



SUMMER 2013 NEWSLETTER

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Message from the Academic Director, Annamaria Lusardi

Dear Friends and Colleagues,

I am excited to share with you the many activities of the [Global Financial Literacy Excellence Center \(GFLEC\)](#) this last quarter. This issue of our newsletter highlights the promise that financial literacy holds for improving not just financial behavior but also financial well-being.

I hope you will have the opportunity to look at our collection of papers in the July issue of the journal [Numeracy](#). GFLEC continues to promote the sharing and dissemination of research findings. In October, for example, we are the co-organizer of the Global Policy Research Symposium to Advance Financial Literacy, along with the Organisation for Economic Co-operation and Development (OECD). The symposium, held back-to-back with the twelfth meeting of the OECD's International Network on Financial Education, will spotlight high-impact academic work on financial literacy. For more information, visit the OECD [website](#).

Another exciting event, which I hope you can attend, is our second annual Global Financial Literacy Summit to be held in Amsterdam on November 13. The summit brings together experts from around the world to discuss financial literacy education for youth and innovative ways to promote financial security. The event is explained in greater detail below, and I also invite you to visit the summit [website](#).

In Washington, D.C., our [Financial Literacy Seminar Series](#) continues to provide a forum for thought leaders in financial literacy. Following its summer break, the seminar series resumes on September 26 when FINRA Investor Education Foundation President Gerri Walsh presents findings from the recently released National Financial Capability Study.

I hope you enjoy reading the newsletter, which describes many of our other activities and programs aimed at promoting financial literacy.

Warm regards,
Anna



Featured Research: Financial Literacy Theme Collection

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Lusardi Honored with Odom Award

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Save-the-Date: Global Financial Literacy Summit, Nov. 13, 2013

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GFLEC Happenings



GFLEC Hosts Release of National Financial Capability Study

The findings of the 2012 National Financial Capability Study (NFCS) have set the stage for deeper exploration of how topics such as student loans and medical debt affect Americans' financial security. The study, released at the Global Financial Literacy Excellence Center (GFLEC) at the George Washington School of Business, follows up on a 2009 baseline study also supported by FINRA Investor Education Foundation.

Present at the release of the study were Richard Ketchum, Chairman and CEO of FINRA and Chairman of the FINRA investor Education Foundation; Mary Jo White (pictured here), Chair of the U.S. Securities and Exchange Commission; Richard Cordray, Director of the Consumer Financial...

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International Federation of Finance Museums Holds First Meeting

GFLEC joined three other founding members of the International Federation of Finance Museums (IFFM) at an inaugural meeting in New York on June 19, 2013. GFLEC, the Museum of American Finance (MoAF), the Chinese Museum of Finance, and the Italian Museum of Savings came together with representatives from twelve countries and four continents to launch the IFFM. Participants at the meeting, hosted by MoAF, discussed the structure and direction of the IFFM and exchanged ideas for new initiatives, with an emphasis on projects promoting financial literacy.....

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GFLEC at NYSE to Promote Women and Workplace Financial Education

GFLEC participated in Financial Capability Week at the New York Stock Exchange (NYSE), where Academic Director Annamaria Lusardi had the opportunity to be part of a group that rang the bell. Serving on a panel that included Nobel Laureate Muhammad Yunus, Dr. Lusardi spoke of the need for financial education targeted to women.

During Financial Capability Week, the NYSE also launched the online [Workplace Financial Fitness Toolkit](#) designed by Drs. Lusardi and Punam Keller of Dartmouth College. The toolkit provides tailored information for employers and employees.

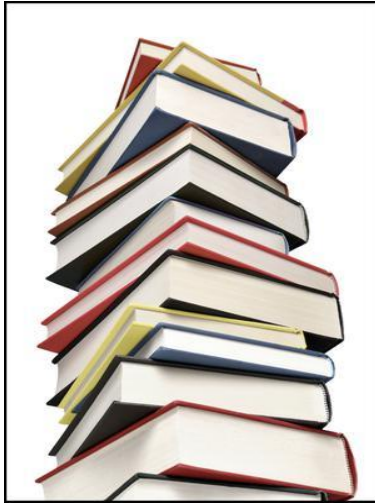


Financial Literacy Seminar Series Concludes Its Second Year

Research on retirees' out-of-pocket spending for health care was among the topics explored in the 2013 [Financial Literacy Seminar Series](#) co-sponsored by the Federal Reserve Board and GFLEC. The second year of the series featured six thought leaders in financial literacy speaking on issues ranging from Social Security reform to payday loans.

In March, Professor Howell Jackson of Harvard Law School opened the spring series and delivered the Distinguished Financial Literacy Lecture...

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Working Paper: The Economic Importance of Financial Literacy

A National Bureau of Economic Research working paper, "[The Economic Importance of Financial Literacy: Theory and Evidence](#)," reviews the growing body of theoretical and empirical research on financial literacy. The paper, by GFLEC Academic Director Annamaria Lusardi and Olivia Mitchell of the University of Pennsylvania Wharton School, also examines the consequences of financial illiteracy and some of its remedies.



Inaugural Steen Award Given to Lusardi

Director Lusardi's article titled "[Numeracy, Financial Literacy, and Financial Decision -Making](#)" was the winner of the inaugural Steen Award from the National Numeracy Network. The article was honored as the best article published in the journal *Numeracy* in the past five years. The article was recognized for its "clarity... and timeliness in addressing an issue that has had a significant impact on the global community."



Lusardi Testifies to U.S. Senate Subcommittee

The vast majority of Americans lack the financial knowledge necessary to make informed decisions about their own financial future, GFLEC Academic Director Annamaria Lusardi told the Subcommittee on Children and Families of the U.S. Senate Committee on Health, Education, Labor, & Pensions. Dr. Lusardi was invited by the subcommittee to testify on the economic importance of financial literacy. She told Senator Kay Hagan and other senators that financial illiteracy is not only widespread but is especially severe among the young. In her April 24, 2013 testimony, Dr. Lusardi recommended that financial literacy be added to school curricula.

Watch her testimony [here](#).

SAVE THE DATE!

**GLOBAL FINANCIAL
LITERACY SUMMIT**
AMSTERDAM 2013 NOVEMBER 13

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Featured Research: Financial Literacy Theme Collection

GFLEC Academic Director Annamaria Lusardi edited a financial literacy theme collection of articles in the July 2013 issue of the journal [Numeracy](#) in collaboration with Dorothy Wallace and Audrey Brown from Dartmouth College. The theme issue covered papers incorporating data from the National Financial Capability Study as well as papers that assess financial literacy in Australia, France, Romania, and Switzerland, expanding upon the [Financial Literacy around the World project](#).

In their opening article, Lusardi and Wallace note that the close tie between quantitative and financial literacy could be leveraged in introducing both into high school and undergraduate curricula—including within existing classes on personal finance or quantitative reasoning.



Lusardi Honored with Odom Award

The Jump\$tart Coalition for Personal Financial Literacy has honored Academic Director Annamaria Lusardi with the William E. Odom Visionary Leadership Award. This award recognizes individuals who have made a substantial, groundbreaking contribution to the promotion of financial literacy among students across the United States. Previous winners include U.S. Secretary of Education Arne Duncan and former Chair of the President's Advisory Council on Financial Capability John Rogers.

During her speech at the April award ceremony, Dr. Lusardi talked about her passion for financial literacy and her work for the Programme for International Student Assessment (PISA). A copy of the speech can be found on her [blog](#).

Read more about the award [here](#).



Upcoming Global Financial Literacy Summit

Innovative approaches to financial literacy education for youth and for people close to retirement are the main themes for this year's [Global Financial Literacy Summit](#) on November 13 in Amsterdam. Our list of speakers includes Elsa Fornero, former Italian Minister of Labour; Gerri Walsh, President of FINRA Investor Education Foundation; Olaf Simonse of the Dutch Ministry of Finance; Dominic Thurbon, ChangeLab's Co-founder and Chief Creative Officer; Billy Hensley, Director of Education for the National Endowment for Financial Education; Gerjoke Wilmink, Nibud's Managing Director; and Annamaria Lusardi of GFLEC. Additional speakers will be announced shortly.

The Summit will convene thought leaders, policymakers, practitioners, and executives from industry-leading financial firms throughout the world for a global forum on the rapidly evolving topics of financial literacy, financial education, and financial decision making. Because this program is in conjunction with the [WorldPensionSummit](#), we maximize participation and disseminate the work on financial literacy to the over 350 pension professionals from more than 40 countries who attend each year.

The GFLEC team is pleased to continue this yearly initiative as we aim to inform policymakers and practitioners around the world about best practices and the most recent research in the field of financial literacy. To see a short video of last year's highlights, please click [here](#).

To learn more or register please click [here](#).



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Present at the release of the study were Richard Ketchum, Chairman and CEO of FINRA and Chairman of the FINRA Investor Education Foundation; Mary Jo White (pictured here), Chair of the U.S. Securities and Exchange Commission; Richard Cordray, Director of the Consumer Financial Protection Bureau; Cyrus Amir-Mokri, Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury; and Stacey Stewart, U.S. President of United Way Worldwide.

Although presentations described important changes in key measures of financial capability since the baseline study, they also noted that the new data reinforce the original findings: many Americans struggle to pay their bills, plan ahead, and make savvy financial decisions, and financial capability varies by socio-economic status and other demographics. In general, measures of financial capability are much lower among younger Americans and those with low income and less education. African-Americans and Hispanics are disproportionately represented among those demographic segments. Women display lower financial literacy than men and also tend to be more financially vulnerable.

Following the presentations, an expert panel discussed the policy implications of the findings. A C-SPAN video recording of the event can be watched [here](#).



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GFLEC, the Museum of American Finance (MoAF), the Chinese Museum of Finance, and the Italian Museum of Savings came together with representatives from twelve countries and four continents to launch the IFFM. Participants at the meeting, hosted by MoAF, discussed the structure and direction of the IFFM and exchanged ideas for new initiatives, with an emphasis on projects promoting financial literacy.

Academic Director Annamaria Lusardi gave a presentation on the importance of the 2012 financial literacy data from the OECD's Programme for International Student Assessment (PISA), sparking lively debate about how the findings could support the efforts of the federation. It was proposed that the IFFM serve as an ambassador for the PISA data when the OECD's full report is released in 2014.

The IFFM is considering hosting several bold, high-impact initiatives, including financial literacy competitions or special events featuring participation by corporations and government agencies. Meeting participants were also enthusiastic about IFFM plans to facilitate the exchange of financial literacy knowledge, exhibits, and resources.

The Chinese Museum of Finance will host the IFFM's annual meeting in 2014.



Financial Literacy Seminar Series Concludes Its Second Year

Research on retirees' out-of-pocket spending for health care was among the topics explored in the 2013 [Financial Literacy Seminar Series](#) co-sponsored by the Federal Reserve Board and GFLEC. The second year of the series featured six thought leaders in financial literacy speaking on issues ranging from Social Security reform to payday loans.

In March, Professor Howell Jackson of Harvard Law School opened the spring series and delivered the Distinguished Financial Literacy Lecture detailing his research study on the anticipated health care costs of U.S. retirees. Although retirees benefit from Medicare coverage, it is projected that they will struggle to cover increasingly larger out-of-pocket costs. Professor Jackson found that a disproportionate number of the study's more than 1,700 respondents, age 40–80, estimated their future health care spending at levels far below those expected by experts.

Women and younger respondents were most likely to underestimate expenses, a tendency found in other financial literacy studies. Professor Jackson discussed possible policy responses to the findings, including efforts to improve financial planning.

Following the presentation, Gary Mottola, Research Director of FINRA Investor Education Foundation, moderated a panel discussion that featured Mark Warshawsky, Director of Retirement Research at Towers Watson, and Jason Fichtner, Senior Research Fellow at the Mercatus Center at George Mason University. They talked about the study's findings and the importance of financial literacy education for retirees and near retirees.

In April, Professor John Friedman of Harvard Kennedy School discussed active versus passive saving decisions and crowd-out in retirement savings accounts in Denmark. Following the presentation, Flore-Anne Messy of the Organisation for Economic Co-operation and Development moderated a panel with Karen Dynan from the Brookings Institution and Paul Smith of the Federal Reserve Board.

They discussed the significance of Friedman's findings, which indicated that people are typically passive about their retirement saving decisions, and how the research should guide policies and regulations related to household savings. The panelists also grappled with the challenge of defining the optimal saving amount for people of various ages as well as the notion that saving might not always be ideal, particularly in high-debt households.

In other presentations in the series, University of Illinois' Professor Jeffrey Brown looked at the complexities of annuities as a barrier to people using that method of saving; former Chairman of the Social Security Advisory Board Sylvester Schieber discussed his book *The Predictable*

Surprise: The Unraveling of the U.S. Retirement System, which offers an in-depth analysis of the U.S. Social Security system; and Professor Jing Cai of the University of Michigan presented research showing that social networks and financial education play critical roles in the uptake of weather insurance in rural China. The series concluded with Nick Bourke of The Pew Charitable Trusts examining payday loans.

For more information on the presentations and short video interviews with the speakers, click [here](#).

The schedule for the fall seminar series is below. The seminars are held at the George Washington School of Business from 3:00 to 4:30 p.m., followed by a reception.

- Sept. 26, 2013—Gerri Walsh, Distinguished Financial Literacy Lecture (President, FINRA Investor Education Foundation)
- Oct. 10, 2013—Anna Paulson (Federal Reserve Bank of Chicago)
- Oct. 24, 2013—Julie Agnew (College of William and Mary)
- Nov. 7, 2013—James Choi (Yale University)
- Nov. 21, 2013—William Skimmyhorn (United States Military Academy)
- Dec. 5, 2013—Richard Burkhauser (Cornell University)