Response to Request for Information

Financial Literacy and Education Commission (FLEC) Update to the U.S. National Strategy for Financial Literacy

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We welcome the opportunity to provide input to the FLEC as it updates the National Strategy for Financial Literacy. Our comments draw on published research in behavioral economics, household finance, and retirement savings, and address how Trump Accounts can serve both as an educational opportunity and a vehicle for broad-based wealth accumulation. Our core argument is that financial education and choice architecture are complements, not substitutes—and that the National Strategy should reflect this evidence-based view.

Question 1A: How can financial education providers best use investment vehicles, like Trump Accounts, to teach children how to save, invest, and achieve financial security?

Trump Accounts present a rare and significant opportunity for experiential financial education at population scale, specifically because they engage families with real money growing in real time. Unlike abstract educational modules about saving or investing, these accounts create natural, recurring opportunities for families to observe compound growth directly. We highlight two dimensions along which the National Strategy should act.

Addressing exponential growth bias. Exponential growth bias represents the tendency to misestimate how quantities grow when they compound over time (Levy & Tasoff, 2016). Research shows that approximately 70% of the U.S. population exhibits *negative* exponential growth bias (EGB)—meaning that they underestimate the power of compound interest over time, perceiving growth to be closer to linear (Goda et al., 2019). This is not simply low financial literacy; it is a specific and measurable cognitive bias that persists

even after controlling for income, education, age, and cognitive ability (Goda et al., 2019). Critically, EGB is strongly associated with lower retirement savings balances, and eliminating it across the population could meaningfully increase retirement savings (Goda et al., 2019).

Trump Accounts—whose $1,000 government seed investment begins compounding at birth—are well suited to address this bias precisely because the learning experience begins early and continues over decades. The National Strategy should encourage financial education providers to use Trump Account statements and online tools explicitly as vehicles for demonstrating compound growth and to design curricula around this learning objective.

Providing effective projection tools. Personalized projections of account balances and retirement income meaningfully increase saving behavior. In a field experiment with university employees, those who received personalized retirement income projections contributed approximately $85 more annually on average; among those who made any change, annual contributions rose by $1,150 (Goda, Manchester, & Sojourner, 2014). For Trump Accounts, this evidence supports making interactive, adjustable projection tools widely available—tools that allow families to vary rates of return, contribution amounts, inflation assumptions, and time horizons.

The current administration's projections on trumpaccounts.gov rely on a single, fixed, and optimistic set of assumptions (see Viard, 2026, for a detailed critique). The National Strategy should recommend that all financial education materials for Trump Accounts—including official government websites—provide balanced scenario ranges, adjust for inflation and taxes, and use interactive formats that allow exploration. Overall, research suggests that non-adjustable projections can anchor families to specific assumptions in ways that distort decisionmaking, while adjustable tools mitigate this anchoring effect (Goda, Manchester, & Sojourner, 2014; Goda et al., 2023).

Just-in-time delivery. Financial education is most effective when delivered at moments of active financial decisionmaking. A meta-analysis by Fernandes, Lynch, and Netemeyer (2014) found that even intensive educational interventions have negligible behavioral effects 20 months after delivery, while Kaiser and Menkhoff (2017) found across 126 impact evaluation studies that intervention success depends critically on reaching people at "teachable moments." For Trump Accounts, high-leverage moments include tax filing (when families may make contributions), the transition from child care to pre-kindergarten (when budgets shift), and enrollment in new employer benefit plans. The National Strategy should recommend that providers time information delivery to coincide with these moments.

Reaching hard-to-reach populations. Evidence suggests that online financial tools disproportionately reach households who are already financially capable and making high contributions (Goda et al., 2023). To ensure that Trump Accounts serve as an equalizing force, the National Strategy should emphasize passive, low-burden information delivery—such as periodic account statements with embedded projections—rather than relying

solely on opt-in digital tools. Special attention should be given to translation, accessibility, and trusted-messenger outreach for populations with limited English proficiency, limited digital access, or lower baseline financial confidence.

Question 2C: What evidence-based best practices in financial education developed in the past five years should be incorporated into the National Strategy?

The retirement savings literature, which has produced some of the most rigorous causal evidence on savings behavior, offers a key insight that the 2020 National Strategy should more fully reflect: **choice architecture systematically dominates information provision as a determinant of savings outcomes.** The National Strategy's best practice framework should explicitly incorporate this finding.

Specifically, the following evidence-based practices—well-established in the retirement literature and directly applicable to Trump Accounts—should be reflected in the updated Strategy:

- **Automatic enrollment** dramatically increases participation compared to opt-in systems, because inertia and present bias are powerful forces (Madrian & Shea, 2001; Choi et al., 2004). The National Strategy should recommend automatic enrollment wherever feasible for new financial savings programs.
- **Streamlined contribution pathways**—such as allowing contributions to Trump Accounts through payroll withholding or tax refund designation—reduce hassle costs and increase take-up, particularly among lower-income households (Madrian & Shea, 2001; Beshears et al., 2009).
- **Automatic contribution escalation**, popularized by the Save More Tomorrow program, increases saving rates over time while minimizing the perceived pain of any single contribution increase (Thaler & Benartzi, 2004). Allowing families to pre-commit to contribution increases at transition points—such as when a child enters kindergarten and child care costs fall—could substantially increase balances over time.
- **Prudent, low-cost defaults** matter because many participants accept default investment options without active choice (Choi et al., 2004; Beshears et al., 2009). The National Strategy should affirm the importance of well-designed defaults in any government-sponsored investment account.

The broader takeaway for the National Strategy is that financial education and choice architecture are complementary strategies that reach different target populations. Informational interventions can improve knowledge but mainly among those with some baseline knowledge to begin with; choice architecture design can have more broad effects but must be designed carefully. A revised National Strategy should explicitly encourage

program designers to ask both “What do people need to know?” and “How can the decision environment make good choices easier?”

Question 5: What new research or research gaps should Treasury be aware of?

We highlight three research areas particularly relevant to the updated National Strategy:

Exponential growth bias. Research has documented that EGB is prevalent, consequential for retirement savings, and distinct from general financial literacy (Goda et al., 2019; Levy & Tasoff, 2016). A key gap is whether Trump Accounts—through sustained, real-world exposure to compound growth beginning at birth—can reduce EGB over time. Longitudinal evaluation of Trump Account holders’ financial knowledge and savings behavior would provide valuable evidence.

Projection design. Existing research has examined the effects of fixed versus adjustable projections in retirement contexts (Goda et al., 2014; Goda et al., 2023). The effects of different projection designs for children’s accounts, and for populations with lower financial baseline capability, are not yet well understood.

Differential effects across populations. Financial education interventions frequently show heterogeneous effects, with smaller impacts on harder-to-reach and less financially confident populations. The National Strategy should encourage and fund evaluations that explicitly measure effects by income, education, race, ethnicity, and language background and that assess whether educational interventions narrow or widen existing gaps in financial capability.

Question 8: Other input

We urge the FLEC to take a multi-pronged, evidence-based approach in the updated National Strategy—one that treats financial education and the design of choice environments as equally important policy levers. For Trump Accounts specifically, the most consequential design decisions will likely be structural (default enrollment, contribution pathways, automatic escalation) rather than educational. The National Strategy can serve an important coordinating function by ensuring that financial education efforts are designed in ways that are realistic, timely, and accessible and that evaluation infrastructure is built into program design from the start so that evidence can accumulate over time.

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