

CI Notebook

by Laura Choi, Editor

A comedy skit featured on the television show *Saturday Night Live* opens with a married couple trying to make sense of their worsening financial situation. Overwhelmed by credit card debt, the couple wonders aloud how they'll ever get out of debt. At that moment, a helpful announcer enters the scene. "Did you know that millions of Americans live with debt they cannot control? That's why I developed this unique new program for managing your debt. It's called *Don't Buy Stuff You Cannot Afford.*" The couple struggles to make sense of this foreign concept and the skit ends with the announcer offering a free copy of his follow-up program entitled, *Seriously, If You Don't Have the Money, Don't Buy It!*

While these lessons may seem so obvious they're funny, the data suggest that many Americans haven't mastered them. The average household in the U.S. holds more than \$8,000 in credit card debt and saves less than \$400 each year. This combination of growing debt and inadequate savings has left many families particularly vulnerable to the current economic downturn. And it suggests we all need to do more to educate consumers about their personal finances and to expand access to appropriate financial products. Financial education programs and initiatives continue to develop, along with research efforts to gauge their success, but important questions remain. How do we measure success? Which programs are most effective? Can financial education change people's behavior?

In this issue of *Community Investments*, we explore some of these questions and discuss how the growing field of financial education can help people maximize their financial well-being. You'll learn about best practices in financial education, the role of financial institutions in delivering financial education tied to financial products, and how insights from behavioral economics can improve the design of financial education. In addition, we take a closer look at a research study measuring the effectiveness of financial education among soldiers and consider strategies to promote asset building at tax time.

In addition to the Special Focus articles on financial education, our Eye on Community Development examines the performance of city-based affordable housing programs, innovations in mixed-income housing, and the new reforms to credit card regulation. In addition, quarterly features like Dr. CRA, Research Briefs, and Data Snapshot provide the latest findings on important community development topics.

There's nothing like a recession to get people thinking about their personal finances, and we hope this issue of *Community Investments* motivates a discussion around ways to improve financial education in the Twelfth District and across the nation.



Community Development Department
Federal Reserve Bank of San Francisco
101 Market Street, Mail Stop 640
San Francisco, CA 94105
www.frbsf.org
(415) 974-2765 / fax: (415)393-1920

Joy Hoffmann

Group Vice President
Public Information and
Community Development
joy.k.hoffmann@sf.frb.org

Scott Turner

Vice President, Community Development
scott.turner@sf.frb.org

Brent Minnich

Administrative Analyst
brent.minnich@sf.frb.org

RESEARCH STAFF

David Erickson

Manager, Center for Community
Development Investments
david.erickson@sf.frb.org

Ian Galloway

Investment Associate
ian.galloway@sf.frb.org

Carolina Reid

Manager, Research Group
carolina.reid@sf.frb.org

Naomi Cytron

Senior Research Associate
naomi.cytron@sf.frb.org

Laura Choi

Research Associate
laura.choi@sf.frb.org

FIELD STAFF

John Olson

District Manager
john.olson@sf.frb.org

Jan Bontrager

Regional Manager
Arizona, Nevada, Utah
jan.bontrager@sf.frb.org

Melody Winter Nava

Regional Manager
Southern California
melody.nava@sf.frb.org

Craig Nolte

Regional Manager
Alaska, Hawaii, Idaho, Oregon, Washington
craig.nolte@sf.frb.org

Lena Robinson

Regional Manager
Northern California
lena.robinson@sf.frb.org

Darryl Rutherford

Regional Manager
San Joaquin Valley
darryl.rutherford@sf.frb.org

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