

Chad Cooper Remarks to Economic Development and Policy Committee

November 28, 2022

Mr. Chair, Members of the Committee, Thank you for your time today...

INTRODUCTION

- My name is Chad Cooper
- I am a Financial Planner with 20 years of experience. 15 with Prudential and 5 years as an independent advisor with Gateway Financial Advisors
- I am the parent of a college freshman and a 5th grader in APS.
- My wife is a high school teacher with Albuquerque Public Schools
- I am the President of the New Mexico Chapter for the National Association of Insurance and Financial Advisors and I am here today with our Vice President of Advocacy and New York Life Financial Professional, Michael McCaffrey.
- I am also the Vice Chairman of the African American Greater Albuquerque Chamber of Commerce
- ***Growing up in New Orleans, I attended top tier prep schools in Louisiana and Connecticut. I earned my BA in Economics from Middlebury College in 1995 and an MBA from the UNM Anderson School of Management in 2001. With all of that education in Economics and Business, I did not learn basic financial literacy until I became a financial advisor in 2003.***
- My personal passion for financial education began in 2005 following Hurricane Katrina. As a new Orleans native, I saw my fellow New Orleanians...my fellow Black citizens (one of whom was my father)...left outside of the Convention Center for days with no help, no support from our government. They were our poorest citizens. Watching them left helpless day in and day out made me realize that we can't rely on the government or others become financially independent. We have to do it ourselves. It inspired me to start my first financial literacy program entitled: "Financial Education for African Americans," which was a monthly class I hosted in Albuquerque in 2005 and 2006.
- Since then, I have taught Risk Management and Insurance at the UNM Anderson School of Management
- Developed the curriculum and taught financial education classes as part of the HM Tech summer program sponsored by Sandia National Labs.
- Given countless presentations and seminars on financial products and concepts
- Most recently, I taught an Investing 101 class for the Black employee resource group at Microsoft where I presented to over 150 of their employees across the country over Zoom
- I enjoy taking complex financial concepts and simplifying them for any audience whether it's kids, professionals or other financial advisors.

NAIFA BACKGROUND

- I have been a long-time member of NAIFA New Mexico and this year and next year, I have the pleasure of serving as its President
- We are an organization comprised of 103 of the state's financial advisors and insurance agents ranging from independent advisors and firms like mine, Gateway Financial Advisors, to career organizations like State Farm and New York Life.
- NAIFA NM's mission is the **advocate** for a positive legislative and regulatory environment; **educate** by enhancing business and professional skills; and **differentiate** to promote the ethical conduct of its members.
- Our membership and leadership do lean to any particular political party.
- NAIFA NM is an organization dedicated to promoting the best possible working environment for the financial advisor community and to providing the best regulatory environment for the clients we serve.
- Part of that service is our relationship with the THRIVE Campaign. THRIVE is a national initiative funded by the NASDAQ Foundation to educate and activate 1 Million Black and Latino Investors to build wealth.
- NAIFA NM is a leading partner with this organization and helped support its kickoff event in Albuquerque last summer providing panelists for their summit supporting black, brown and women entrepreneurs and investors.

AAGACC FINANCIAL LITERACY BACKGROUND

- Similarly, The African American Greater Albuquerque Chamber of Commerce has also played a significant role in financial education
- Through a grant from the Kellogg Foundation, the black chamber provided New Mexico's low income citizens a series of financial literacy training classes
- We provided 4 Sessions quarterly in 2021 and 2022.
- Each Session Covered 4 Modules.
- Each Module was presented in a 4 hour Saturday Zoom session.
 - Module 1: Introduction to Financial Literacy
 - SMART GOALS
 - Income & Expense Tools
 - Banking Tools
 - Asset Building & Net Worth
 - Module 2: Budget Plans & Credit Reports
 - Module 3: Borrowing & Managing Debt
 - Module 4: Retirement & Investment Strategies (I taught this course, which covered investment basics, retirement accounts as well as insurance plans)

BOTH ORGANIZATIONS STAND IN SUPPORT OF MAKING A COURSE IN FINANCIAL LITERACY OR PERSONAL FINANCE A HIGH SCHOOL GRADUATION REQUIREMENT.

I am aware, as are you, of the numerous statistics relating to our state's and frankly our country's lack of financial education. I will cover a couple of those stats, but I believe what is more telling are the 1st hand accounts from my wife, a high school teacher in APS. In her Health class, she gives the students exercises where they have to find a job, create budgets, and decide how they will spend their money. Her firsthand accounts are stories of how ill prepared our kids are and how little understanding they have of realistic after-tax incomes, the cost of items, everyday expenses like mortgages or rent, utilities, etc. And as hard as she tries, there is only so much she can do with a few budgeting exercises within a larger Health curriculum.

We must dedicate and require at least a semester to these critical financial concepts: Budgeting, Emergency Funds, Saving, Risk and Insurance, Interest Rates, Compound Interest, Investing, Retirement Plans, Income and Capital Gains Tax Rates, etc.

In my opinion, teaching these initially as concepts is more critical than treating them as math problems. For example, it is more important at this stage for a student to understand conceptually how compound interest works in an investment account and how it will impact his or her life than it is for them to have to calculate a formula to figure out the future value of a certain dollar amount in 30 years.

For example, in preparation for today's talk, I asked my 18 year old son yesterday if he understood how interest rates worked. He said he did not. Using a mortgage app on my phone, I showed him how much interest he would pay in a 30 year mortgage on a \$500K home with a 3% rate of interest (\$258,887 with a \$2,108.02 over 30 years). Whereas, with a 6% rate of interest, he would pay \$579,190 in interest payments alone with a \$2,997.75 monthly payment. The short conversation I had with my son around the concept of interest and its long term costs using a readily available app was a more powerful teaching tool than if I had him calculate the long term cost of interest using an obscure formula that he will never use in the real world.

The Life Insurance Marketing and Research Association (or LIMRA) defines financial literacy as ***“possessing the knowledge and skills to make informed and effective decisions about money and financial goals.”***

A Secure Retirement Institute (formerly LIMRA Secure Retirement Institute) study found that only 13% of American adults feel very knowledgeable about financial products and investments. A 2021 LIMRA study found that 1 in 8 Americans have a high level of financial literacy.

This means that most consumers do not have strong knowledge about financial topics and may make decisions that undermine their financial security now and in retirement.

As a financial advisor, I regularly see clients who feel some degree of shame or embarrassment because they feel they don't know enough about managing their money. This is true of high-income earners, low

income earners and everyone in between. Our society has conditioned us to think we should just naturally possess the skills of financial literacy, and worse, that it should be a source of embarrassment if we don't possess those skills. Yet, the statistics bear out that most Americans do not have those skills! What a cruel joke it is to have that expectation, but yet not provide to necessary minimal education requirements to make sure our kids learn these critical skills.

HOW CAN WE HELP

- NAIFA NM, through its network of advisors, can help provide curriculum support, design or modifications (AAGACC can also help here since we already have a curriculum in place)
- Provide “real world” and practical expertise to support the students and teachers
- Provide guest lecturers
- Provide resources, presentations, up to date financial topics. The rules change regularly and we have to make sure the curriculum is current
- Provide career opportunities, job fairs, and/or career days in the schools.

In the end, NAIFA New Mexico and the African American Greater Albuquerque Chamber of Commerce can be valued partners to provide ongoing assistance BEFORE and AFTER the legislation is passed to make sure that our kids have access to the most current and effective financial education resources and opportunities in the country.

Mr. Chair and committee members, I thank you for your time and I'll stand for questions.