

Financial Counseling: A Consumer Empowerment Model

Millions of dollars in public and private funding have been spent on efforts to increase the financial literacy of all Americans, especially those of modest means and newest to banking. Unfortunately, many of these efforts have been disconnected from a larger strategy and generally do little to impact the way consumers make decisions at the time of the purchase. The National Council of La Raza (NCLR)—the largest national Hispanic civil rights and advocacy organization in the United States—is promoting a different approach: connecting families to a professional financial advisor who can provide advice that is tailored to their unique situation and timed to impact the decision at hand. Research shows that one-on-one counseling is the best way to equip families with helpful financial knowledge and a personal plan for fiscal success.

NCLR offers the following road map to increasing the availability of objective financial advice:

- **Expand community-based financial counseling programs.** Such programs are particularly effective with Latino families and communities of color, who are disproportionately underbanked and have growing household debt. Since most financial advisors are fee-based, their services are often out of reach for the average family. Investment in community-based organizations serving areas hard-hit by economic decline will not only ensure that the advice reaches those who need it most, but also shore up neighborhood jobs and institutions.
- **Create a refundable tax credit for families to cover the cost of seeking financial advice in the private sector.** Since most families cannot afford a planner's fee or do not meet their net worth requirements, planners have little incentive to market their services to those of modest means. A tax incentive would have the double benefit of drawing professional planners into the middle- and low-income market and making room for job growth and innovation in the field.
- **Make advice available throughout the household life cycle.** The financial questions facing a family will evolve over time, creating an ongoing need for objective, timely advice. Financial counselors and planners should facilitate their client's movement along a continuum of fiscal decisions. This also means that programs must be sustained over time to support the changing needs of families.
- **Formalize professional and ethical standards of care.** Financial advisors supported by taxpayer dollars must be subject to scrutiny, subscribe to the highest standards of care, and work on behalf of the family. Those providing financial advice to middle- and low-income families should receive special training and be able to offer guidance on a range of transactions: opening checking, savings, and retirement accounts; establishing a credit history; shopping for credit cards, car loans, or insurance products; and recovering from a financial disaster such as bankruptcy, job loss, or a medical emergency.

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