GFLEC
GLOBAL FINANCIAL LITERACY EXCELLENCE CENTER

Three Questions to Measure Financial Literacy

The "Big Three" financial literacy questions (listed below), created by Director Annamaria Lusardi and Professor Olivia S. Mitchell, have now been used in more than 20 countries to measure financial knowledge. Comparisons of results across countries have demonstrated that financial illiteracy is a global problem, that financial literacy peaks in middle age, and that women consistently score lower than men.

Lusardi and Mitchell provide an overview of the findings related to the "Big Three" questions in their paper "Financial Literacy Around the World: An Overview," which is one of the *Journal of Pension Economics and Finance'*s ten most-cited articles. Among individuals in both well-developed and developing economies, financial literacy is very low. This matters because financially literate people are more likely to save for retirement than their less financially literate counterparts. The study concludes with a recommendation to develop more and better-targeted financial education programs.

Read the paper here.

The "Big Three" Financial Literacy Questions (correct answer marked with asterisks)

1) Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

More than $102**
Exactly $102
Less than $102
Do not know
Refuse to answer

2) Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?

More than today
Exactly the same
Less than today**
Do not know
Refuse to answer

3) Please tell me whether this statement is true or false. "Buying a single company's stock usually provides a safer return than a stock mutual fund."

True
False**
Do not know
Refuse to answer