

**Comment Request for Study Regarding Financial Literacy Among Investors;  
Release 34-66164; File 4-645**

**i. Comment on methods to improve the timing, content and format of disclosures.** I am both a retail investor and an educator. While Commissioner Schock is especially interested in hearing comments from retail investors, I have found many investors do not know what they do not know.

**Timing** - needs to be separated from the marketing interaction where other factors play too influential a role. The best time for an investor to learn is before a marketing pitch is made, not during it. Yale Professor Daylian Cain's research shows the outcomes are worse for the customer in spite of disclosures because the customer 'lets down their guard.'

**Content** – risk, incentives, costs and expected (as well as past) returns are essential. The content is best taught using case studies, simple charts and a quiz format such as cited by others who submitted comments. Even more vital is teaching financial literacy K-12. Investors will make better decisions later on with this stronger foundation.

**Format** – Questions asked by the financial services professional like, “How much risk do you wish to take?” or “How do you feel about volatility?” are viewed as being helpful to the client. That's like asking a 12 year old how fast they want to drive the car when they have never driven and do not even have a license. Experiential education using interactive technology is available but not widely used. Just as pilots learn to fly through simulations, investors should experience the consequences of their decisions in a simulation.

**ii. Comment on information that retail investors need to make informed financial decisions on hiring a financial intermediary or purchasing an investment product or service typically sold to retail investors, including mutual funds.**

For the same reason why no one reads the instruction manual for their remote control device, investors do not read up on investments. The information is out there, but very few investors have the time – much less the desire – to wander through complex site maps online or read the fine print of a prospectus. The array of choices is simply too overwhelming, and no one knows exactly how to begin, until the salesman suggests a simple solution – 'trust me to help!'

Investor education should be about the investor, not investments. As other comments have noted, a first step should be a self-assessment of what the financial goals are, what the investor personality is, all of which then point to possible investments needed and optimum delivery method (advisor, do-it-yourself, online chat, broker).

This 'before you invest' assessment survey should be available on [www.sec.gov](http://www.sec.gov) and also on all financial services web sites. Filling out the survey could be required for

any new 401-k participant, at retirement counseling classes and upon high school/college graduation. Investors could complete the survey at different points in their lives in order to capture changing needs and goals. A feedback matrix would show each investor where they fall vis a vis others in the same age and economic bracket.

**iii. In addition, the SEC seeks comment on how to make investment expenses and conflicts of interest in investment transactions more transparent to investors.**

Informed new car buyers rely on the 'blue book' when shopping around for a new car. In contrast investors have no idea what the wholesale price is of any investment product, and no reference book exists to guide them on the mark up. Investor groups have made only modest strides on revealing comparative fees, primarily relying on private online communities to openly discuss how different providers charge for their services. Mutual funds are more transparent, and have done the best job of fee comparison when a chart shows how a given fund's fees compare to the industry average.

Business models of financial services firms are notoriously opaque. Just as in a grocery store, the customer does not know why one brand is prominently exhibited in the front of the store while another is in the back, conflicts in investment transactions are often hidden. However, conflicts of interest in investments have far graver consequences to an individual than buying an overpriced or over marketed, i.e., subsidized, product in a grocery store.

To understand how conflicts of interest might be subsidizing the transaction, investors need more knowledge. Today investors do not even know what questions to ask, much less know if they will be told the full truth. For instance, is a firm paid by another to distribute its products? How much? Must they disclose that fee if asked outright? A simple list of questions with complete answers could be mandatory and included in marketing material, and not in legalese. The ADV and other disclosures should be more straightforward and user friendly to search for online. [Andrew Gluck comments].

*I submit these comments from an educator's perspective. I have been teaching investors how to make prudent choices since 1992 but do not sell or recommend financial products or services. Earlier in my career, 1970-1990, I spent 20 years on Wall Street, marketing to investors on behalf of financial services firms.*

Sincerely,

Charlotte B. Beyer  
Founder & CEO, Investor Education Collaborative