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## NEW PERSONAL FINANCE INDEX IDENTIFIES GAPS IN FINANCIAL LITERACY AMONG AMERICAN ADULTS

*Index brings new approach for measuring financial literacy; Shows knowledge is lowest in the area of comprehending risk*

**NEW YORK (March 22, 2017)** – A new annual personal finance index released today by the TIAA Institute and the Global Financial Literacy Excellence Center (GFLEC) showed that 52 percent of U.S. adults surveyed could not answer more than one-half of the index questions correctly.

In contrast to previous financial literacy studies, which use a limited set of questions to test an individual's understanding of fundamental concepts, the "TIAA Institute GFLEC Personal Finance (P-Fin) Index" framed questions around real-life scenarios to provide a more comprehensive view of individuals' knowledge and understanding. The Index covers eight functional areas which enable sound financial decision-making and effective management of personal finances.

The P-Fin Index showed that financial knowledge is lowest in the area of comprehending risk. This is troubling given that uncertainty is a common challenge when making financial decisions. Future conditions like employment, personal health, interest rates, and investment returns are tough to predict, so comprehending risk and its implications is integral to making appropriate financial decisions. Other key findings from the Index include:

- Young adults are working from a limited base of personal finance knowledge. While 10% of those under age 45 have a relatively high level of financial literacy, 30% have a relatively low level. Comprehending risk and insuring are areas where young adult knowledge appears lowest.
- Insuring, investing and go-to information sources are the other functional areas where personal finance knowledge is below average – falling below the average of 49% correct answers for all survey questions.
- Personal finance knowledge is highest in the area of borrowing and debt management. On average, 61% of the borrowing questions were answered correctly. Knowledge and understanding may emerge from confronting accumulated debt, often from early on in the life cycle.

"We are excited to collaborate on this one-of-a-kind index that provides us critical insight into the current financial literacy levels of Americans," said Stephanie Bell-Rose, Head of the TIAA Institute. "As we see the economic climate of the nation continue to rapidly evolve, it is imperative that individuals have the tools and knowledge they need to successfully navigate their financial lives. Improving the financial knowledge of Americans would lead to a greater financial well-being and a more secure retirement in the future."

The “TIAA Institute-GFLEC Personal Finance (P-Fin) Index,” authored by Paul Yakoboski, Senior Economist at TIAA Institute, Annamaria Lusardi, Academic Director at GFLEC, and Noemi Oggero, Research Associate at GFLEC, includes demographic breakdowns by age, gender, race/ethnicity, education level, household income, and exposure to financial education.

“The index data reveal Americans have a relatively low level of knowledge and understanding of personal finances,” said Annamaria Lusardi, Academic Director of the GFLEC. “Our findings highlight the need for renewed efforts to increase financial literacy particularly among the young, who face many significant financial decisions early in their working lives.”

The P-Fin Index’s 28 questions come from these eight functional areas:

1. Earning – determinants of wages and take-home pay
2. Consuming – budgets and managing spending
3. Saving – factors that maximize accumulations
4. Investing – investment types, risk and return
5. Borrowing/managing debt – relationship between loan features and repayments
6. Insuring – types of coverage and how insurance works
7. Comprehending risk – understanding uncertain financial outcomes
8. Go-to information sources – recognizing appropriate sources and advice

To view the report in full, please click [HERE](#).

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### **About the TIAA Institute**

The TIAA Institute helps advance the ways individuals and institutions plan for financial security and organizational effectiveness. The Institute conducts in-depth research, provides access to a network of thought leaders and enables those it serves to anticipate trends, plan future strategies and maximize opportunities for success. For more information about the TIAA Institute, visit [www.tiaainstitute.org](http://www.tiaainstitute.org).

### **About TIAA**

TIAA (TIAA.org) is a unique financial partner. With an award-winning<sup>1</sup> track record for consistent investment performance, TIAA is the leading provider of financial services in the academic, research, medical, cultural and government fields. TIAA has \$907 billion in assets under management<sup>2</sup> (as of 12/31/2016) and offers a wide range of financial solutions, including investing, banking, advice and guidance, and retirement services.

### **About GFLEC**

Founded in 2011 at the George Washington University School of Business, the Global Financial Literacy Excellence Center (GFLEC) has positioned itself to be the world’s leading center for financial literacy research and policy. Through rigorous scholarship and research, wide-reaching education, and global policy services, the Center works with partners in Washington, DC, throughout the United States, and

across the globe to raise the level of financial knowledge. GFLEC builds on more than twenty years of academic research by Professor Annamaria Lusardi, an early contributor to financial literacy as a field of study. Since its inception, the Center has completed more than 50 research projects on financial literacy and has collaborated with more than 60 top researchers and research centers around the world. In addition, the Center collaborates on policy work with key institutions such as the FINRA Investor Education Foundation and the Organization for Economic Cooperation and Development (OECD).

More information on GFLEC can be found on the Center's [website](#).

<sup>1</sup> The Thomson Reuters Lipper Large Fund Award is given to the group with the lowest average decile ranking of three years' Consistent Return for eligible funds over the three-year period ended 11/30/12, 11/30/13, 11/30/14 and 11/30/15, respectively. TIAA was ranked among 36 fund companies in 2012, 48 fund companies in 2013 and 2014, and 37 fund companies in 2015 with at least five equity, five bond or three mixed-asset portfolios. Classification averages are calculated with all eligible share classes for each eligible classification. The calculation periods extend over 36, 60 and 120 months. The highest Lipper Leader for Consistent Return (Effective Return) value within each eligible classification determines the fund classification winner over three, five or 10 years. A detailed awards methodology can be found at [excellence.thomsonreuters.com/award/lipper](http://excellence.thomsonreuters.com/award/lipper). For current performance and rankings, please visit the Research and Performance section on [TIAA.org](http://TIAA.org). Past performance does not guarantee future results.

<sup>2</sup> Based on assets under management across Nuveen Investments affiliates and TIAA investment management teams.