

**BUREAU OF CONSUMER FINANCIAL PROTECTION
PAPERWORK REDUCTION ACT SUBMISSION
INFORMATION COLLECTION REQUEST**

**SUPPORTING STATEMENT PART A
FINANCIAL WELL-BEING NATIONAL SURVEY
(OMB CONTROL NUMBER: 3170-XXXX)**

OMB TERMS OF CLEARANCE:

Not applicable. This is a request for a new collection of information.

ABSTRACT:

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law No. 111-203, the Bureau's Office of Financial Education ("OFE") is responsible for developing and implementing a strategy to improve the financial literacy of consumers that includes measurable goals and initiatives, in consultation with the Financial Literacy and Education Commission, consistent with the National Strategy for Financial Literacy. In addition, the Office of Financial Protection for Older Americans (OA) within the CFPB is charged with conducting research to identify methods and strategies to educate and counsel seniors, and developing goals for programs that provide seniors with financial literacy and counseling.

Through prior research, the CFPB has determined that improvement in consumer financial well-being is the ultimate goal of such financial literacy initiatives. To inform our identification and development of financial literacy strategies that explicitly seek to improve consumer financial well-being, the CFPB plans to conduct a nationally representative survey to measure adult financial well-being and related concepts, as well as an oversample of adults age 62 and older to gather additional data relevant to the needs and experiences of older consumers. The specific goals of the survey are to (1) measure the level of financial well-being of American adults and key sub-populations; (2) quantitatively test previously developed hypotheses about the specific types of knowledge, behavior, traits and skills that may support higher levels of financial well-being; and (3) produce fully de-identified public use data files that will allow external researchers to examine additional questions about financial well-being and its drivers.

PART A. JUSTIFICATION

1. Circumstances Necessitating the Data Collection

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Pub. L. 111-203) (“the Dodd-Frank Act” or “the Act”) requires the Consumer Financial Protection Bureau (CFPB) to regulate the offering and provision of consumer financial products or services under Federal consumer financial laws. The Act also established the Office of Financial Education (OFE) within the CFPB, which is responsible for developing and implementing a strategy to improve the financial literacy of consumers that includes measurable goals and objectives, in consultation with the Financial Literacy and Education Commission (FLEC),¹ and, together with the CFPB’s Office of Research, for conducting research related to consumer financial education and counseling. In addition, the Act established the Office of Financial Protection for Older Americans (OA) within the CFPB, which is charged with conducting research to identify best practices and effective methods and strategies to educate and counsel seniors, and developing goals for programs that provide seniors financial literacy and counseling.

Fulfilling these aspects of our mission requires that we know what approaches are effective in promoting financial literacy and capability. According to a 2011 Government Accountability Office (GAO) report on financial literacy, “relatively few evidence-based evaluations of financial literacy programs have been conducted, limiting what is known about which specific methods and strategies are most effective.”² The CFPB is taking up this challenge to provide stronger evidence of what works, in order to support and guide efforts to improve the effectiveness and quality of financial education, and therefore help consumers improve their financial decision making to achieve their life goals.³

A foundational step is a well-grounded way to define success for financial literacy initiatives. FLEC’s Research & Evaluation Working Group has identified the development of “key metrics for financial education/capability, including measures of knowledge, behaviors, and well-being” as one of its top priority areas for research.⁴ A major task for the CFPB has therefore been determining how to define and measure the success of different financial

¹ The Financial Literacy and Education Commission was established under the Fair and Accurate Credit Transactions Act of 2003. The Commission was tasked to develop a national strategy on financial education. It is chaired by the Secretary of the Treasury, vice-chaired by the Director of the CFPB, and made up of the heads of 20 additional federal agencies.

² U.S. Government Accountability Office. “Financial Literacy: A Federal Certification Process for Providers Would Pose Challenges.” GAO-11-614. <http://www.gao.gov/assets/330/320214.pdf> (2011). (accessed October 13, 2014).

³ The CFPB’s financial literacy and capability research work is described broadly in Section 4 of the CFPB’s 2014 “Financial Literacy Annual Report.” Available at <http://www.consumerfinance.gov/reports/financial-literacy-annual-report-2014/> (2014).

⁴ Financial Literacy and Education Commission, *2012 Research Priorities and Research Question*, available at <http://www.treasury.gov/resource-center/financial-education/Documents/2012%20Research%20Priorities%20-%20May%202012.pdf>.

literacy strategies in a way that corresponds with our ultimate objective of helping consumers to effectively manage their financial lives in ways that move them toward their life goals.

A growing consensus is emerging that the ultimate measure of success for financial literacy efforts should be individual financial well-being. The vision for the U.S. National Strategy for Financial Literacy is “sustained financial well-being for U.S. individuals and families.”⁵ This vision is consistent with that of the OECD’s⁶ International Network on Financial Education (INFE), in which the CFPB participates, which describes the ultimate goal of financial literacy as “individual financial well-being.”⁷ However, this concept had not previously been explicitly defined, nor did a standard way to measure it exist in the financial literacy field. Significant and ongoing efforts have been undertaken to understand and measure financial literacy and capability,⁸ but not the state of being that is meant to result from high levels of financial literacy and capability. Accordingly, the Bureau has developed, and undertaken the first two phases of a rigorous, three-phase research project to understand the nature and principal drivers of individual financial well-being in order to inform the development and implementation of effective financial education practices.

This Project was designed to encompass three phases:

- (1) Qualitative research to inform a consumer-driven definition of financial well-being for both working-age and older Americans, and the development of clear hypotheses regarding the drivers of financial well-being. In addition, the qualitative research informed the wording of candidate items for the development of new measurement scales. This phase has been completed.
- (2) Rigorous development, testing, and refinement of items to measure the constructs (variables) of financial well-being and financial ability, including preliminary validation of the developing scales. This phase has been completed.
- (3) A quantitative test of the hypotheses developed in phase one, using instruments developed during phase two. This is the subject of the current information collection request.

⁵ See Financial Literacy and Education Commission, “Promoting Financial Success in the United States: National Strategy for Financial Literacy.” Available at [http://www.treasury.gov/resource-center/financial-education/Documents/NationalStrategyBook_12310%20\(2\).pdf](http://www.treasury.gov/resource-center/financial-education/Documents/NationalStrategyBook_12310%20(2).pdf) (2011) (accessed October 13, 2014): p. 7.

⁶ The Organization for Economic Cooperation and Development (OECD) is a unique forum where the governments of 34 democracies with market economies work with each other, as well as with more than 70 non-member economies to promote economic growth, prosperity, and sustainable development. To learn more, see <http://usoecd.usmission.gov/mission/overview.html> (accessed September 29, 2015).

⁷ See OECD INFE, “Measuring Financial Literacy: Questionnaire and Guidance Notes for Conducting an Internationally Comparable Survey of Financial Literacy.” Paris: OECD. Available at <http://www.oecd.org/finance/financial-education/49319977.pdf> (2011) (accessed October 13, 2014): p. 3.

⁸ See, for example: The World Bank (2013). “Making Sense of Financial Capability Surveys around the World: A Review of Existing Financial Capability and Literacy Measurement Instruments.” Available at <http://responsiblefinance.worldbank.org/~media/GIAWB/FL/Documents/Misc/Financial-Capability-Review.pdf>. (accessed October 13, 2014).

FINRA Investor Education Foundation (2013). “Financial Capability in the United States: Report of Findings from the 2012 National Financial Capability Study.” Available at <http://usfinancialcapability.org/> and, OECD. PISA 2012 Results: Students and Money: Financial Literacy Skills for the 21st Century (Volume VI). PISA, OECD Publishing. <http://www.oecd.org/pisa/keyfindings/PISA-2012-results-volume-vi.pdf> (2014) (accessed October 13, 2014).

Phase 1

As described briefly above, the first phase of the project was a set of foundational research activities to understand and formally define financial well-being, from the consumer perspective. In addition, we sought to identify – and have developed hypotheses about – the specific types of knowledge, behavior, traits, and skills that help some people navigate the financial ups and downs of life particularly effectively.⁹ This is an important area of inquiry because it not only helps us identify which financial capability tools, habits and skills may be helpful for consumers to acquire, but it also reveals which intermediate outcome measures we can rely on for measuring the success of financial capability initiatives—that is, which intermediate outcomes tend to precede real improvement in individual financial well-being.

Phase 1 established the specific gaps and opportunities in the existing literature, defined the measure of financial well-being as well as a new financial ability construct, and presented a clear set of testable hypotheses regarding the drivers of financial well-being. In the literature review, more than 100 articles from several domains were reviewed to address two questions. First, what is known regarding consumer financial decisions, attitudes, personal traits, and other factors that drive a consumer’s financial situation and level of well-being? Second, what constitutes financial knowledge and how is it theorized to influence financial behavior? Adding to this existing base of knowledge, the experiences of 59 consumers and 30 financial practitioners provided unique and practical insights into the meaning of financial well-being and what improves or worsens one’s level of well-being.

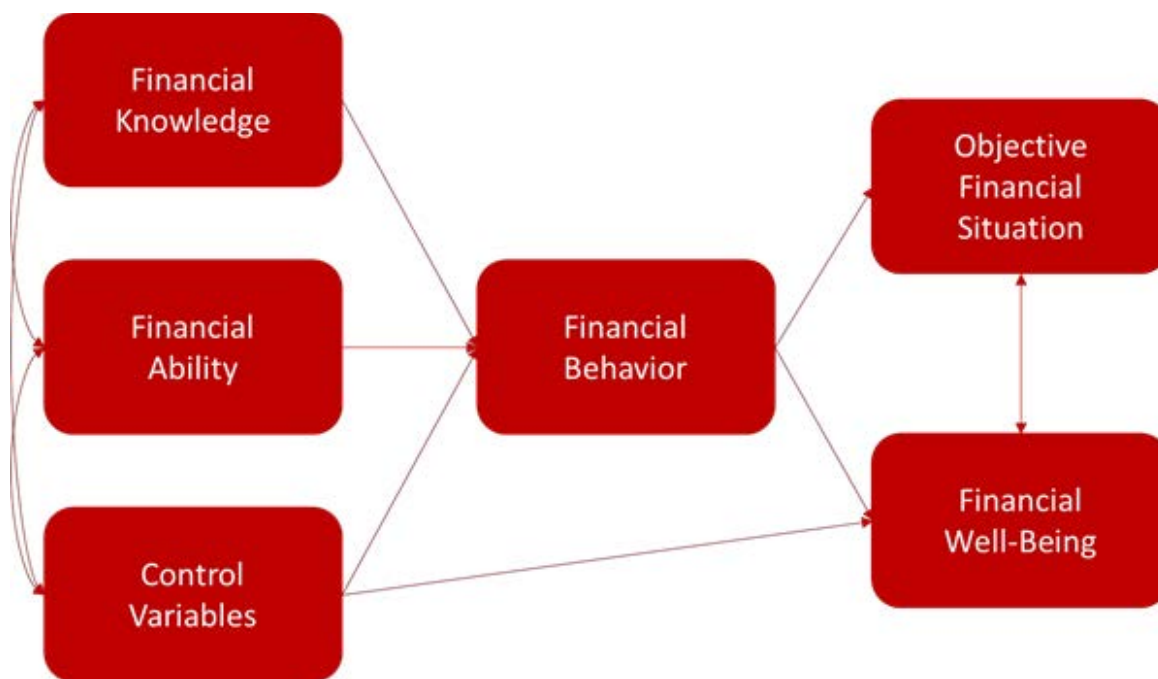
These hour-long interviews were conducted in 6 U.S. states with a diverse set of consumers in terms of income and race/ethnicity who ranged in age from 19 to 85, and came from urban, rural and suburban settings. These interviews produced over 1,600 pages of transcripts. The qualitative interviews with consumers and financial professionals involved in this research were approved by the Office of Management and Budget (OMB) under OMB No. 3170-0036. The integration of these efforts led to the CFPB report titled “Financial well-being: The goal of financial education.” This report includes the consumer-driven definition of personal financial well-being and introduces the hypotheses derived from the work.

Based on this work, financial well-being was defined as “a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow enjoyment of life” (CFPB 2015, p. 18). The view taken of financial well-being is the consumer’s perspective or how the individual assesses his or her level of well-being based on the criteria and tangible or intangible indicators that matter most to him or her. It is a personal and subjective assessment that brings the whole consumer into the study of consumer finance. These measurement items were obtained from each individual interview and then analyzed to determine overall patterns, with a special focus on differences between working age versus older Americans.

⁹ The January 2015 CFPB report “Financial well-being: The goal of financial education” provides the definition of financial well-being and the Bureau’s hypotheses about the personal factors that support it. Available at: <http://www.consumerfinance.gov/reports/financial-well-being/>

In addition to developing a consumer-driven definition of financial well-being, Phase 1 explored how financial knowledge, behavior, and attitudes influence personal financial well-being, as well as how personal financial well-being relates to objective financial situation. It is important to recognize that knowledge, behavior, and attitudes operate in the context of a complex ecosystem of personal traits and social context. Based on the literature and personal narratives, Phase 1 of this project and the resulting CFPB report lay out a series of hypotheses regarding some of the most important relationships and personal or contextual factors in driving levels of financial well-being. Exhibit 1 depicts the core conceptual model that emerged from Phase 1. In the exhibit below, financial knowledge is hypothesized to influence financial well-being mainly through behavior (i.e., acting on that knowledge) often non- consciously and through mediating factors. There are several important findings underlying this diagram. First, having the ability to do financial research (and to recognize when it needs to be done) is different than having a store of financial facts (the role of financial ability). Second, there is no single path to financial well-being, as contextual factors and personal traits influence the paths available and the individual’s ability to pursue them (the importance of control variables). Finally, consumer assessments of financial well-being are related to, but not synonymous with their objective financial situation (relationship between financial well-being and objective financial situation).

Exhibit 1: Core Conceptual Model



The research questions to be addressed in the current phase of this project were derived from these initial hypotheses.

Phase 2

For the second phase of the project, we commissioned the development of a new, validated survey scale to measure financial well-being as our project has defined it, and the development or recommendation of survey scales or items to measure the concepts described in the

hypotheses developed from the first stage of our financial well-being research. The data collection necessary to create a new survey scale to measure financial well-being, as well as a scale to measure the related concept of “financial ability” – which can be thought of as the skills component of financial literacy – was approved under OMB No. 3170-0043.

Phase 2 developed and validated a rigorous scale to measure financial well-being, as well as a new construct and associated scale of “financial ability.” These scales were established using exploratory and confirmatory factor analyses to identify the structure of the construct and Item Response Theory (IRT) modeling to complete the item-level analysis for working age (ages 18 to 61) and older Americans (ages 62 plus). Three waves of robust data collection allowed for an iterative approach to scale development and provided strong validation of the emerging scales. What began with 66 items for financial ability (FA) and 46 for financial well-being (FWB) resulted in 10- and 5-item scales for each construct, which are listed below in Exhibit 2 and 3. There are two response option sets for these questions reflecting the implied scale in the wording of each item. FWB1 and FA1 items use a 5-point Likert scale with Describes me completely, Describes me very well, Describes me somewhat, Describes me very little, and Describes me not at all as the options. The FWB2 and FA2 items use a 5-point Likert scale with Always, Often, Sometimes, Rarely, and Never as the options. The final wave of data collection also included a mode test assessing the final scale across online, telephone, and pencil-paper administration for working age and older Americans. Financial well-being and financial ability scores are obtained either through application of the IRT model to these items or through a reference table for sum scores of the items.¹⁰

Exhibit 2: Financial Well-Being, 10-and 5-Item Versions

Item	In 5-
I could handle a major unexpected expense	
I am just getting by financially	X
I am securing my financial future	
I am concerned that the money I have or will save won't last	X
Because of my money situation, I feel like I will never have things I want in life	X
I can enjoy life because of the way I'm managing my money	
I am behind with my finances	
My finances control my life	X
Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month	
I have money left over at the end of the month	X

¹⁰ Scoring procedures for the financial well-being scale are available at <http://www.consumerfinance.gov/reports/financial-well-being-scale/>

Exhibit 3: Financial Ability, 10- and 5-Item Versions

Item	In 5-
I know how to make complex financial decisions	X
I am able to make good financial decisions that are new to me	
I know how to get myself to follow through on my financial intentions	X
I am able to recognize a good financial investment	
I know how to keep myself from spending too much	
I know how to make myself save	X
I know where to find the advice I need to make decisions involving money	
I know when I do not have enough information to make a good decision involving my money	X
I know when I need advice about my money	
I struggle to understand financial information	X

A researcher or practitioner can obtain a financial well-being score for an individual based on his or her answers to the series of questions identified. There are currently no benchmarks to support interpretation of a given score, such as how the score obtained compares to a national statistic overall or for important comparison groups (e.g., age, income, level of education, race/ethnicity, etc.). Phase 3 of the project addresses this element, as well as the assessment of hypotheses derived from Phase 1 and is the focus for this new information collection request.

2. Use of the Information

Through this new Information Collection Request, “Financial Well-being National Survey,” the CFPB seeks approval to conduct the third phase of this project: a nationally representative survey to measure the level of financial well-being of American adults and key sub-populations and to quantitatively test the hypotheses developed in the first phase of the project.

The information collected through this survey will increase the CFPB’s understanding of consumers’ financial experiences and outcomes and therefore what types of financial education and empowerment programs and practices may improve financial decision-making skills and outcomes for consumers.

The third and current phase of the project builds on the foundational work established by first two phases. With both a definition and survey scale of financial well-being in place, as well as hypotheses regarding its drivers, the proposed data collection in this third and current survey phase has four major objectives:

1. Assess the state of financial well-being in America: Phase 3 will deploy the financial well-being survey scale to a nationally representative sample of U.S. adults for the first time. This will allow for the first-ever examination of the state of financial well-being for U.S. adults overall and for important demographic sub-populations;
2. Identify predictors of financial well-being: Phase 3 will quantitatively test the hypotheses developed in the earlier phases of this research to answer questions about how financial knowledge, ability and behaviors, as well as personal characteristics, are related to financial well-being;
3. Explore the differences in financial well-being and its predictors between older and younger consumers; and,
4. Encourage the acceptance and use of the new definition, measurement scale, and data generated through this project: Through both the aforementioned analyses and the production of a fully de-identified public use data files that will allow external researchers to examine additional research questions about financial well-being and its drivers, Phase 3 will lay the foundation for financial well-being to become an accepted and widely used metric by researchers and policymakers seeking to understand and enhance the financial welfare of the populace.

Thus, by providing the first comprehensive description of the state of financial well-being as well as a quantitative understanding of its important predictors, the current phase of this project will support the development and prioritization of evidence-based financial capability policies and programs.

Phase 1 and Phase 2 laid the foundation for the current phase of work designed to launch the new measure in a national survey to evaluate the current state of financial well-being and test hypotheses regarding its drivers. Specifically, the survey will help to answer our five research questions:

1. What is the national distribution of scores of financial well-being? What is the distribution for key demographic groups and identified vulnerable populations?
2. What is the relationship between financial well-being and objective financial situation? What factors might explain the differences between the two?
3. Is financial behavior predictive of financial well-being, controlling for current opportunities, personal traits and financial socialization? How much variation in financial well-being can it explain?
4. What is the relative contribution of financial knowledge and financial ability to the likelihood of engaging in financial behaviors found to influence financial well-being controlling for personal traits, current opportunity, and financial socialization?
5. What is the relative contribution of financial knowledge, financial ability, financial behaviors, personal traits, and past opportunities and experiences to financial well-being and objective financial situation?

To achieve these objectives and answer our research questions, we propose to use a large, probability-based, non-volunteer internet panel to measure adult financial well-being and related concepts from a nationally representative sample of approximately 5,000 adults 18 and older, as well as an oversample of approximately 1,000 adults age 62 and older, to gather additional data relevant to the needs and experiences of older consumers.

Although weights allow the sample population to match the U.S. population based on observable characteristics, similar to all survey methods, it remains possible that non-coverage or non-response results in differences between the sample population and the U.S. population that are not corrected using weights. Of particular concern to this survey effort would be if non-response at the time of recruitment into the panel resulted in these panel members having systematically biased perceptions of their financial well-being. Evidence from prior surveys provides some reassurance on this point, as described in Supporting Statement Part B. However, further exploration of potential differences in financial well-being and related factors that could conceivably result from non-response or non-coverage between this probability-based internet sample and other sampling methods will only be possible over time as the financial well-being scale is deployed in other surveys designed to be nationally representative.

This will be a one-time data collection via the internet, of approximately 20 minutes in length., fielded in both English and Spanish.

To collect the data necessary to test our hypotheses about the personal factors that may support higher levels of financial well-being, controlling for one's economic environment and financial opportunities, we will need to ask questions on the following topics:

- Financial well-being, as measured by our newly developed 10 item scale.
- Financial knowledge, to be measured using existing, generally accepted knowledge items.
- Financial ability (or "skill"), measured using our newly developed scale.
- Financial behaviors such as money management habits, financial planning and goal setting, engaging in financial research, and following through on financial intentions.
- Personal traits, which include such topics as materialism, conscientiousness, cognitive skills, time orientation, perseverance and financial self-efficacy.
- Economic circumstances, which include topics such as employment status, access to benefits, or experience of financial shocks.

The two new scales – financial well-being and financial ability – have been extensively pre-tested using both cognitive interviewing and quantitative analysis of response patterns, under a previous OMB clearance. Most other items have been selected or adapted from existing, generally accepted scales and published survey instruments. Additionally, following the completion of the survey design phase, nine pretest interviews were conducted to ensure the clarity of the questions, the flow of the survey and that the time to complete the survey did not

exceed 20 minutes. See Appendix A for the full survey instrument in English, Appendix D for the full survey instrument in Spanish, and Appendix C for sources of each item.

Basic demographic data is already available on members of the internet panel, so we will not need to ask all such questions as part of this collection. However, the data available on the internet panel is not updated regularly. So for demographic variables that can change over time or are heavily imputed and are important to our analysis will be included in our survey.

The data produced through this survey are intended to be released publicly in fully de-identified form and serve as a resource for researchers in academia, government, and the private sector. We expect these data to be used in research, academic publications, and reports by people both inside and outside of the Consumer Financial Protection Bureau.

The products of this data collection and subsequent analysis are intended to allow the CFPB, other FLEC agencies, and the broader financial education field to develop well-informed approaches to improving consumer financial well-being.

3. Use of Information Technology

Improved information technology will be used in this research to facilitate collection of the survey data in standardized and accurate ways that also ensures the protection of the confidentiality of sensitive data. The survey research plan reflects sensitivity to issues of efficiency, accuracy, and respondent burden. Where feasible, information will be gathered from existing data sources; the information being requested through the survey is limited to that for which the respondents are the best or only information sources. The survey will utilize web-based technology to reduce burden, improve accuracy of responses, and ensure data security.

The survey will be hosted on a secure, encrypted, passcode-protected digital platform, which will capture and store data in real time. Each response to a question (as it is entered) is sent immediately to a central and secure database. Research has demonstrated that surveys administered online are characterized by higher levels of self-disclosure, an increased willingness to answer sensitive questions and a reduction in responses biased toward positive self-description. The survey instrument has also been translated into Spanish, so that respondents can choose the language in which they take it.

4. Efforts to Identify Duplication

The CFPB is not aware of any similar data collection efforts aimed at directly measuring levels of financial well-being among American adults or key sub-populations, or at using such data to examine the specific behaviors, skills, and personal traits that predict financial well-being, holding constant economic opportunities. While existing data collection efforts on financial topics are on-going (e.g., American Life Panel (ALP), Health and Retirement Survey (HRS)), it is emphasized that these surveys do not contain psychometrically rigorous and validated metrics for the measurement of financial well-being or financial ability, as such

metrics did not exist prior to our recent development of them in the previous phase of this project, per the literature review conducted in the qualitative phase of this project. See also the World Bank’s 2013 publication “Making Sense of Financial Capability Surveys around the World: A Review of Existing Financial Capability and Literacy Measurement Instruments”¹¹ for an extremely thorough review of measurement tools in this space. It does not describe any existing tools for either the direct concept of financial well-being, or for the type of financial skill described in our proposed concept of financial ability. Ongoing household finance surveys such as the Survey of Consumer Finances and the FDIC National Survey of Unbanked and Underbanked Households place the majority of their emphasis on factual rather than attitudinal questions, and as such provide highly complementary information to what we seek to collect.

Prior to the qualitative data collection undertaken to develop a consumer-driven definition of financial well-being and to inform our hypotheses about key drivers of financial well-being, we reviewed more than 150 articles from a dozen fields.¹² Most research into individuals’ financial knowledge, education, and behavior has been published in the field of household finance, but relatively little has been published on a causal relationship between financial knowledge and financial behavior. Therefore, we began by casting a wide net to garner more general insights into the relationship between knowledge and behavior and the factors that mediate that relationship. The range of fields studied included health, health counseling, energy consumption, education, cognitive psychology, sociology, and social marketing. In none of the fields we surveyed, however, has the relationship between knowledge and behavior been fully determined and explained.

Moreover, the field of household finance lacks generally accepted definitions and measurements of financial knowledge, financial well-being, and financial behavior. With rare exceptions, financial knowledge has typically been defined only in terms of factual knowledge of specific financial concepts or as specific levels of numeracy. Only a handful of studies have looked at how different types of financial knowledge influence financial behavior or what circumstances either limit or catalyze the translation of financial knowledge into behaviors conducive to financial well-being. Overall, we found understanding of financial well-being to be very limited; often well-being is conflated with behaviors considered “positive” because they are presumed to lead one in the direction of financial well-being. Nor has the relationship between attitudes and financial well-being been extensively studied¹³, although findings in health-related fields and elsewhere suggest that such links could be important.

¹¹ Available at: <http://responsiblefinance.worldbank.org/~media/GIAWB/FL/Documents/Misc/Financial-Capability-Review.pdf> (accessed September 29, 2015).

¹² These include Consumer Finance, Economics, Behavioral Economics, Psychology (cognitive and developmental), Health, Education, Philosophy, Conservation, Environmental Science, Sociology and Marketing.

¹³ For examples of where it has been, see:

Lown, Jean M. “Development and validation of a financial self-efficacy scale.” *Journal of Financial Counseling and Planning*. 22(2) (2012): 54–63.

Forbes, James, and S. Murat Kara. “Confidence mediates how investment knowledge influences investing self-efficacy.” *Journal of Economic Psychology*. 31(3) (2010): 435-443.

Overall, our literature reviews revealed critical gaps in existing research from the perspective of the CFPB’s specific need for broadly applicable, evidence-based measures through which to identify effective financial education approaches. Our examination of the relevant literature—and published discussions¹⁴ of the issues we encountered—underscored the need for widely agreed-upon definitions and measures of financial well-being and its key drivers as a necessary first step toward research into effective education strategies and this planned next step of a large-scale survey data collection to allow for further quantitative research and testing of the intermediate drivers of financial well-being. Without conducting the proposed collection, we would not have all the variables together in one database needed to rigorously test our previously developed hypotheses about the drivers of financial well-being.

5. Efforts to Minimize Burdens on Small Entities

No small businesses will be impacted by this study, as survey respondents will be individuals only.

6. Consequences of Less Frequent Collection and Obstacles to Burden Reduction

Since the financial well-being of a representative sample of American adults has never been directly measured before, there is no way for the Bureau to quantitatively study the level or drivers of financial well-being among American adults without this data collection. Therefore, we would be hampered in our ability to target our financial education and empowerment programming directly at the programmatic outcomes most supportive of financial well-being. Since this is a one-time collection, less frequent collection is not possible.

7. Circumstances Requiring Special Information Collection

There are no special circumstances that require the CFPB to conduct the information collection in a manner inconsistent with the guidelines provided in 5 CFR 1320.5(d)(2).

8. Consultation Outside the Agency

In accordance with 5 CFR 1320.8(d)(1), the Bureau published a notice in the Federal Register allowing the public 60 days to comment on this proposed new collection of information. No

¹⁴Fernandes, Daniel, John G. Lynch, Jr., and Richard G. Netemeyer. “Financial Literacy, Financial Education, and Downstream Financial Behaviors.” *Management Science*. 60(8) (2014): 1861–1883.

Hastings, Justine S., Brigitte C. Madrian, and William L. Skimmyhorn. 2013. “Financial literacy, financial education and economic outcomes.” *Annual Review of Economics*. 5(1): 347–373.

Hung, Angela A., Erik Meijer, Kata Mihaly, Joanne K. Yoong. “Building Up, Spending Down: Financial Literacy, Retirement Savings Management, and Decumulation.” RAND Corporation.

http://www.rand.org/content/dam/rand/pubs/working_papers/2009/RAND_WR712.pdf (2009) (accessed October 10th, 2014).

public comments were received. Further and in accordance with 5 CFR 1320.5(a)(1)(iv), the Bureau published a notice in the Federal Register allowing the public 30 days to comment on the submission of this information collection request to the Office of Management and Budget.

The Bureau has also consulted with nine external experts representing other financial regulatory agencies, academia, and other research groups during the survey design process to ensure that the planned collection is as efficient and effective as possible in meeting its research goals.

9. Payments or Gifts to Respondents

The Financial Well-Being Survey will be fielded using the GfK KnowledgePanel. The GfK panel is the largest U.S. probability-based non-volunteer Internet panel, with approximately 55,000 panel members. GfK operates an incentive program through the use of point system to encourage participation and create member loyalty. Members can redeem their points for cash, merchandise, gift cards or game entries. Additionally, members may also be entered into special sweepstakes with both cash rewards and other prizes to be won. GfK research has found \$10 incentives are associated with a modest increase in the completion rate of 4 to 6 percentage points after controlling for other factors. Given the relatively small increase in the completion rate for significant additional expenditure, we do not believe that the use of additional incentives represents a good value for money given that respondents will already receive incentives via GfK's existing points system.

10. Assurances of Confidentiality

CFPB, and all contractors of the CFPB, will treat the information in accordance with applicable federal law, including but not limited to the Bureau's confidentiality rules, 12 C.F.R. Part 1070, and the federal laws and regulations that apply to federal agencies for the protection of confidentiality of personally identifiable information (PII) and for data security and integrity. These protections include stipulating in most instances that information collected on behalf of the Bureau remove or redact all direct identifying information before transmitting data to the Bureau and any contractor staff assigned to the project must sign a confidentiality agreement.

The study protocols and consent process have been reviewed in detail by Abt Associates' Institutional Review Board (IRB). The IRB review process has reviewed all study protocols, including the consent process and confidentiality protections. Each survey will contain an assurance of these confidentiality protections (see Appendix A for the English version and Appendix D for the Spanish version), which will also convey that respondents' identity will be kept private, that the respondents' participation is voluntary, and that they may refuse to participate at any time. Data provided by GfK to both Abt Associates and the CFPB will include no information that could directly identify respondents, per GfK's agreement with their panelists (see Appendix F).

Consistent with the Privacy Act and the E-Government Act a Systems of Records Notice (SORN) and Privacy Impact Assessment (PIA) have been published

<https://www.federalregister.gov/articles/2012/11/14/2012-27582/privacy-act-of-1974-as-amended> (CFPB.022 Market and Consumer Research Records SORN) and http://files.consumerfinance.gov/f/201406_cfpb_consumer-experience-research_pia.pdf (Consumer Experience Research PIA.)

The research team has established rigorous data security and confidentiality provisions that are documented as part of the study's Data Security Plan and in the Bureau's SORN and Privacy Impact Assessment.¹⁵ First, all data users will be aware of and trained on their responsibilities to protect participants' personal information, including the limitations on uses and disclosures of data. The research databases will be designed to limit access to data to authorized users with levels of access commensurate with each person's role on the project. The web server hosting the database will be maintained in a secure facility with power back up, network redundancy, and system monitoring. In addition, daily back up of the server will be maintained at the data center and an off-site location. The database and website will be password protected, and access will be provided after user authentication. In the case of a forgotten password, the system will email the password to the registered user's email address.

An assurance of confidentiality to the extent of the law will be made to all respondents as part of the introduction to the survey. GfK also promises their panelists that they do not share any personally-identifiable data. Computer security will be maintained by passwords known only to a limited number of project staff members who need access to these files.

The following safeguards shall be used to secure data in storage, retrieval, during access, and disposal.

- All personal data will be maintained on a secure workstation or server that is protected by a firewall and complex passwords, in a directory that can only be accessed by the network administrators and the analysts actively working on the data.
- Data files used for analysis will be stored in a separate location from files with identifying information to minimize the risk that an unauthorized user could use the unique identification number to link de-identified files with the identifiers.
- Access rights to the data are granted to limited researchers on a need-to-know basis, and the level of access provided to each researcher is based on the minimal level required that individual to fulfill his research role.
- Data will be backed-up on a regular basis and stored offsite to reduce the effects system failures or disasters. Backup media will be encrypted. Data will never be stored on a laptop or on a movable media such as CDs, diskettes, or USB flash drives without encryption.

¹⁵ CFPB.022 Market and Consumer Research Records SORN, <https://www.federalregister.gov/articles/2012/11/14/2012-27582/privacy-act-of-1974-as-amended>; and Consumer Experience Research PIA, http://files.consumerfinance.gov/f/201406_cfpb_consumer-experience-research_pia.pdf.

- If an authorized researcher leaves employment or is no longer working on this project, their user ID and access will be terminated within one day. These steps will be documented as part of termination process.

11. Justification for Sensitive Questions

Respondents will be asked to provide basic demographic and socio-economic information including their race/ethnicity, employment status, gender and age. This information is necessary to determine whether a socio-demographically diverse data set has been collected and to what extent respondents are representative of the sampling frame or the broader population of the U.S.

Respondents will also be asked to provide financial information such as income, liquid savings, mortgage payments and home values. This information will help us assess the respondent’s objective financial situation.

Other questions in the survey ask for information about respondent’s financial knowledge, capacity and behaviors. These questions are essential to measuring financial well-being and understanding what personal factors predict having higher levels of it. One of the primary purposes of this information collection is to further our understanding of the types of knowledge, skills, behaviors, and other personal factors that can support higher levels of financial well-being, so that the financial education field can consider the explicit promotion of consumer financial well-being in its design of strategies and approaches.¹⁶ This information will be treated as sensitive, confidential information to be used only for the purposes of this study. Respondents will also be reminded that they can refuse to answer any questions with no repercussion.

12. Estimated Burden of Information Collection

The estimated total burden for this research including the total number of hours needed for the information collection is 122,280 minutes or 2,038 hours. Each of the 6,115 respondents will only provide information one time. The average time per respondent to complete the survey is 20 minutes. Using an hourly rate of \$25.09, as defined by the Department of Labor for all employees on private nonfarm payrolls (August 2015), the total cost of the burden for this information collection is \$50,180.

Exhibit 4: Burden Hour Summary

Information Collection Requirement	No. of Respondents	Frequency	Annual Responses	Average Response Time (hours)	Annual Burden Hours	Hourly Rate	Hourly Costs

¹⁶ The January 2015 CFPB report “Financial well-being: The goal of financial education” provides the definition of financial well-being and the Bureau’s hypotheses about the personal factors that support it. Available at: <http://www.consumerfinance.gov/reports/financial-well-being/>

Field Test of Financial Well-Being National Survey	115	Once	115	.33	38.33	\$25.09	\$962
Financial Well-Being National Survey	6,000	Once	6,000	.33	2,000	\$25.09	\$50,180
Totals:	6,115	Once	6,115	.33	2,038	\$25.09	\$51,142

13. Estimated Total Annual Cost Burden to Respondents or Recordkeepers

This data collection effort involves no recordkeeping or reporting costs for respondents other than the time burden to respond to questions on the data collection instrument described in item A.12 above. There is no known cost burden to the respondents. There is no annualized capital/startup or ongoing operation and maintenance costs associated with collecting this information.

14. Estimated Cost to the Federal Government

The overall cost of this research including research design, survey design, information collection, analysis, reporting and development of a public use dataset is \$988,632.

15. Program Changes or Adjustments

This is a new data collection.

16. Plans for Tabulation, Statistical Analysis, and Publication

Analysis Plan for Each Research Question

Research Question 1: What is the national distribution of scores of financial well-being? What is the distribution for key demographic groups and identified vulnerable populations?

We will create look-up tables that tell practitioners the score ranges for the 10th, 20th, ... 90th, 95th percentiles of the distribution of financial well-being scores for both the 10-item and the 5-item scale.

We will also present and discuss histograms of the financial well-being scores. In addition to the age 18-plus population, we will describe the distribution of scores for each of the following subsamples:

- Older respondents (age 62+);
- Working-age respondents;
- Race/Ethnicity;

- Age ranges (18 to 24, 25 to 34, 35 to 44, 45 to 54, 55 to 61, 62 to 74 and 75 plus);
- Income tiers (<\$20,000, \$20,000 to \$29,999, \$30,000 to \$39,999, \$40,000 to \$49,999, \$50,000 to \$59,000, \$60,000 to \$74,999, \$75,000 to \$99,999, \$100,000 to \$149,999, \$150,000 or more)
- Census region (midwest, northeast, south, west)
- Gender (male, female)
- Marital Status (married, cohabitating, single/never married, divorced, widowed)
- Presence of Children (children, no children)
- Economically Vulnerable Populations (defined by 200 percent of poverty level).

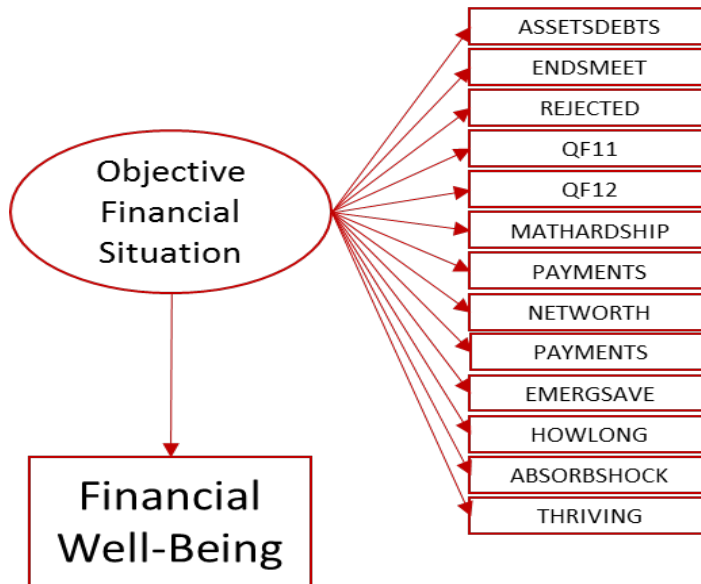
If sample allows, financial well-being scores will be presented for each of the other characteristics within two income groups (higher and lower) with the split to be determined. Options for the split include convention for similar reports, a median split or a percent of the poverty level.

Research Question 2: What is the relationship between financial well-being and objective financial situation? What factors might explain the differences between the two?

We will report the bivariate relationships between financial well-being (using measures based both on the 10-item scale and the 5-item scales) and each of the items in the survey that measure objective financial situation.

We will also examine the relationships between different measures used to indicate objective financial situation to determine how these measures operate together to provide a larger picture of objective financial situation.

We will explore bivariate relationships between financial well-being and other constructs and between objective financial situation and other constructs to identify promising explanations of the differences between financial well-being and objective financial situation for use in subsequent research questions.

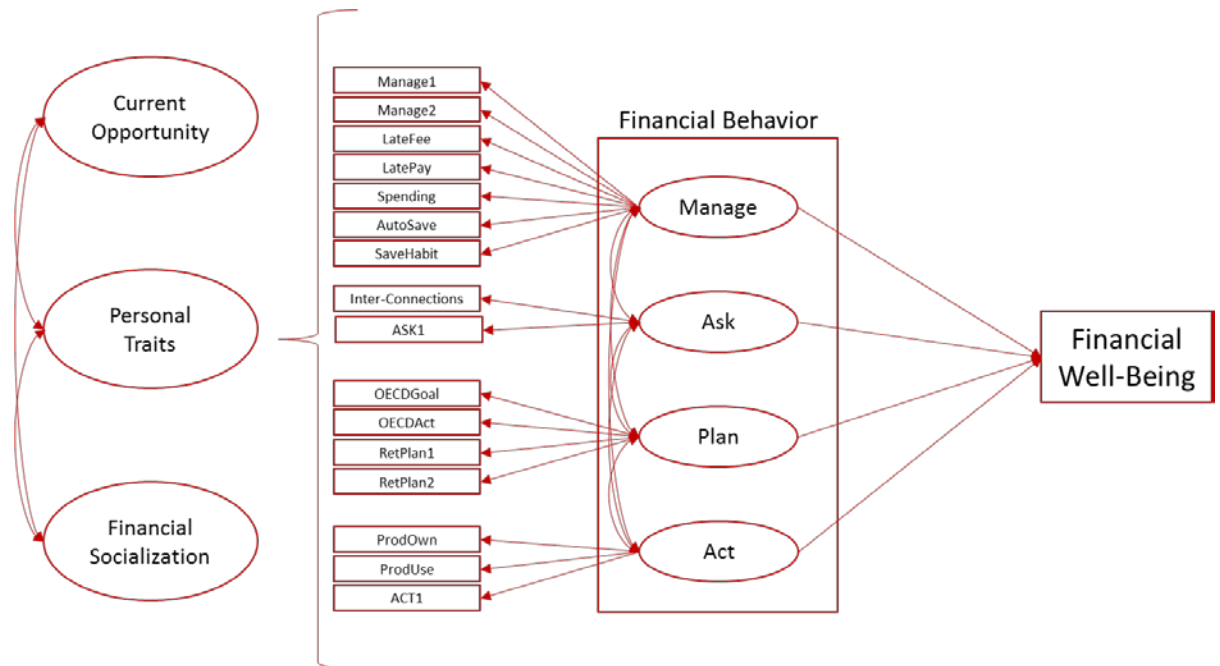


Research Question 3: Is financial behavior predictive of financial well-being, controlling for current opportunities, personal traits and financial socialization? How much variation in financial well-being can it explain?

We will report the bivariate relationships between financial well-being (using measures based both on the 10-item scale and the 5-item scales) and each of the items in the survey that measure objective financial situation.

We will also examine the relationships between different measures used to indicate objective financial situation to determine how these measures operate together to provide a larger picture of objective financial situation.

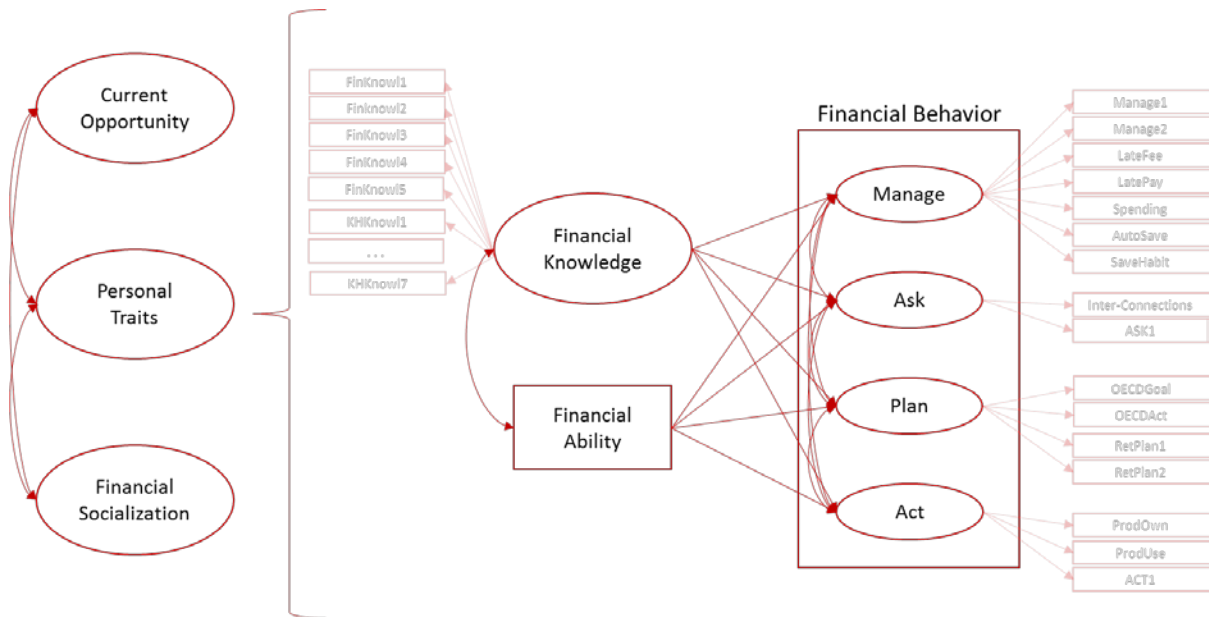
We will explore bivariate relationships between financial well-being and other constructs and between objective financial situation and other constructs to identify promising explanations of the differences between financial well-being and objective financial situation for use in subsequent research questions.



Research Question 4: What is the relative contribution of financial knowledge and financial ability to the likelihood of engaging in financial behaviors found to influence financial well-being controlling for personal traits, current opportunity, and financial socialization?

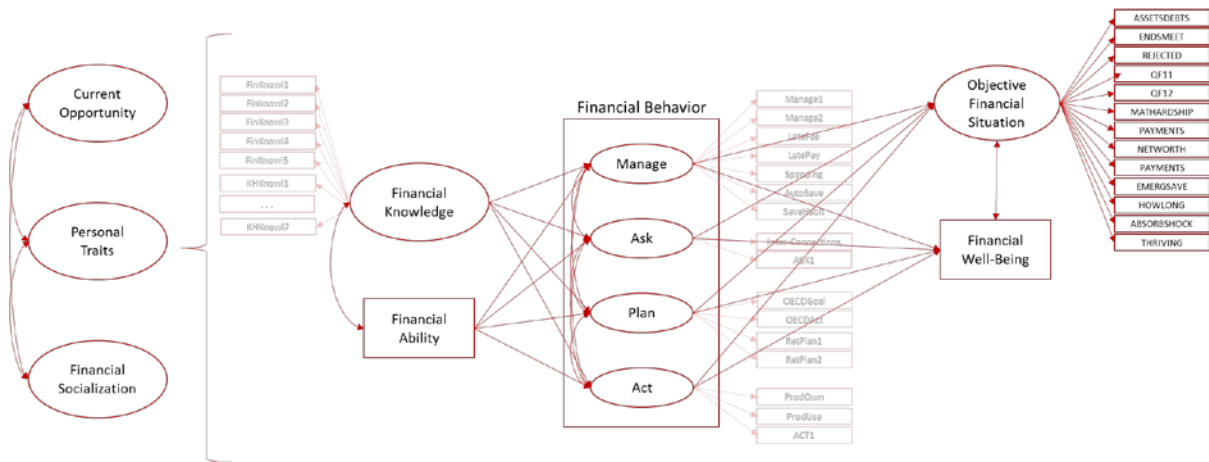
We will use the measurement model for the financial behavior constructs (from Research Question 3) to study how financial knowledge and financial ability relate to financial behavior, with a special focus on the incremental contribution of financial ability. We will conduct this analysis using structural equation modeling.

Next, we will explore how knowledge and ability relate to behavior after controlling for personal traits, socialization, and opportunity. Traits, socialization and opportunities will be examined as exogenous (“outside”) controls influencing knowledge and ability as well as behavior directly. In order to build up to a full model, we will model the influence of traits, socialization, and opportunities by themselves (i.e., one at a time). To the extent that the dataset will support each analysis, the most promising variables from each category can then be examined as one larger model.



Research Question 5: What is the relative contribution of financial knowledge, financial ability, financial behaviors, personal traits, and past opportunities and experiences to financial well-being and objective financial situation?

We will propose several structural models based on current knowledge and the results of research questions 3 and 4. These models will be examined to determine best fit.



Publications

Three Bureau publications described in the table below are anticipated to result from this data collection.

Report Name	Summary
Financial Well-being of the U.S. Population	Descriptive statistics report of financial well-being for adults (age 18+), working age Americans (ages 18 to 61), older Americans (ages 62+), and key demographic breaks (RQ1), as well as a comparison of financial well-being to measures of objective financial situation (RQ2).
Drivers of Financial Well-Being	A report on analytic statistics produced by quantitative testing of the key hypotheses laid out in the CFPB's report "Financial well-being: The goal of financial education." This analysis will include testing of the hypotheses using controlled regressions. The purpose of this report is to provide results and implications of quantitative testing of the hypotheses generated in phase 1 of the financial well-being research.
Financial Well-Being of Consumers Age 62 and Older	Descriptive statistics report of financial well-being for older Americans, with a focus on important subsets of this population (e.g., ages 75+, widows/widowers) and important issues somewhat unique to older Americans (e.g., cognitive issues, general health, generational differences, gender). Discussion highlighting key findings involving age differences from the analysis included in Report 2. Additional special testing and exploration of research questions 3 through 5 using data from survey respondents age 62 and older.

The fully de-identified data produced through this survey are intended to be released publicly and serve as a resource for researchers in academia, government, and the private sector. We expect these data to be used in research, academic publications, and reports by people both inside and outside of the Consumer Financial Protection Bureau.

Estimated timeline

Data collection	Approximately 1-3 months following OMB approval
Publication of reports	Approximately 1 year following close of data collection
Release of public use data set	Approximately 1 year following publication of reports

17. Display of Expiration Date

The Bureau plans to display the expiration date for OMB approval of the information collection on all instruments.

18. Exceptions to the Certification Requirement

Not applicable. The Bureau certifies that this collection of information is consistent with the requirements of 5 CFR 1320.9, and the related provisions of 5 CFR 1320.8(b)(3) and is not seeking an exemption to these certification requirements.