



## **TOWARDS A MORE INCLUSIVE SOCIETY**

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# 2<sup>nd</sup> Policy Research Symposium to Advance Financial Literacy

- This is the second Policy Research Symposium
- Proceedings summarizing presentations in the first Symposium are available
- New topic inspired by data



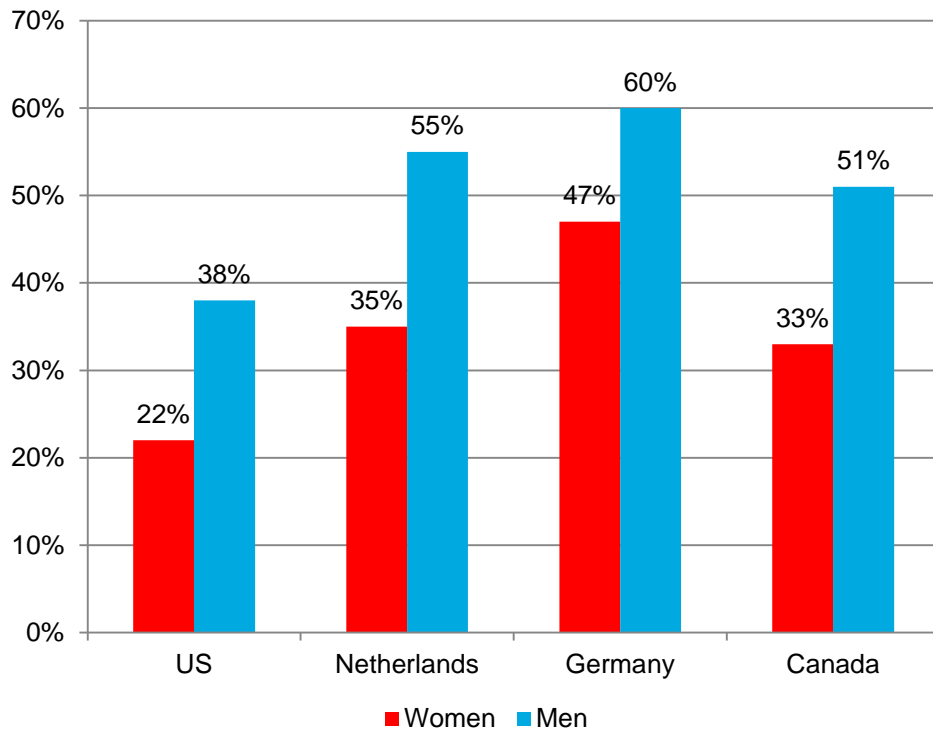
# Towards a more inclusive society

- The focus of this Symposium: Building a more inclusive society
- Research demonstrates that there are large differences in financial literacy
- Who are the vulnerable groups?
  - women
  - lower income/lower education
  - immigrants, elderly
  - young

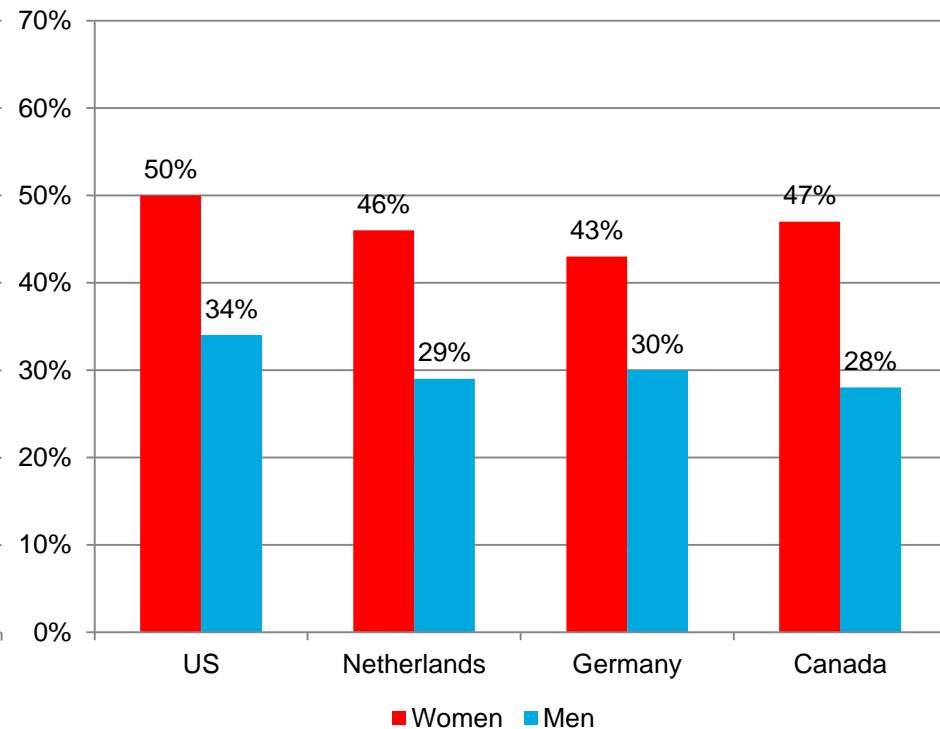
# Financial literacy among women

- Very robust findings of large gender differences in financial literacy
- Women are much more likely to say “I do not know”

**Financial literacy by gender  
(3 questions answered correctly)**



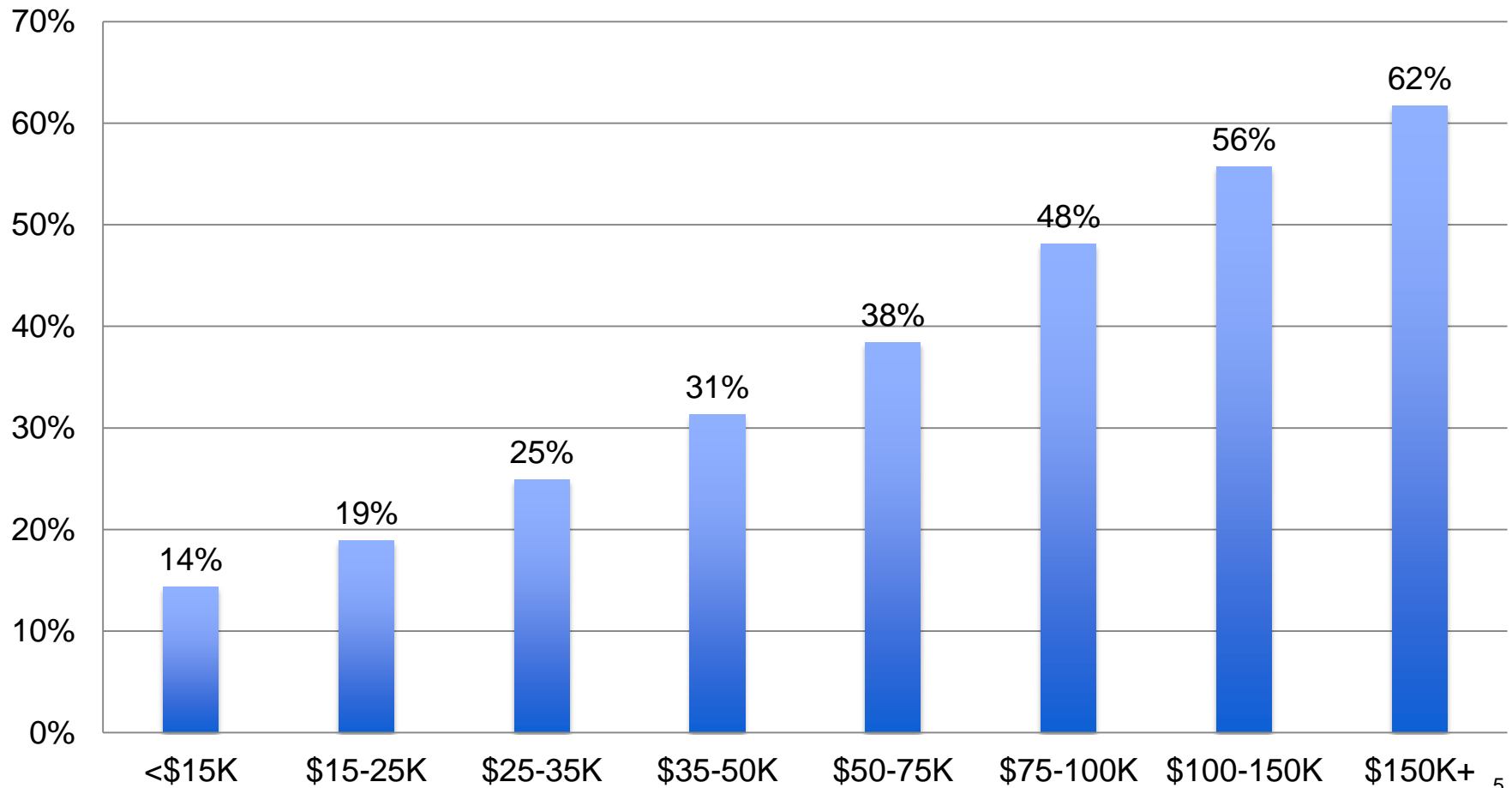
**At least one "don't know" answer, by gender**



# Financial literacy across income groups

- Financial literacy is also strongly positively correlated to income level

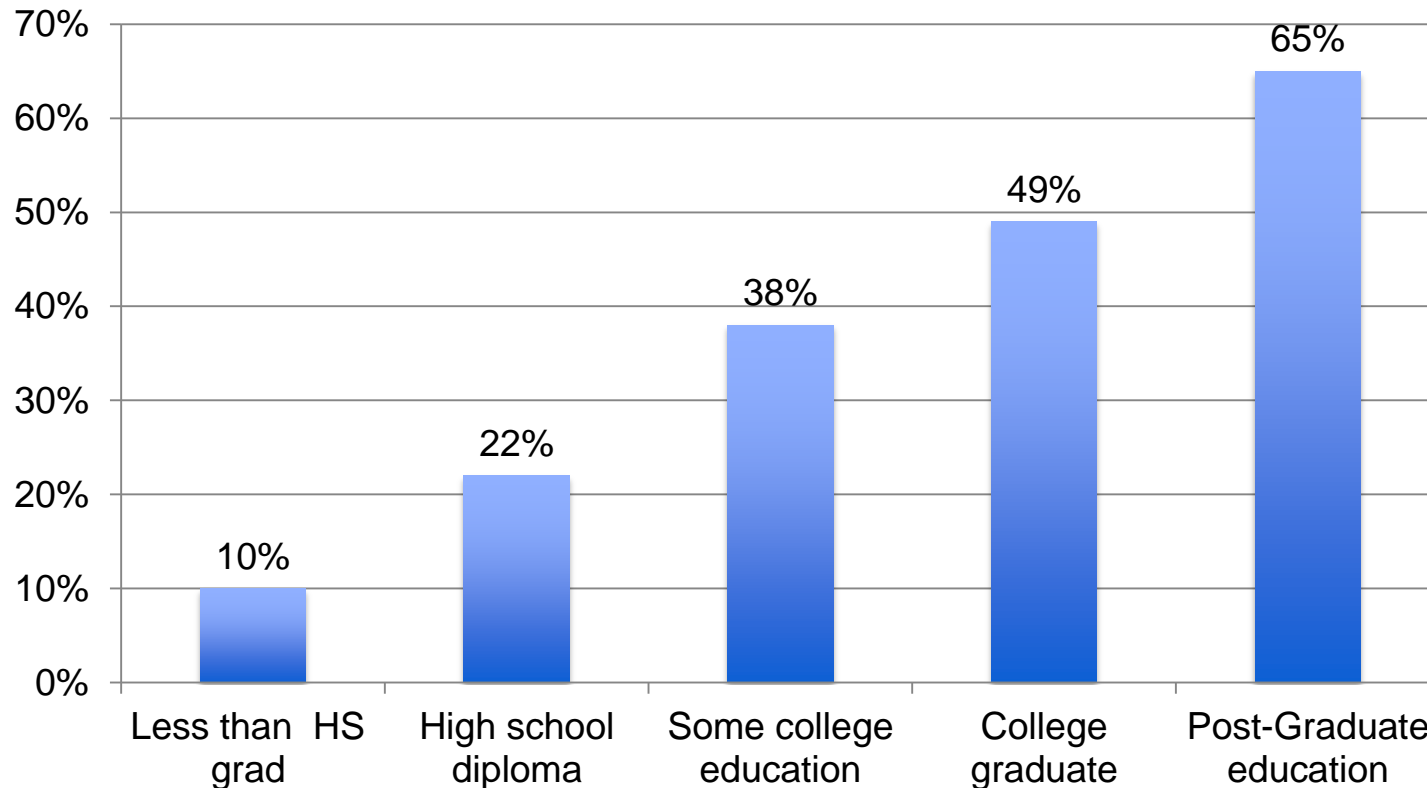
**Financial literacy by income level in the United States  
(3 questions answered correctly)**



# Financial literacy across education groups

- Financial literacy is strongly positively correlated to education level

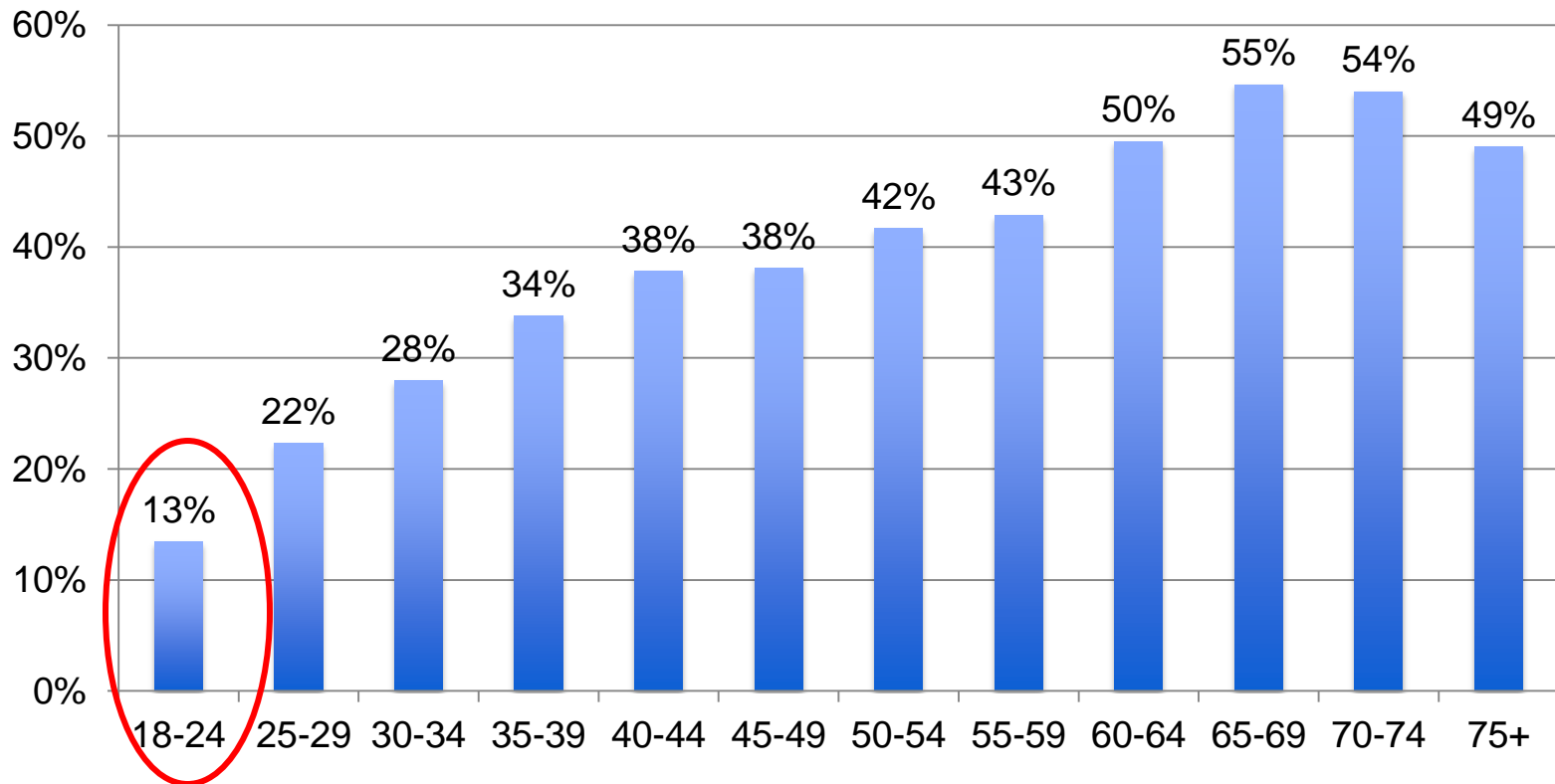
**Financial literacy by education in the United States  
(3 questions answered correctly)**



# Financial literacy among the young

- Compared to other age groups, financial literacy among the young is very low

**Financial literacy by age in the United States  
(3 questions answered correctly)**

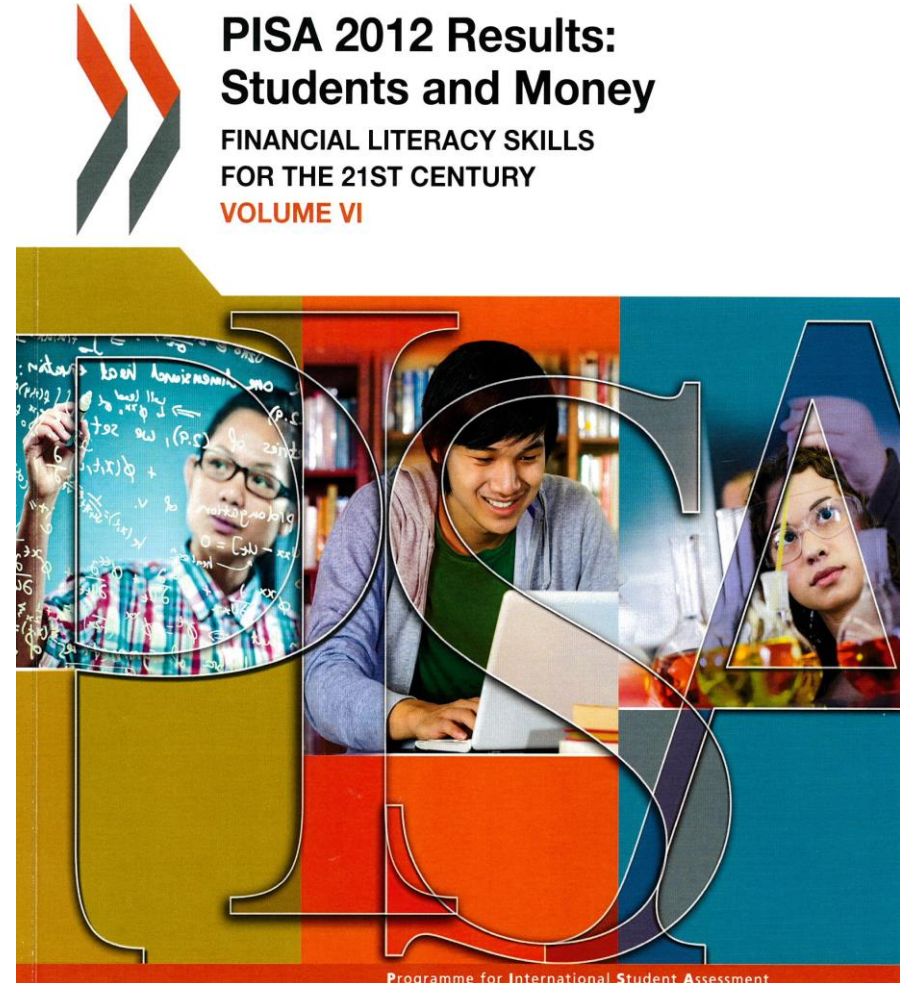


- Now we have 2012 PISA data on financial literacy that allows us to study financial knowledge among high school students in 18 different countries



# New data for 15-year-olds around the world

- We have important new data
- 2012 Programme for International Student Assessment (PISA)
- Measuring financial literacy among high school students





# 2012 PISA Financial Literacy Assessment

PISA is the first large-scale international study to assess the financial literacy of 15-year-old students



The PISA financial literacy assessment provided an articulated plan for developing items, designing the instrument, and providing a common language for discussion of financial literacy.

# PISA Financial Literacy Assessment

## A multiple-year project

- A group of experts was convened by the OECD to design the 2012 module on financial literacy
- They represented many countries and many stakeholders (treasury departments, central banks, regulators, practitioners, academics)
- Experts worked on the assessment for about two years
- Data was released on July 9, 2014

# US release of PISA financial literacy data, July 9, 2014



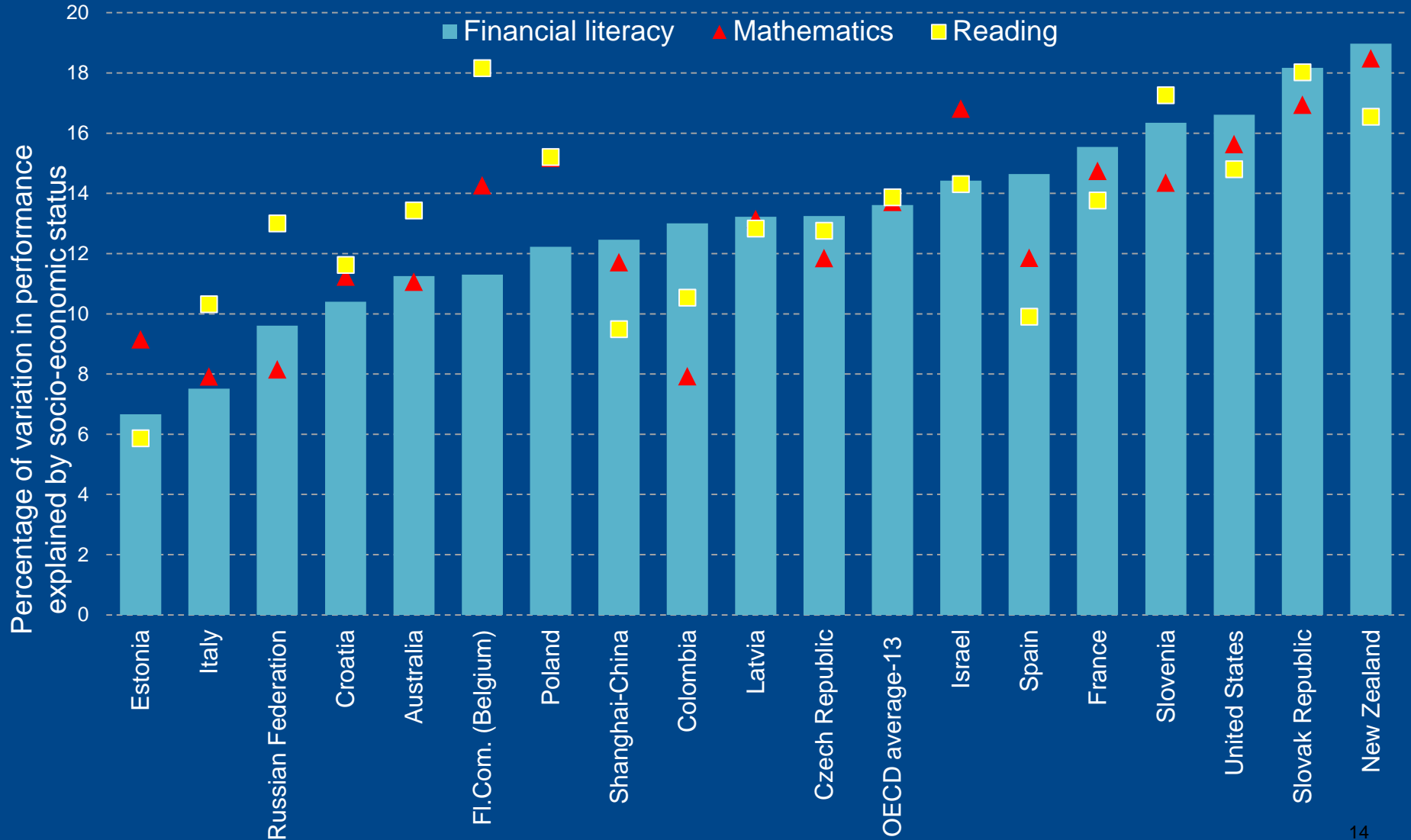
# What does the data say?

- The data is incredibly rich and provides a lot of information that can be used by policy makers, practitioners, teachers, and parents
- Today we are also going to listen to some young people. They are the faces behind the numbers.

# Some important findings

- A lot of the variation in financial literacy is explained by socio-economic background (parent's income and education)
- We start unequal when it comes to financial literacy and inequality will only grow
- How to provide equality of opportunity early in life?

# Relationship between socio-economic status and financial literacy, mathematics, and reading performance



# Why should we care?

- Financial literacy can be linked to behavior: saving, borrowing, investing, and retirement planning
- Today, we will see that financial literacy is also linked to wealth inequality
- The paper in the afternoon session shows that financial literacy is one of the main determinants of wealth inequality



# The importance of research

- Assessing how financial literacy impacts wealth inequality is a hard task
- Need a (new) model of saving that incorporates financial knowledge
- The model needs to incorporate realistic features of the economy, such as:
  - Many sources of risk
  - Borrowing constraints
  - Inequality in wages

# The importance of research (continued)

Once we have such a model, it is possible to

- Calculate the share of wealth inequality that is due to financial literacy
- Understand the behavior of financial literacy over time
- Assess whether policies or programs improve well-being; for example, what are the effects of adding financial literacy programs/curricula in school?

# From research to applications

What can be done to address financial literacy among the young and to address inequality?

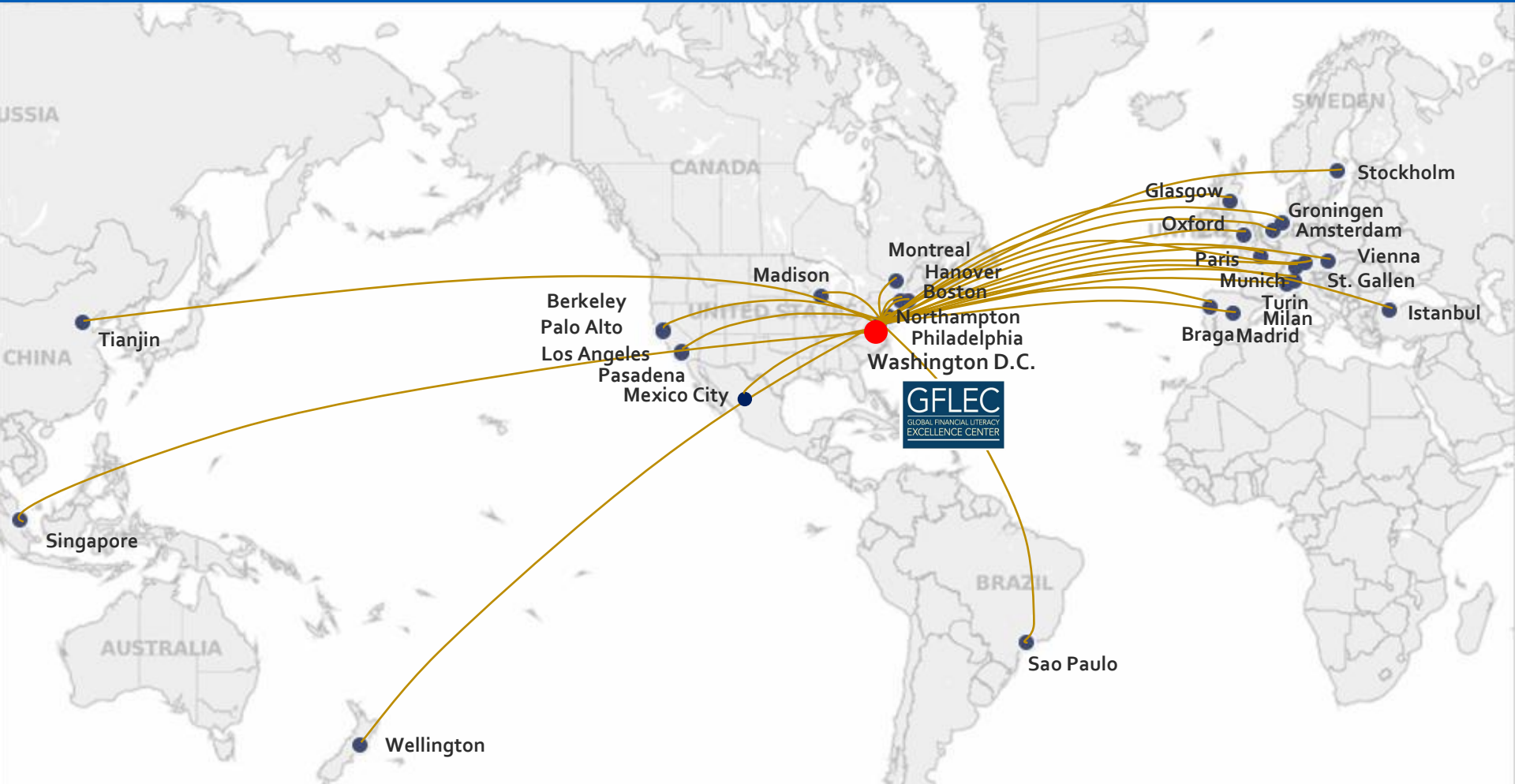
- We have received a large number of projects which have been done around the world
- We want to discuss other ideas as well
  - Borrow from other fields, for example health



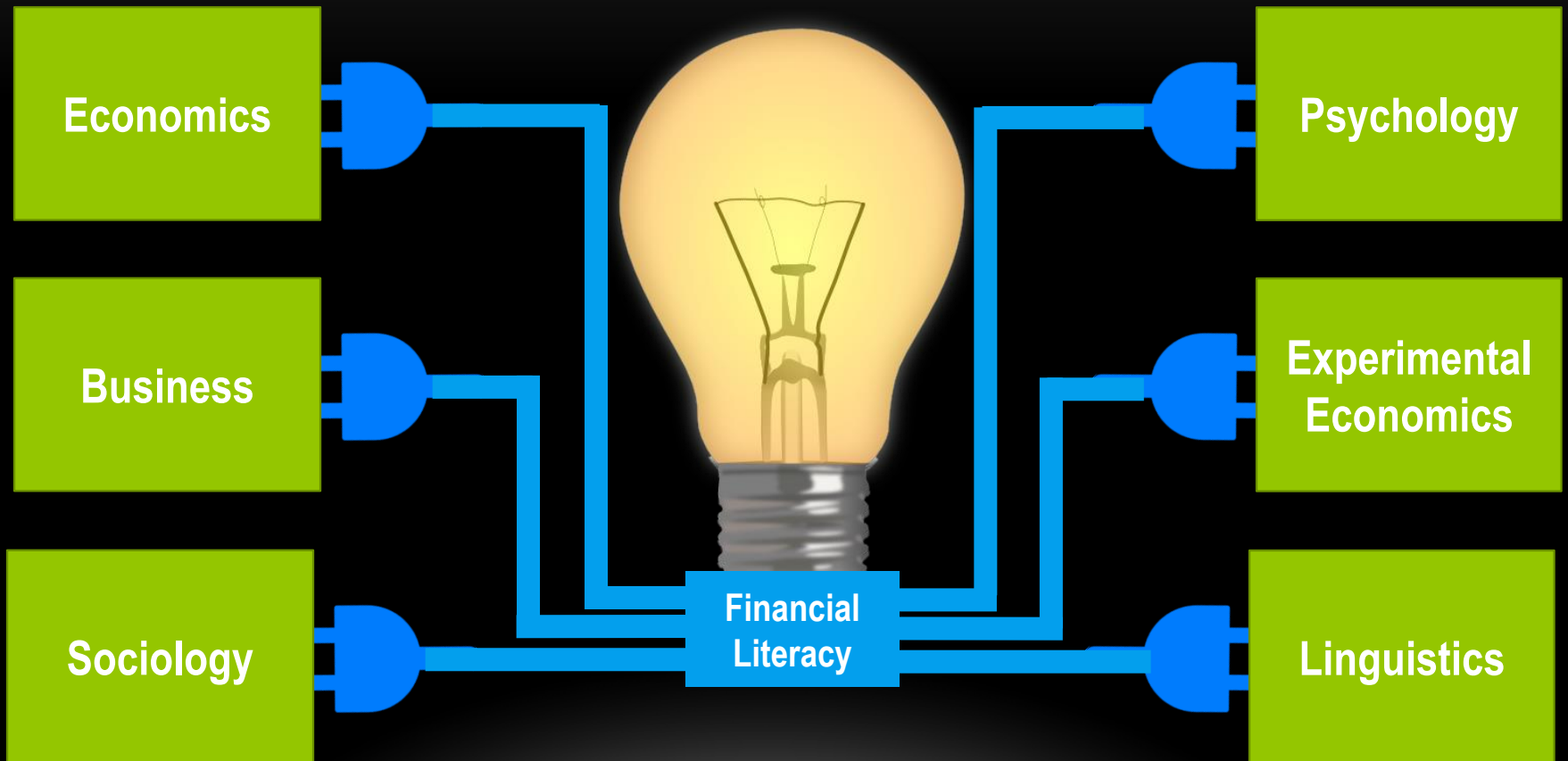
## From research to applications (continued)

- Very important to share experiences
- INFE is a true gateway for financial education
- We are looking forward to an interactive session at the end of the Symposium
  - Still time to ask questions or to mention projects
  - Learning from each other

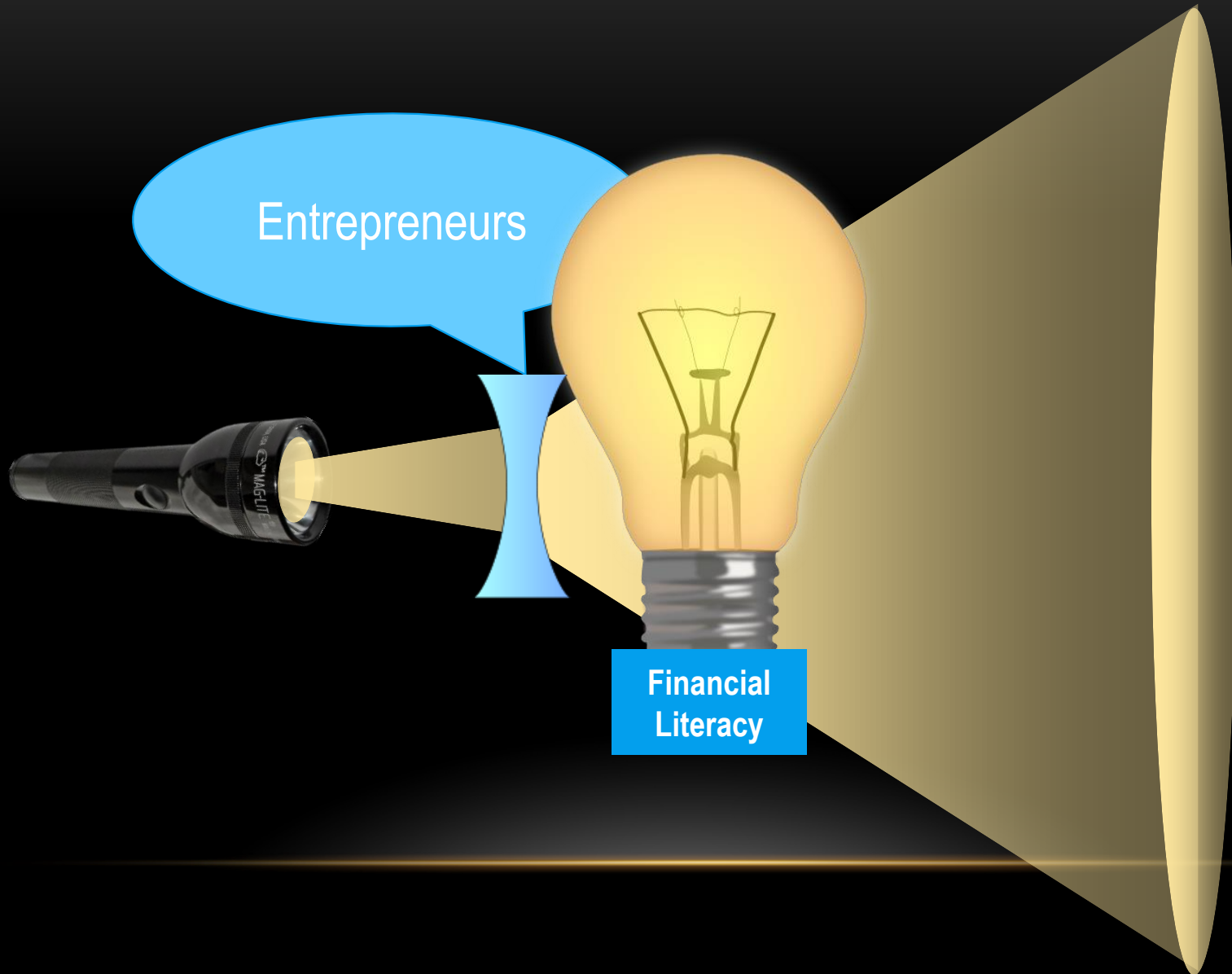
# GFLEC's Global Network: Ongoing projects around the world



# Our approach is multidisciplinary



# Maximizing our potential through entrepreneurship





# Thanks to our funders



# Thank you!

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