



March 16, 2012

The National Endowment for Financial Education® is pleased to provide comment to the Securities and Exchange Commission per Release No. 34-66164, File No. 4-645 regarding financial literacy among investors.

The National Endowment for Financial Education (NEFE®) is the only private, nonprofit national foundation wholly dedicated to improving the financial well-being of all Americans. NEFE inspires empowered financial decision making for individuals and families through every stage of life and believes that through increased understanding of personal financial issues, everyone can enjoy better, more secure, and more satisfying lives.

Comments on methods to improve the timing, content, and format of disclosures to investors with respect to financial intermediaries, investment products, and investment services:

NEFE's mission is to inspire empowered financial decision making for individuals and families through every stage of life, and we are committed to providing financial education and practical information to people at all financial levels. We understand, however, that financial literacy is not the whole solution. Product disclosure can protect and inform Americans as they contemplate financial options open to them. In this case, disclosure is more than a protection from abuse and excess—it is a practical and sensible way to complement existing financial literacy efforts by helping consumers understand basic financial products and terminology.

Uniformity is important for consumers: disclosures should have common features and terminology. We promote the use of transparent, plain-language, and user-friendly information to make disclosures easily understood. Timing also is important, and behavioral finance research should be drawn upon to develop delivery strategies that impact consumer financial behavior in a positive manner.

Disclosures should inform investors of the costs and risks associated with financial intermediaries, investment products, and investment services at each of the following stages:

- Pre-engagement/Pre-sale
- Point-of-engagement/Point-of-sale
- Ongoing relationship/Ongoing use
- Termination/Redemption

Comments on the most useful and understandable relevant information that retail investors need to make informed financial decisions before engaging a financial intermediary or purchasing an investment product or service that is typically sold to retail investors, including shares of registered open-end investment companies:

Because financial markets and products change rapidly, informed decision making is crucial. Consumers should be equipped to consistently make intelligent choices in the face of those changes and be aware of costs and risks associated with engaging a financial intermediary or purchasing an investment product.

Particular attention needs to be given to risk. There are embedded risks in investment products and services which need to be disclosed in plain language that is easy for the investor to recognize, understand, and compare across products and services. An investor's risk tolerance toward various products and services—whether used in isolation or in combination—varies based on the investor's age, experience, income requirements, financial goals (time horizon), and other factors. Clear disclosure of risk tolerance features and consequences are necessary for investors to contextually match investment products and services to their life situations.

Americans need to clearly understand the consequences of engaging in either positive or negative financial behavior, and should be empowered to make their own decisions about which products, services, and behaviors will maximize their financial well-being. Similarly, Americans should be discouraged from utilizing predatory products and making uneducated, irreversible choices that are especially destructive to those with limited resources or diminished capacity.

The following concepts should be considered:

Context: Providing the context for understanding a product or service and its relationship to life goals and timing within one's economic lifespan will increase the effectiveness of disclosure of that financial product or service and its features.

Simplicity: A step back is needed to focus on financial understanding, capability, and literacy. Messaging should be clear, simple, and emphasize basic principles.

Relevance: All Americans are capable of bettering their financial well-being through financial understanding. Messaging needs to be culturally and circumstantially relevant and age-appropriate, and underserved audiences need to be considered.

As mentioned in our response to the Securities and Exchange Commission Release No. 34-64306, File No. 4-626, NEFE is supportive of investor education programs, which ideally should be:

- Timely and relevant. Can the person participating in the investor education program see that what is being offered relates to his or her financial life, goals, and aspirations? Is it timely in terms of being appropriate for their current life stage? Is it clear how it relates to future life stages?
- Free of conflicts of interest. If conflicts exist, are they disclosed? Is there a place to verify the nature of conflicts and the particulars about the investor educators and their organization? Is there a place to report complaints?
- Builds on fundamental core competencies. Does the program reference and build on fundamental core competencies in investments and personal finance by continually referencing examples such as time value of money, risk and return, asset classes, investor goals, and

periodic saving and investment contributions? Core competency knowledge should be reinforced and built upon in the minds and experience of the investor.

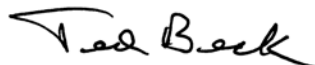
- Explores history. Is financial and market history explored and referenced to provide long-term insight and perspective into market volatility and what could go right or wrong within investor time horizons? This places risk and return in a longer term context that is appropriately aligned with retirement and health-care goals of an individual.
- Covers costs and regulations. Are costs of investment products and investment advice covered? Are regulatory, competency, and recourse information on investment products and advisory sources (people and institutions) covered?
- Avoids potentially risky strategies. Programs that teach trading strategies and “fast money” short-term tactics and strategies should not be labeled as core or basic financial or investor education.

Comments on methods to increase the transparency of expenses and conflicts of interests in transactions involving investment services and products, including shares of registered open-end investment companies:

As previously stated, uniformity is important for consumers: disclosures should have common features and terminology as well as accurately reveal costs and conflicts of interest. We promote the use of transparent, plain-language, and user-friendly information and formatting to make disclosures easily understood and contextually relevant.

The National Endowment for Financial Education is prepared to elaborate on any points included in this response. For more information, contact me at TBeck@nefe.org or (303) 224-3504; or Brent A. Neiser, CFP®, Senior Director of Strategic Programs and Alliances at ban@nefe.org or (303) 224-3501.

Sincerely,



Ted Beck
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National Endowment for Financial Education