactions Act which established the Financial Literacy and Education Commission (FLEC). Lead by the Secretary of the Treasury, FLEC is meant to drive the national strategy on financial education, and develop a financial education website (US Department of the

Treasury, 2018). At first glance, the list of resources displayed on the Treasury Department's website is extensive and comprehensive, but the efficacy of the programs it has enlisted is questionable given the statistics previously discussed.

The 2016 National Strategy for Financial Literacy from FLEC references the previously mentioned FINRA study in the document's introduction by saying, although the country continues to feel better and more secure following the financial crisis, "large segments of society continue to face financial difficulties". FLEC outlined its national strategy in 2011 with four long-term goals: "increase awareness of and access to effective financial education, determine and integrate core financial competencies, improve financial education infrastructure, and identify, enhance, and share effective practices" (FLEC, 2016).

FLEC's attempts to achieve its goals began rolling out partially due to the passage of the Dodd-Frank Act of 2010, which created the Consumer Financial Protection Bureau (CFPB), which included a financial education mandate. FLEC and the CFPB work together toward these four goals by directly serving consumers and "special populations," which include the elderly, students, veterans, and "economically vulnerable consumers." Additionally, FLEC, as mandated by Dodd-Frank, commissioned a study alongside the Securities and Exchange Commission (SEC) to develop a separate, but related, investor literacy strategy. To fund these initiatives, Dodd-Frank also created the Commodity Futures Trading Commission (CFTC) Customer Protection Fund, which rewards whistleblowers in financial institutions. Other partnerships FLEC has initiated are with the Federal Emergency Management Agency, which promotes education for financial emergency preparedness and recovery, as well as with the Department of the Interiors Office of the Special Trustee for American Indians, which offers financial services for Native American populations (FLEC, 2016).

Beyond partnerships and federally mandated entities related to FLEC, its primary effort for the specific implementation of its goals is the "Starting Early for Financial Success" focus, which began in 2012. This strategic focus is geared toward educating children and young people so they "are more likely to become financially secure adults," and more likely to start saving early, and setting financial goals. Although this strategic goal is driving FLEC's entire effort toward achieving its goals, it reports American 15 year olds rank in the middle of 18 developed countries for financial knowledge (FLEC, 2016).

Additionally, the Champlain College State Financial Literacy Report Card, produced by the Center for Financial Literacy at Champlain College which advocates for personal finance education throughout all levels of education, reported that in 2015, "only 16.4% of students nationwide are required to take a personal finance course to graduate from high school." Additionally, as of 2017, only five states received an "A", while 27 states received grades of "C, D, or F" (Pelletier, 2017). Beyond these figures, there is relatively no way of evaluating the efficacy of this strategic approach to improving financial literacy.

FLEC's focus on starting financial education early is generally considered the key to improving long term financial security. The Champlain College Center for Financial Literacy explains that high school is the best place, and period in a person's life, to learn about finances, but "ideally, personal finance concepts should be taught in elementary, middle and high school, and continue into college…Personal finance education should be a cumulative process, with age-appropriate topics taught each school year." Teaching financial literacy in high school, though, is the most critical period because: 1. "The number of financial decisions an individual must make continues to increase" after high school," and the variety and complexity of financial products continues to grow." 2. "many students do not understand that one of the most important financial

decisions they will make in their lives is choosing whether they should go to college after high school." 3. "Kids are not learning about personal finance at home" (Pelletier, 2017).

The final point is an important one – T. Rowe Price conducted the 2017 Parents, Kids, and Money Survey of 1,000 parents with children between eight and fourteen years old and found that "69% have some reluctance to discussing financial matters with their kids." Interestingly, 40% of parents reported being very or extremely uncomfortable speaking with their children about sex, and 35% felt the same way about family finances (T. Rowe Price, 2017). This is likely a key contributing factor to the lack of exposure to financial information people are getting at all stages, which exacerbates the problem.

THE ROLE OF NONPROFITS

Beyond the actions of the Federal government, there are dozens of nonprofit organizations focused on financial literacy and credit counseling. One of the most prominent is the National Endowment for Financial Education (NEFE). NEFE "is the leading private nonprofit 501(c)(3) national foundation dedicated to inspiring empowered financial decision making for individuals and families through every stage of life." NEFE provides "youth and adult financial education resources, training tools from the classroom to the workplace, and research and consumer surveys" (NEFE, 2018). On the advocacy front, "Jump$tart" is a Washington D.C. based lobbying coalition of teachers which works to set national standards, and provide resources for educators seeking to provide financial education to their students. The organizations stated mission is to "work collaboratively to advance the financial literacy of preschool through college-age youth through public advocacy and awareness, and by promoting and supporting effectiveness in financial education." Some of their partners include Bank of

America, Charles Schwab, the FINRA Investor Education Foundation, NEFE, and Visa (Jump$tart, 2018).

Operation HOPE, a global 501(c)(3) organization founded in 1992, seeks to make "free enterprise work for everyone" by "work on the ground as the nonprofit private banker for the working poor, the underserved and struggling middle class" and by "being the best-in-class provider of financial literacy empowerment for youth, financial capability for communities, and ultimately, financial dignity for all." One of Operation HOPE's initiatives, Business in a Box, gives students the opportunity to pick from small business models, pitch their idea to a panel, and receive funding to pursue their passions. The organization has "served more than 2.5 million individuals" and "has directed more than $1.8 billion in private capital to America's low-wealth communities" in "more than 300 U.S. cities" (Operation HOPE, 2018).

InCharge is a counseling agency with broad programs covering all financial topics, and specifically works to help US military members with their finances. InCharge has helped over three million people repay over $3 billion in debt, given away over ten thousand free financial literacy books, and has provided more than one thousand free financial literacy community workshops since 1997 (InCharge, 2018). Moneythink is a more community oriented nonprofit organization which began in Chicago to provide "coaches" to students that mentor and guide them on financial decisions. Moneythink coaches have mentored over fourteen thousand students in thirty communities in just nine years (Moneythink, 2018).

These examples highlight the expanse and diversity of resources available to people in need of financial education at every stage of life. Consider, also, that simply having access to the internet can provide a person an enormous supply of free financial advice and information. Even with the Federal government and non-profits working to improve this issue, the problem remains

substantial. The Federal government's efforts are likely stifled by bureaucracy and the slow place that commonly impedes the institution, and nonprofits cannot solve the problem due to the scale they would have to operate on.

THE ROLE OF FINANCIAL ADVISORS

Instead of seeking out education or the assistance of a nonprofit or the Federal government to become more financially literate and secure, people can alternatively seek out and pay for professional advice, and effectively compensate for their lack of understanding. Financial advisors "provide financial planning, advice, and wealth management to individuals and business clients. They may also offer portfolio management and brokerage services" according to an IBISWorld industry report (D'Costa, 2017). Advisors can give people access to financial markets and provide financial and retirement planning, and take away an immense amount of the burden that comes with managing one's own finances.

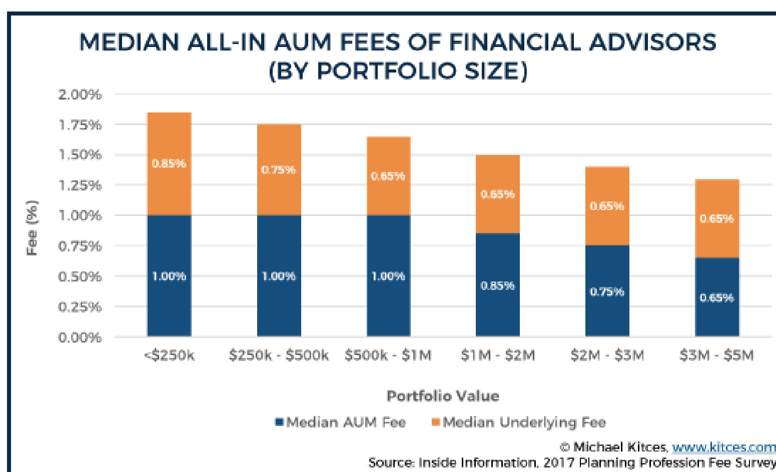
The industry for financial planning and advice is substantial: $55.9 billion in revenue in 2017, up 8.1% annually since 2012. Revenues are driven by client acquisition, and broad market performance, which much of the recent growth can be attributed to. IBISWorld lists other key external drivers for the industry as per capita disposable income, investor uncertainty, the median age of the population, and households earning more than $100,000, all of which are projected to improve in the coming year (D'Costa, 2017).

While substantial and relatively effective in helping clients improve or simplify their financial situations, as previously mentioned, only 38% of people utilized a financial advisor in 2015, according to one study from Northwestern Mutual (Fischer, 2016). The T. Rowe Price survey of parents with children between eight and fourteen found that 54% of respondents had advisors or planners, and 3% utilized a robo-advisor in 2017 (T. Rowe Price, 2017). There are

several reasons why utilization is not higher, even though so many individuals have problems with their personal finances and investments.

The first reason this figure is so low becomes glaringly obvious: net worth or investable asset requirements. Businesses that provide financial advice tailor their services to a small portion of the population that have amassed a large amount of wealth because their revenue is generated from fees, typically based on how much money is being managed. Therefore, having one client worth $10 million is generally more lucrative, efficient, and effective than having ten clients worth $1 million. This is an oversimplification, but according to IBISWorld, 95.6% of registered advisors are compensated based on a percentage multiplied by clients' Assets Under Management (D'Costa, 2017). Advisor E explained "if people called all day without much money to ask for financial advice, we couldn't make money."

Another reason many likely forego utilizing a financial advisor is the cost of using them. The fees clients pay their advisors to hold their money, manage their investments, and make trades can add up substantially. Additionally, financial advisors' fee schedules have higher rates the lower a clients' net worth is. This makes sense, as a client with $1 million is receiving the same resources as a client with $10 million. The following chart depicts the median all-in AUM based and underlying fees related to investment products based on portfolio size. Fees related to AUM dramatically improve for clients as their net worth increases, while underlying fees remain the same for clients with at least $500 thousand or more (Kitces, 2017).



Some studies show that fees and wealth requirements may not truly be the most substantial deterrent for individuals to seek financial advice. One study, from J. Michael Collins in the *Financial Services Review* referenced an experiment with a European brokerage bank that offered an optional free financial advice service to current customers, found that only the most sophisticated customers sought out the advice, and many did not take the advice in the end, even though those that did follow recommendations saw their returns improve. Collins explains that:

> "for people who exhibit problems with financial decision making, financial advice has the potential to serve as a substitute for financial knowledge and capability…However, data from the 2009 FINRA Financial Capability Survey indicate that advice more often serves as a complement to, rather than a substitute for, financial capability: individuals with higher incomes, educational attainment, and levels of financial literacy are most likely to receive financial advice" (Collins, 2012).

The individuals not utilizing financial advice are, as the FINRA study previously referenced detailed, those making the lowest income, and those with the least formal education. Although, these same individuals are also least likely to meet the net worth or investable asset requirements of many financial advisors.

Despite these common barriers to entry, financial advisors can solve many of the problems facing those with low levels of financial knowledge who seek out their advice. Surely some clients require more educating than others regarding their investments and the strategy the advisor is employing for them, but a large portion of an advisor's job seems to be taking the headache of managing finances out of their clients' hands. A study referenced by Collins examined the magnetic resonance image (MRI) of the brains of people making financial

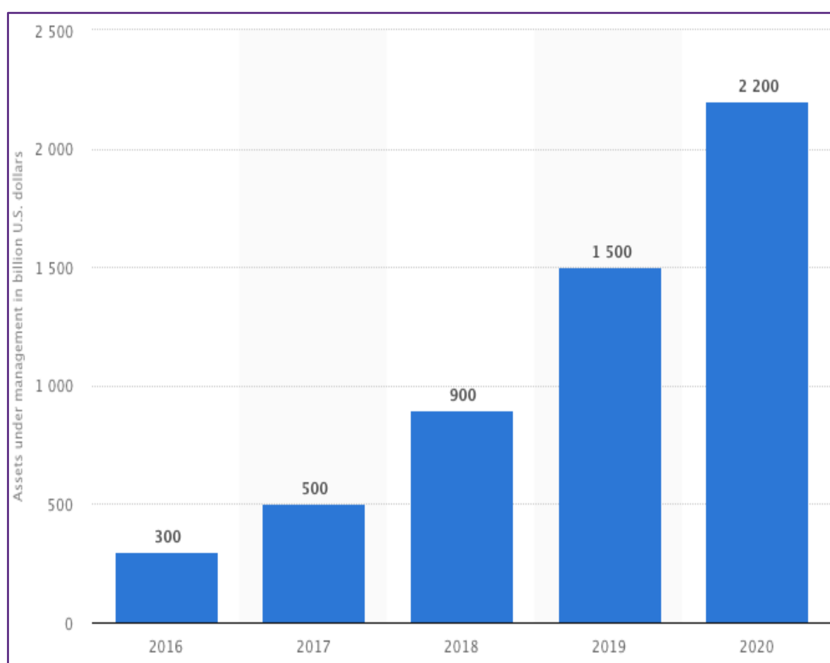
decisions with and without someone giving them advice. “The MRI scans indicated that financial decisions were less taxing on the brain when participants received advice” (Collins, 2012). Advisor E explained that their clients “don’t want to know how the sausage is made. People, after the financial crisis, are less interested in getting deeply involved in markets. They want a professional to take hold.” It seems that clients are paying just as much for financial advice as they are peace of mind.

Advisors also takes most of the emotion out of their clients’ investments, which can lead many less financially literate individuals to exhibit negative behaviors and cost them in wealth accumulation. Advisor A explained that “clients are less aware of the fact that markets can correct often. They are too emotional and try to act on it.”

In summation, advisors provide three core benefits: 1. They allow clients to step away and let a professional manage their finances. 2. They keep clients from making easily avoidable and potentially costly mistakes. 3. They limit emotional decision making. The three biggest deterrents, though, are the net worth requirements and the costs associated with using an advisor, and the amount of trust individuals have to give their advisors. Trust in this context, according to a study from Winchester and Huston in the *Journal of Financial Service Professionals,* “is the expectation held by a consumer that the service provider is dependable and can be relied on to deliver on its promises and to put the client’s interest first…Trust is especially important in technically complex relationships, such as that between a consumer and a financial service professional, where risk and information asymmetry are present” (Winchester & Huston, 2017). For many people with low levels of financial literacy, it can be difficult to trust an advisor with their wealth because of the existence of this information asymmetry.

Alternatives to traditional financial advisors such as those interviewed certainly exist, and have greatly improved general access to financial markets and advice. Firms such as Fidelity and Charles Schwab are among a large group of firms that are offering financial advice to anyone who utilizes their investment platforms for continually falling fees. Robo-advisors have also become substantially more prominent in recent years.

Robo-advisors are online algorithmic based investment advice businesses that serve up individualized asset allocation models for individuals that fill out a survey defining their risk tolerances, age, investment horizon, and many other factors (Fein, 2015). The SEC, in a 2017 investor bulleting, explained that robo-advisors “allow individual investors to create and manage their investment accounts through a web portal or mobile application, sometimes with little or no interaction with a human being with the potential benefits of lower costs than traditional investment advisory programs” (SEC, 2017). Their utilization has increased dramatically along with their popularity and advancements: according to Statista, an estimated $2.2 trillion of assets will be managed by robo-advisors, up from $300 billion in 2016 as the chart below details (Statista, 2018).



Additionally, their popularity has only been compounded by their performance in portfolio advisory. According to Barrons, from 2015 to 2017, Schwab Intelligent Portfolios have achieved two year returns of 27.7% (Eule, 2018). The following table details other key players' performances:

Taxable portfolio	2-year return
Schwab Intelligent Portfolios	27.7%
SigFig	26.3%
Personal Capital	25.1%
WiseBanyan	24.6%
Betterment	24.3%
Vanguard	22.0%
Acorns	21.1%

Problems with robo-advisors have become more apparent recently: in February of 2018, the websites of Betterment and Wealthfront, two of the most substantial and well known robo-advisors, crashed during a market correction, leaving many investors unable to access and manage their portfolios (Chaparro, 2018). Additionally, the SEC issued updated guidance in 2017 for Robo-advisors stating that the quality of advice is based solely on the client's completing the questionnaires correctly, that they are not advising in their clients' best interest, and that they are not disclosing nearly enough information on their investment protocol (SEC Staff, 2017). Advisor A explained that "some very poor advice has come from [robo] advisors…[they] can lead us down a dangerous path."

While there are clearly many ways for individuals to get access to financial advice, the problem of low levels of financial literacy still exists, and its implications are still causing many Americans to struggle financially when likely many of their problems could be alleviated by using an advisor. The interviewed advisors, when asked if there is anything in the market for the

demographic of people that need financial advice and information the most, had the following responses.

Advisor E said “I don’t think there is anything like that out there because of the economics involved. I think there’s an opportunity, but it has to be undertaken by a group that isn’t economically motivated.” Advisor D said “unfortunately [not], I think it is changing, but you have to want to get educated in financial literacy. You have to get them to want to learn. You need to teach kids independence. Women specifically can be impacted because of where they sit in society. There are definitely resources out there, they just need more of an incentive.” Advisor C responded by saying “I don’t think there’s a product for these people. People have to have the desire to learn about it, and many don’t care about it. The solution to all of this is financial literacy should be a core component of education. There’s no product that people are going to buy.”

Advisor B said “I would challenge robo-advisors as an answer to this problem. You’ll be a lost duck on a frozen pond if you have no education in finance with a robo-advisor. You still need someone to explain what is going on and what decisions are best.” Finally, Advisor A said “I’d say a robo-advisor is the product for them because you have someone offering advice, but some very poor advice has come through those advisors. Technology is definitely helping, but I believe you need to be interacting with a human…The government could definitely do a better job of educating the broader public.”

The most popular solution the advisors suggested is improving education in some way, while also creating an incentive for people to seek the education out. From professionals that have spent years advising people about finances, they are likely well aware of how the education system has failed many individuals when it comes to financial knowledge. Additionally, the

advisors suggested that groups that are not economically motivated could solve this problem. Considering the discussion on nonprofits, this is surely possible, but presently their impact has not been substantial enough. Finally, regarding robo-advisors, feelings were somewhat mixed. Their accessibility and low cost could surely help alleviate the issue, but their ongoing issues may not allow that to happen in the long run.

Because of the low level of individuals utilizing advisors, and the large number of individuals in need of them, two possible solutions, among likely many others, and one viable market opportunity exist. These propositions seek to address the issues some of the advisors mentioned, as well as combine their input and the bulk of the research to develop the model for an opportunity within the financial advisory market.

OTHER SOLUTIONS AND OPPORTUNITIES

The first possible way to improve financial literacy rates is the most obvious: improve financial literacy education. One possible method to doing this, among many others, is federally incentivizing states to require personal finance courses in high schools. While most funding for K-12 schools comes from State governments, roughly 10% comes from the Federal government (Cornman & Musu-Gillette, 2016). This funding can be used by the Federal government to push States to adopt personal finance courses in high schools, similar to the way it incentivized States to adopt 21 as the legal drinking age. The national legal drinking age was raised to 21 by the National Minimum Drinking Age Act (NMDA) of 1984, but to ensure the regulation was adopted, the legislation contains a provision that gives the federal government the ability to "withhold ten percent of funding for highways from states that do not prohibit people under age 21 from buying or publically possessing any alcoholic beverage." By 1988, every state enforced the minimum drinking age of 21 (LegalFlip, 2018).

The same approach could be applied to push States to require high school students to take a personal finance course in order to graduate. As previously discussed, high school is the most ideal period in an individual's life for financial education because the older a person gets, the more financial decisions they make, and the more complex these decisions become. Additionally, parents are not talking to their children about personal finance, and colleges are not offering personal finance courses. Because every American is required to attend a certain amount of high school, requiring financial education in some form would create a larger population of individuals equipped to make good financial decisions. This in turn can strengthen communities and strengthen the entire economy.

Adding a financial education course in high schools would not, on a subject matter or classroom material basis, be particularly costly because financial education resources are already made available by the Federal government and nonprofits. The primary issues with this proposal revolve around the cost of taking away a class period from another subject, and the cost of ensuring a teacher is available to teach the class. Additionally, because States would likely have some flexibility in determining the subject matter, the quality of financial education could be poor in some States, making the requirement extremely wasteful. While potentially costly, and surely requiring an immense amount of logistics, providing high school students with this knowledge could be hugely beneficial, and pay dividends through to the country as a whole.

The next potential solution focuses more on American workers and retirement savings. As previously discussed, only 50% of workers at private companies participate in the retirement plans their employers offer them, and only 48% of private companies offer a retirement plan. These figures are also lower for lower income workers, likely exacerbating the problem of retirement savings for many Americans (Bureau of Labor Statistics, 2017). To increase the

number of individuals saving for retirement, as well as the number of firms offering retirement plans, the Federal government could adjust regulations around 401(k) plans, the most popular employer sponsored retirement vehicle.

The Federal government created 401(k) plans in the Revenue Act of 1978 to serve as a retirement savings option "under which an employee can elect to have the employer contribute a portion of the employee's cash wages to the plan on a pre-tax basis" (IRS, 2018). This allows workers to push wealth into the future while they are earning income while they are likely paying a higher tax rate, and defer taxes on these earnings to when they withdraw their savings in retirement when they are paying a much lower tax rate after their general income ends.

The government has often changed regulations around these plans to improve workers' access to them, and to ensure those using them are not being taken advantage of by financial advisors. An example of the latter occurred in 2016 when the Department of Labor changed regulations for retirement advice. "Under the new regulation, virtually every person who provides retirement investment advice for compensation will need to be a fiduciary or held to a fiduciary standard." This means "advisors will be required to provide investment advice that reflects loyalty to the 'best interest' of participants and disclose any potential conflicts" or potentially face litigation (Geller, 2016).

Additional changes, some of which have been applied by employees who participate in 401(k) plans, could include requiring employers to enforce a minimum contribution to plans if they are offered, to offer consultation services to employees in determining their asset allocation should they need it, and further increase the maximum contribution. These changes could help to negate the negative behaviors of many individuals with low financial literacy levels by ensuring they are saving for retirement, and not making easily avoidable mistakes when determining how

they want to invest their savings. This could reduce the number of individuals struggling to remain financially secure in their retirement, and improve general welfare in the United States for a demographic that is at greater risk of facing poverty.

These proposed regulatory changes may be considered government overreach by some, but a legislature that identifies the financial problems many individuals face in their retirements could certainly see their potential benefits and work to write them into law. Beyond issues relating to politics, employers likely would not oppose these regulatory changes because of the potential tax advantage of more of their employees contributing to their retirement plans. Additionally, the Federal government could further increase these advantages to employers by allowing the cost of the mandated employee investment councilors to be deductible from their Federal income tax return.

Finally, because of the existence of a substantial market in need of financial advice, there is an opportunity for a new entrant in the financial advising market if innovative technology and a unique business model are utilized. As previously discussed, according to a study conducted by Northwestern Mutual, roughly 62% of people say they do not have a financial advisor of any kind (Fischer, 2016). This number is so substantial because financial advisors can be expensive, can often be very hard to access, may be difficult to trust, or because many individuals do not consider hiring an advisor an option or solution. In many communities, finances are discussed very little, making people uncomfortable talking about their financial situations, and therefore less likely to seek out assistance when they need it.

To increase access to and comfort with financial advisors, a new market entrant could make advisors a part of the community. A firm could provide low-cost financial advice and solutions at a community level by providing advisors that get engaged and involved in their

communities. These advisors would seek to gain the trust of the community, and contribute to it by providing it with high quality, technology-driven financial advice. A particularly good example of a similar model is Teach for America.

Teach for America (TFA) is a national nonprofit that seeks to promote educational equality so that all American children have access to a high-quality education, and are equally able to live fulfilling and productive lives. TFA deploys roughly 4,000 graduating college seniors and young professionals who exhibit leadership qualities and a passion for service to dozens of low-income urban and rural regions across the country that are most in need of quality teachers. These teachers are paid by the school districts they are placed in, likely foregoing a potentially higher salary teaching in another school district or working in a different field. Teachers come out of TFA with stronger leadership skills, and step into an alumni base of nearly 55,000 people (Teach for America, 2018).

This new market entrant seeking to improve financial literacy in communities in need would likely need to seek out people to serve as their advisors similar to those TFA seeks out to be their teachers in low-income communities. This firm would need to recruit advisors that are college educated or relatively young and service oriented. Because they would be serving a very low net worth client base, their direct compensation would be lower than if they worked for a traditional advisory. To incentivize joining the firm, it could offer advisors free classes for a certification they want to receive, such as the Chartered Financial Analyst (CFA) or Charter Financial Planner (CFP) designations, as well as cover the cost of the examinations which collectively can be quite costly. As the firm grows, it could then begin to leverage its alumni network as a selling point for potential new advisors.

The firm's approach to acquiring, retaining, and serving clients would need to be specific to solving the problems facing the communities it serves. To acquire clients, it could host receptions in community centers, host an open house, and market to the community by effectively explaining its goals. The key to finally acquiring these clients for this firm would be by building trust with the community, and by starting the discussion about personal finance. Retaining clients for this firm would be far less critical than in larger firms that rely on fewer, much higher net worth clients, but retention would be critical to improving the financial welfare of the community. The focus would need to be on transparency, education, and clear explanations of what the advisor is proposing for each client.

The firm would offer a broad range of services: from budgeting, retirement savings, and taxes, to investing and brokerage, credit counseling, and some banking. There would be no minimum investment for clients interested in enlisting the firm's services for brokerage or banking, and fees for investments would be substantially lower than other industry players. Revenue would be primarily generated by advisory services like credit counseling, and advice on filing taxes. To hire an advisor, a client would pay a flat and very affordable monthly subscription fee, cancellable at any time, giving them access to any non-investment related services at any time.

Clients seeking investment advice or brokerage would still pay the same subscription fee, and the extra services would be compensated with fees. Cost savings for this firm's brokerage services would come from the application of technology. A specific algorithm, similar to that of a robo-advisor, would be utilized in helping clients pick the asset allocation that is best for them. This would dramatically reduce the necessary workforce for a full-scale brokerage, and would make the step of investing simpler and less uncomfortable because clients would not be pitched

investments the advisor personally thinks is best for them. The firm would have to be clients' fiduciary, and would need to put every necessary measure in place to ensure this standard is upheld.

This model would face a wide set of potential issues. First, regulations around banking and investment services are incredibly strict, so startup costs and ongoing compliance costs would likely be substantial. Second, training, including Series examinations, and oversight of advisors would be costly, as their training would define their efficacy in serving the community they work in. Third, recruiting these advisors would be difficult because the industry offers very attractive salaries. Fourth, and lastly, profits would be difficult to come by until the firm reaches a point of economies of scale. The specific structure and operations of the model can surely be improved upon despite the challenges it would face in implementation. With the right improvements, this model could allow a new entrant to not only greatly benefit communities in need of financial advice, but also grasp the massive part of the population that has been untapped by traditional advisory firms.

CONCLUSION

This research shows that the state of financial literacy in the United States is a substantial issue that negatively impacts individuals, communities, and the broader economy. Improving the financial capability and security of just one person can benefit numerous people around them – they would be a more active participant in and contributor to the economy, could provide more adequately for their family, and could potentially make charitable donations.

The Federal government and countless nonprofits' efforts to alleviate and solve this issue have not been effective enough, or on the necessary scale needed to make a substantial improvement. Therefore, traditional efforts, at least in their current form, will not be adequate in

the future to solve this problem. New approaches such as federally incentivizing States to require high schools to offer personal finance courses to improve the population's financial knowledge, and making it easier for individuals to make smart financial decisions by adjusting 401(k) plan regulations.

Financial advisors offer an alternative to gaining financial knowledge, but for many individuals, the cost of utilizing an advisor vastly outweighs the cost of learning what they need to know in order to make good financial decisions. Advisors, in theory, can replace the need for individual financial literacy, but do not for nearly enough people. Therefore, the traditional financial advisor model is not the solution to improve the financial literacy of Americans.

Because of the substantial number of individuals who do not utilize a financial advisor, and the small amount of people who can be confidently considered capable of managing their own finances, there is a significant market opportunity for a new entrant. A new entrant could take advantage of technology and focus on service to communities in need to deliver much needed financial advice, and improve general welfare.

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