



*Semana Nacional de*  
**4 Educação Financeira**



# Financial Literacy: A Vision for the Future

Annamaria Lusardi



# Looking forward

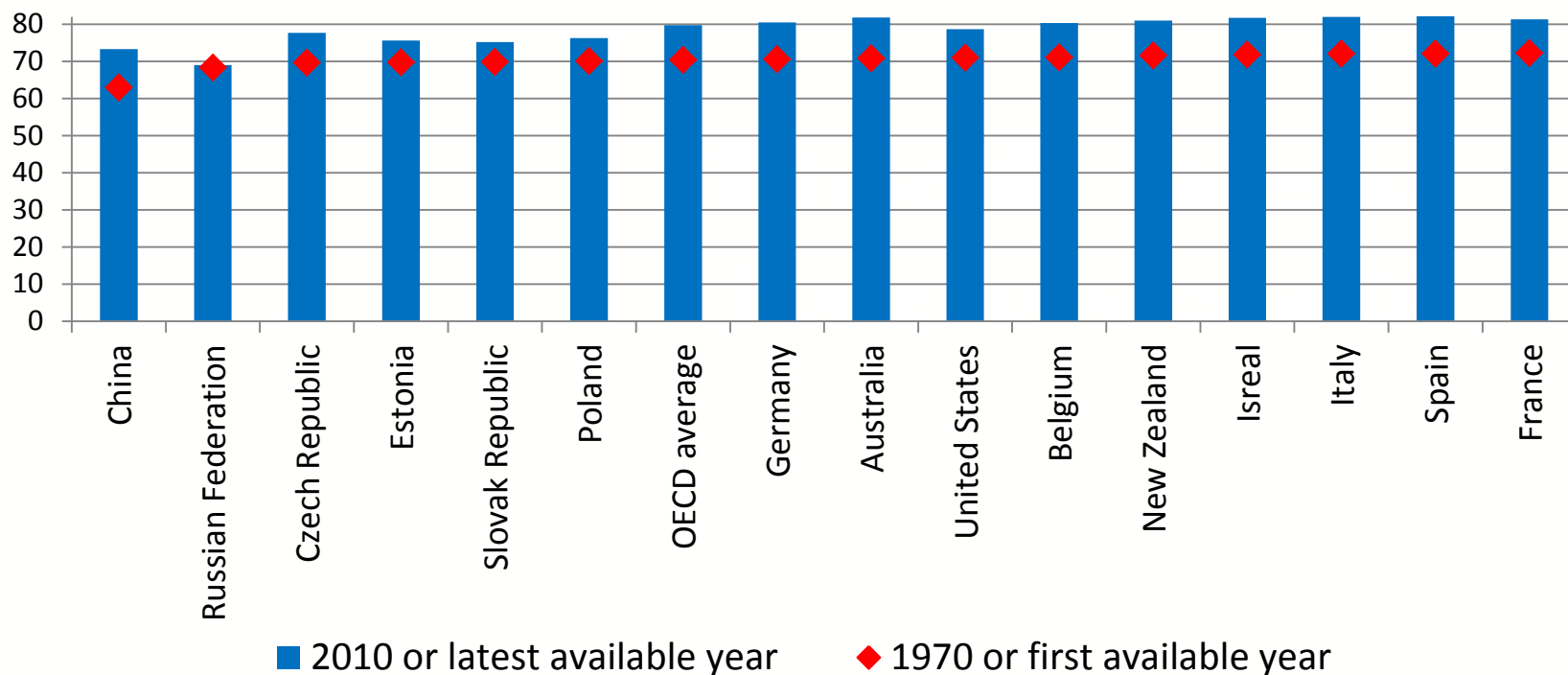
## Changes in the macroeconomic landscape

- **Increase in longevity**
  - Changes in pensions and labor markets
- **Access to financial markets and products**
  - More financial inclusion, particularly for certain groups of the population
- **Increased complexity of financial markets**
  - Need to understand new products and their risks



# Looking forward

## Increases in life expectancy changes everything



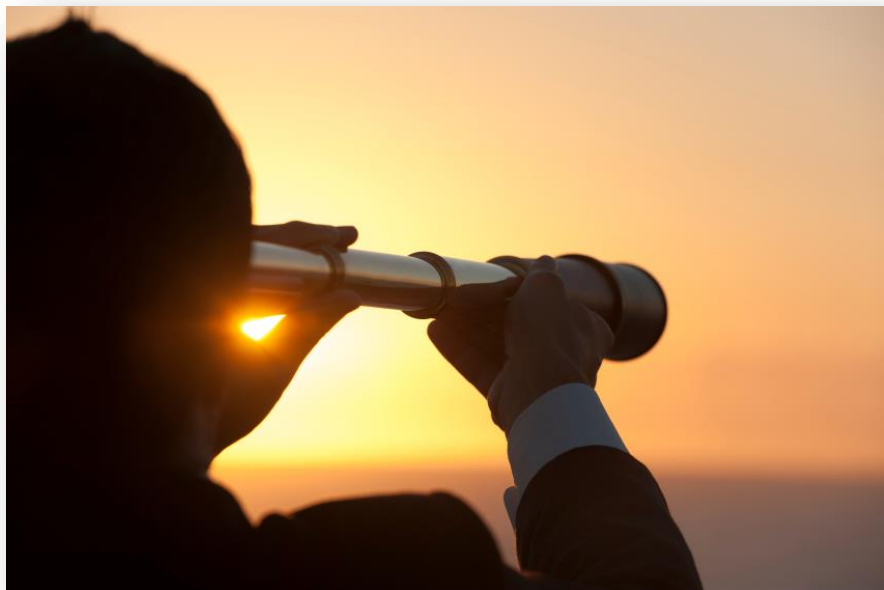
- Life expectancy is high, and has continued to grow globally.
- Young people today will need to be able to support themselves for many years.



# Financial literacy: a vision for the future

## Looking ahead

1. Financial literacy is about the future
2. It is essential to have *a vision for the future*



3. Long-term issues cannot be solved with short-term solutions
4. The final objective of financial literacy is *individual well-being*



# Preparing for the future

## The need for financial education

### What the data is telling us:

#### **1. S&P Global Financial Literacy Survey**

- Financial literacy in the population (15+)

#### **2. OECD' Programme for International Student Assessment (PISA)**

- Financial literacy among the young (15 year olds)



# Preparing for the future

## The need for financial education

### **3. Financial and risk literacy in 10 European countries**

- Knowledge of risk in 10 European countries

### **4. Personal Finance Index (P-Fin Index)**

- Most comprehensive measure of financial literacy (28 questions) in the US



# The S&P Global FinLit Survey

- *The S&P Global Financial Literacy Survey* is the largest, most comprehensive measure of financial literacy
- Interviewed more than 150,000 adults age 15+ in **143** countries
- The survey provides key information to policy makers, regulators, the private sector, and academics







# The S&P Global FinLit Survey



**The survey covers four topics:**

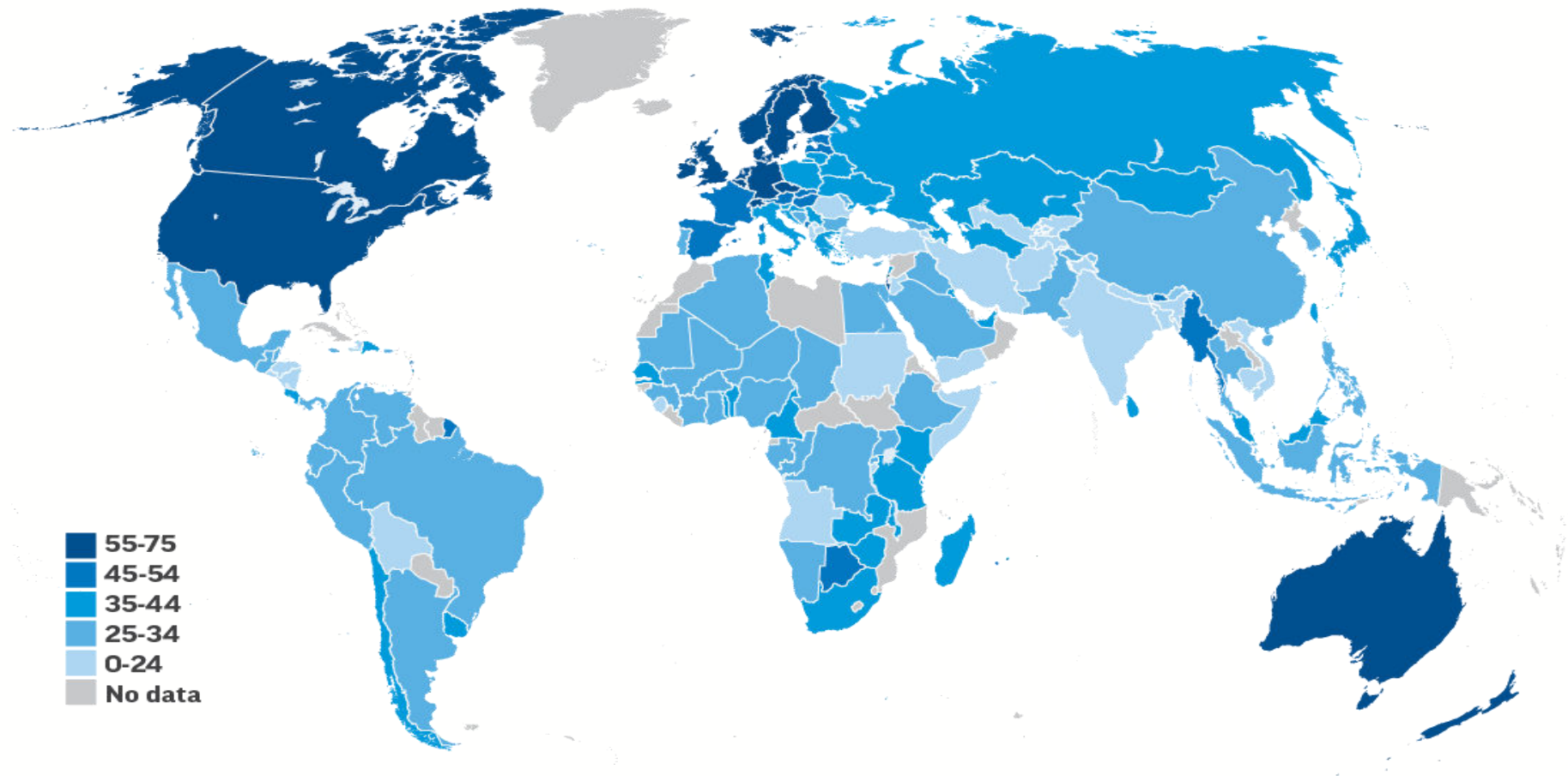
- Numeracy
- Interest compounding
- Inflation
- Risk diversification

***Being financially literate:***

How many can answer 3 out of these 4 topics correctly



# Financial literacy globally

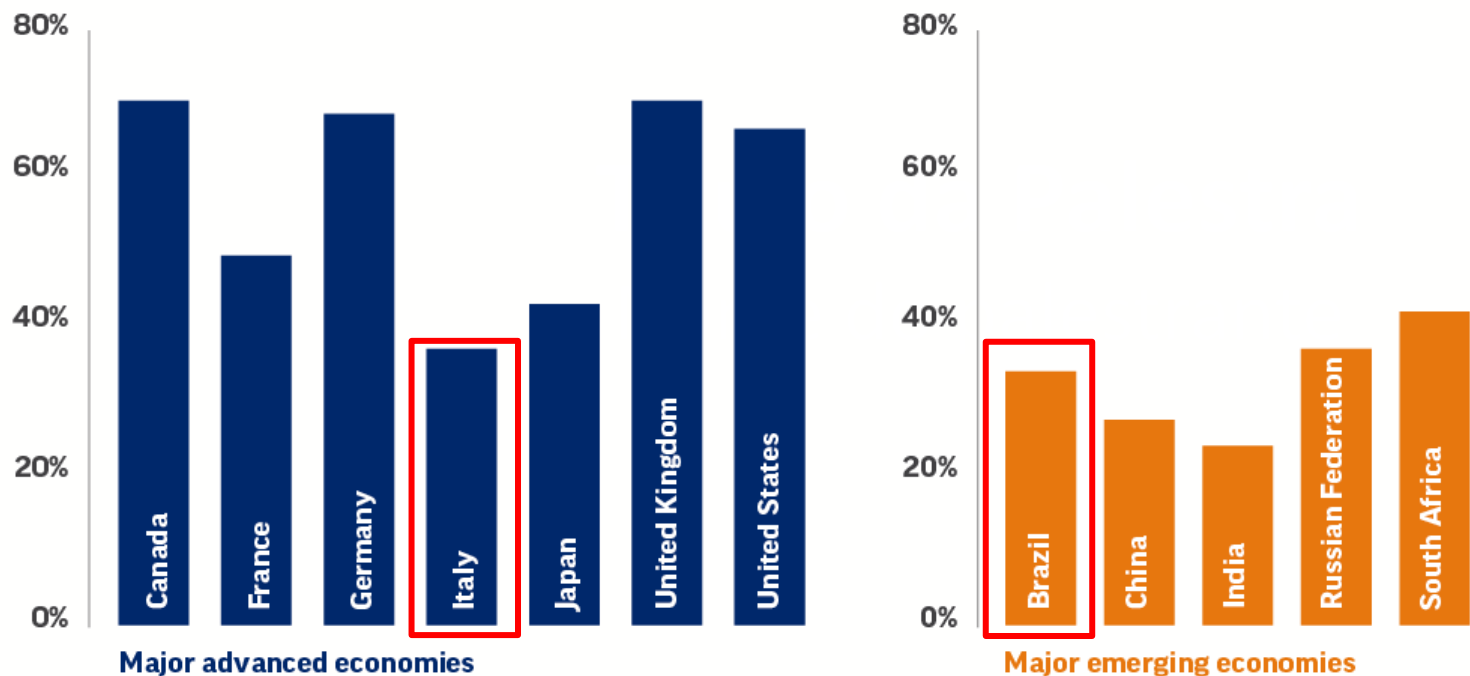


- Only 1 in 3 adults worldwide responded correctly to three out of four topics. In Brazil, 35% are financially literate.



# Financial literacy across economies

% of adults who are financially literate



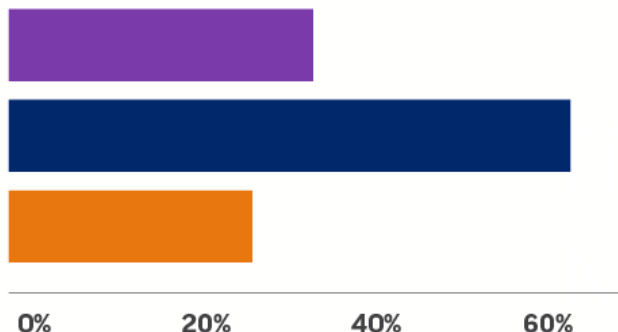
- Financial literacy is low even in advanced countries
- Financial literacy is low among BRICS countries



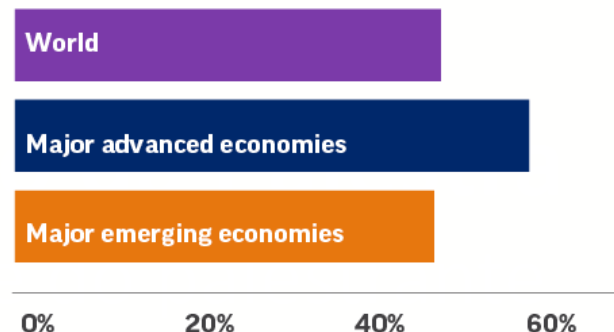
# Financial literacy by topic

% of adults who answered correctly

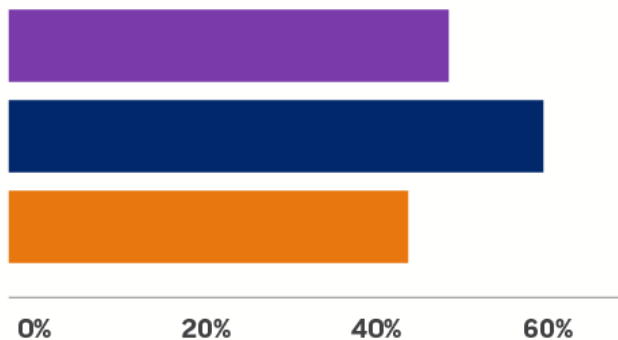
## RISK DIVERSIFICATION



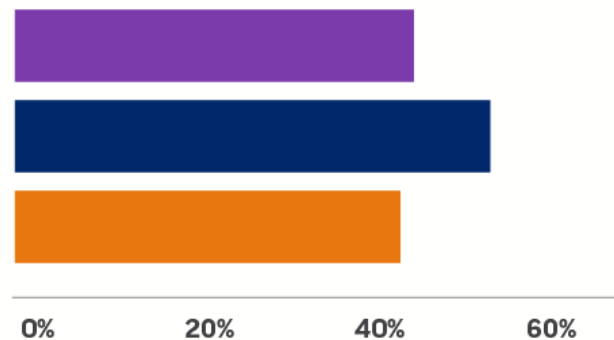
## NUMERACY (INTEREST)



## INFLATION



## COMPOUND INTEREST

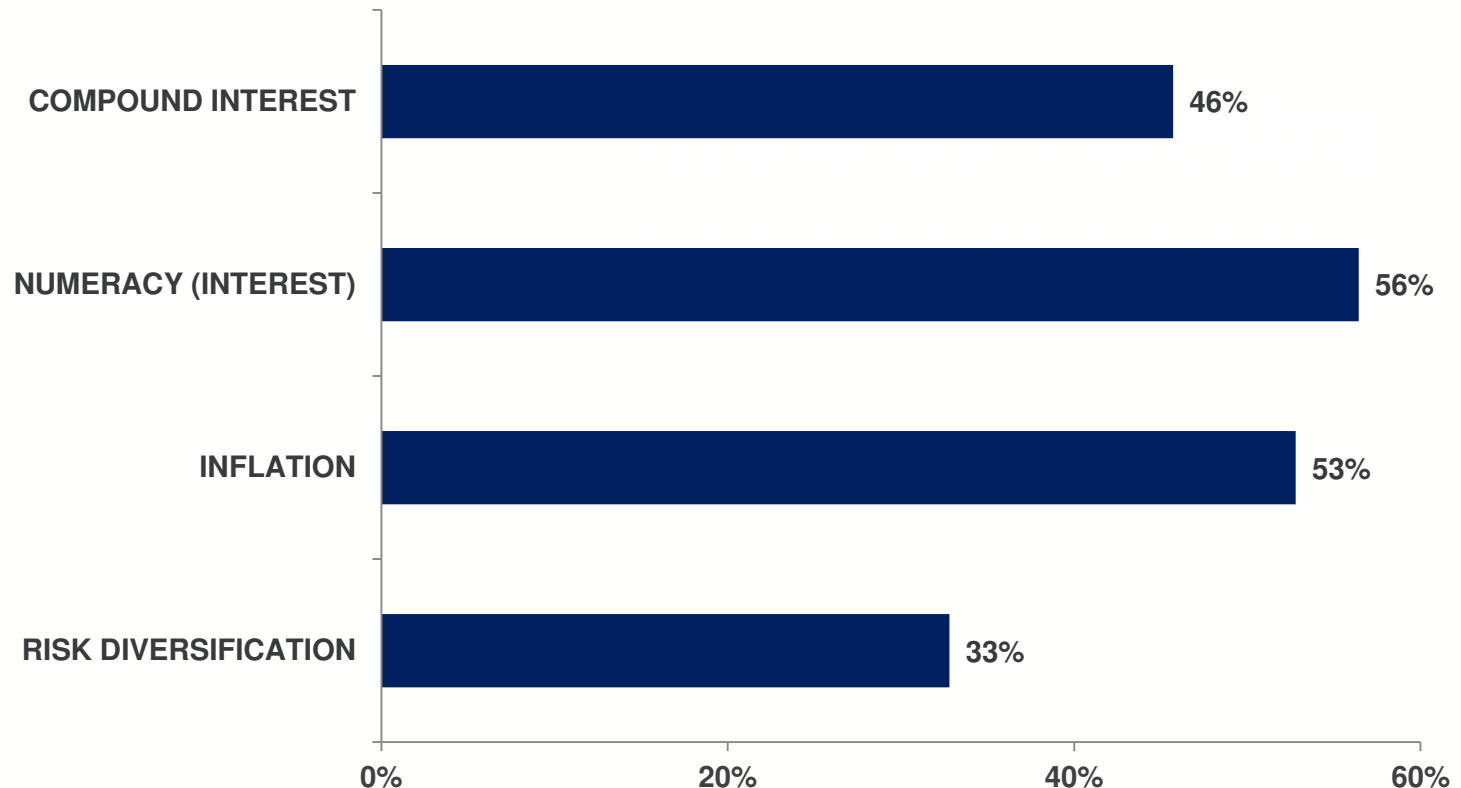




# Financial literacy by topic in Brazil

% of adults who are financially literate

**BRAZIL**





# Risk Literacy

## The TIAA Institute-GFLEC Personal Finance Index: A New Measure of Financial Literacy

Annamaria Lusardi, The George Washington University School of Business and Global Financial Literacy Excellence Center (GFLEC)

Noemi Oggero, Global Financial Literacy Excellence Center (GFLEC)

Paul J. Yakoboski, TIAA Institute



 **TIAA** Institute

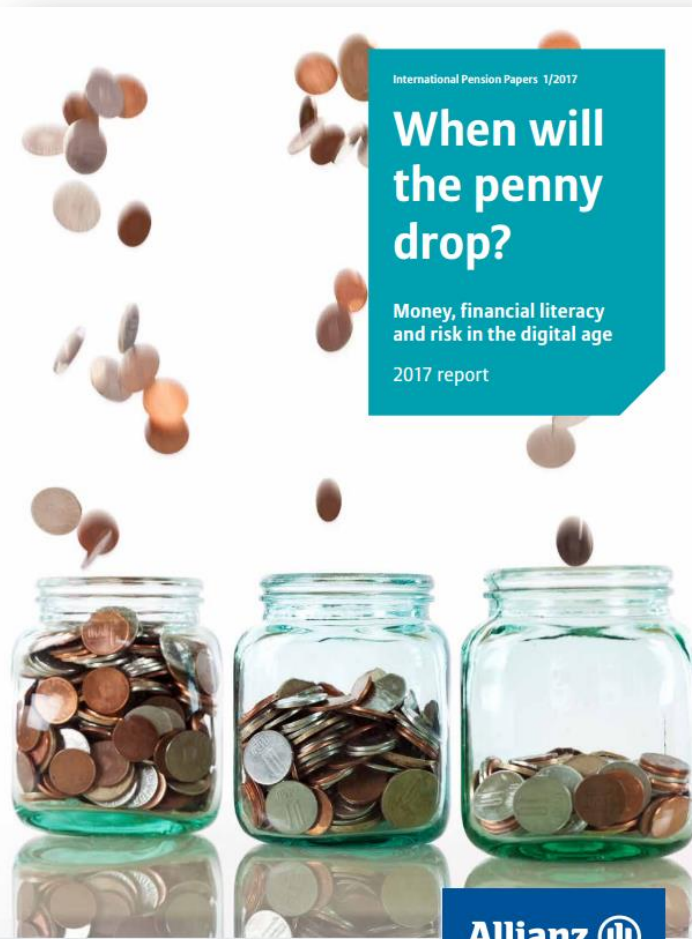
**GFLEC**  
GLOBAL FINANCIAL LITERACY  
EXCELLENCE CENTER

International Pension Papers 1/2017

## When will the penny drop?

Money, financial literacy and risk in the digital age

2017 report



**Allianz** 



# Risk literacy

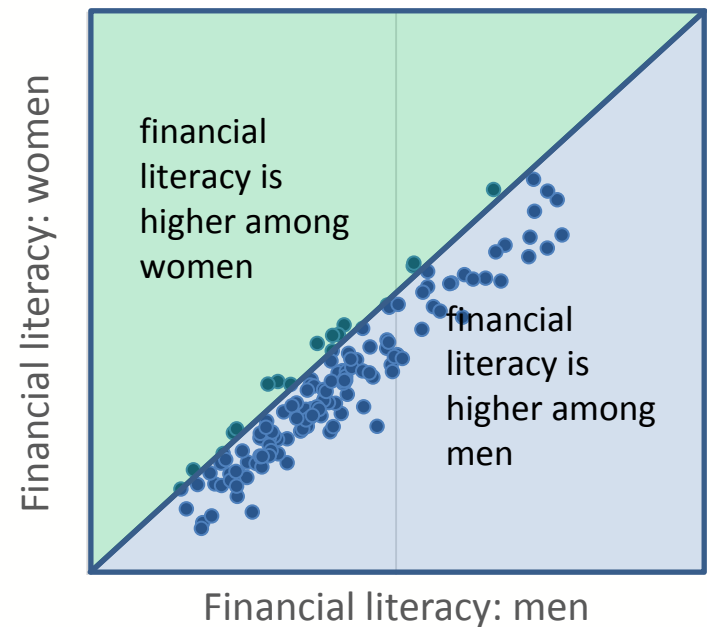
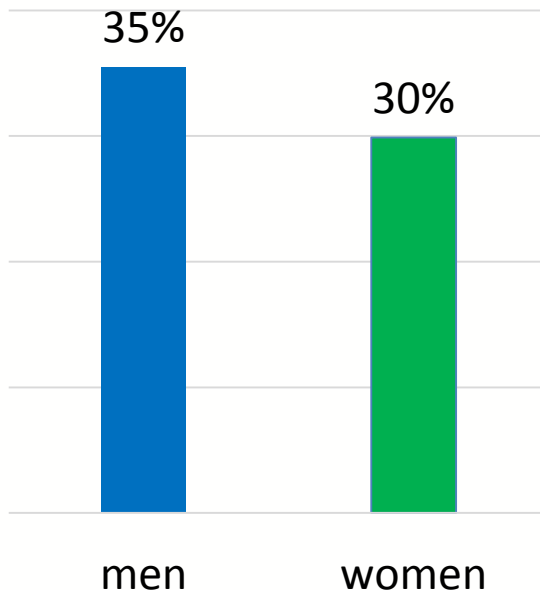
## Evidence from two recent surveys

- Risk is what people know the least.
- This is the case even in countries with well developed financial markets (10 European countries)
- In the United States, questions about risk were the ones with the lowest percentage of correct answers



# Gender gap in financial literacy

% of adults who are financially literate



Source: S&P Global FinLit Survey

- The average gender gap in financial literacy is 5 percentage points
- The gender gap in financial literacy is present in most countries

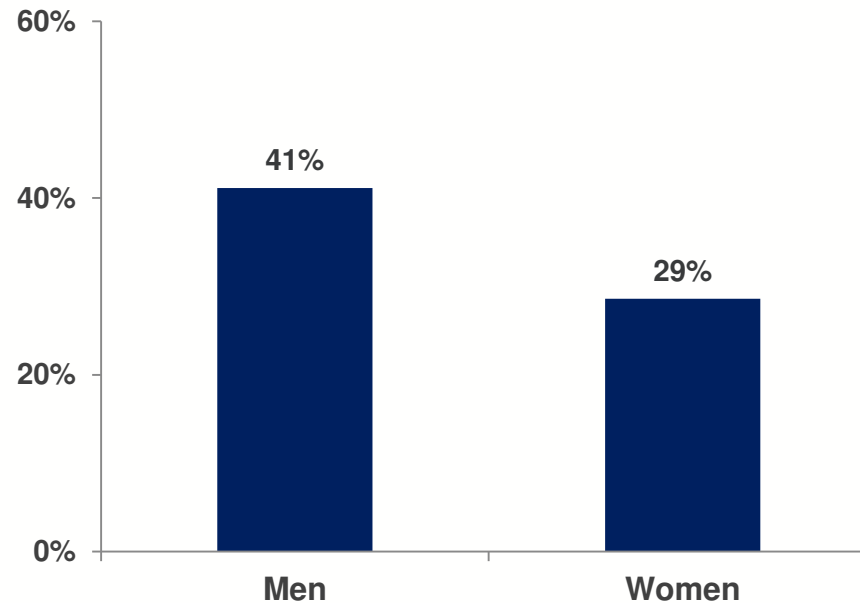




# Gender gap in financial literacy

% of adults who are financially literate

**BRAZIL**

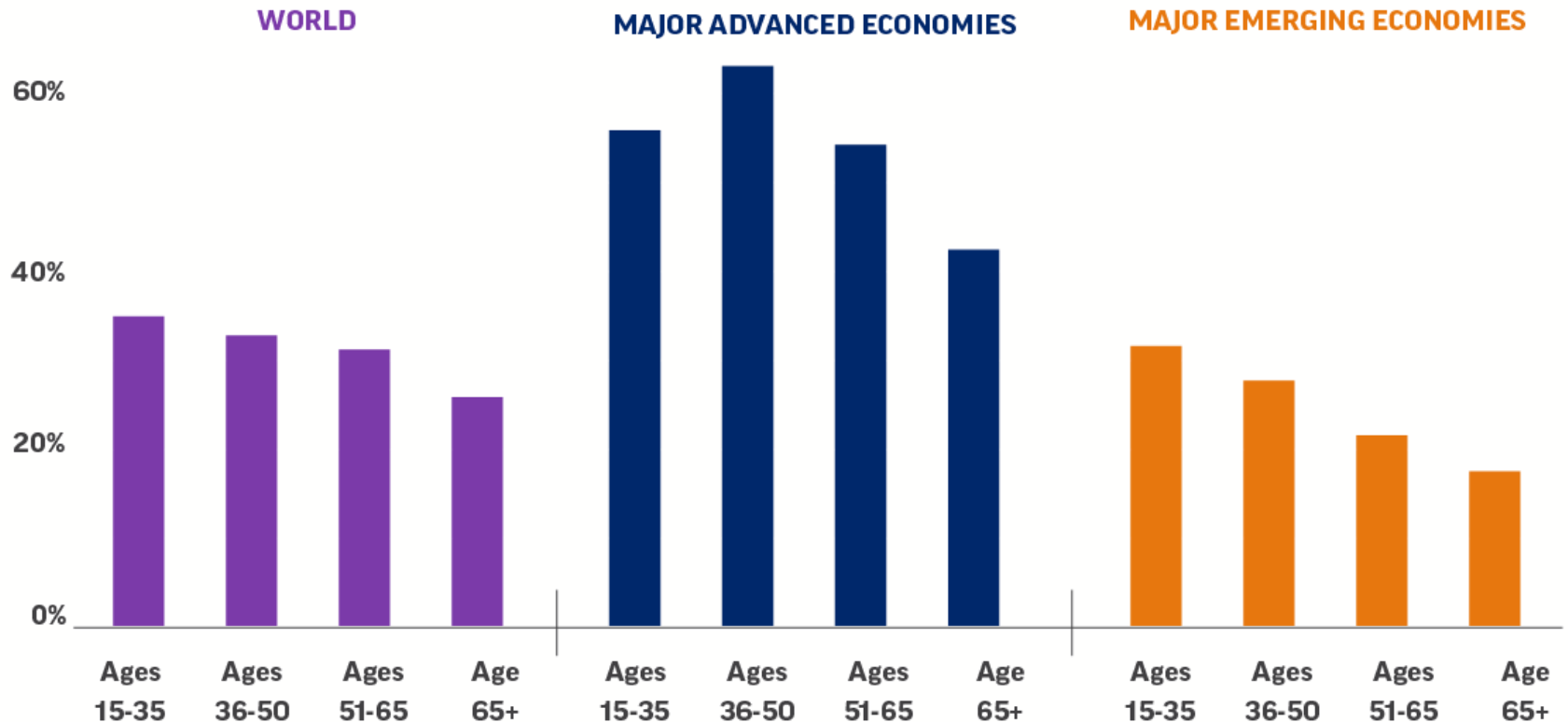


- The gender gap in financial literacy in Brazil is 12pps – much higher than the average gap in the world



# Financial literacy over the life cycle

% of adults who are financially literate

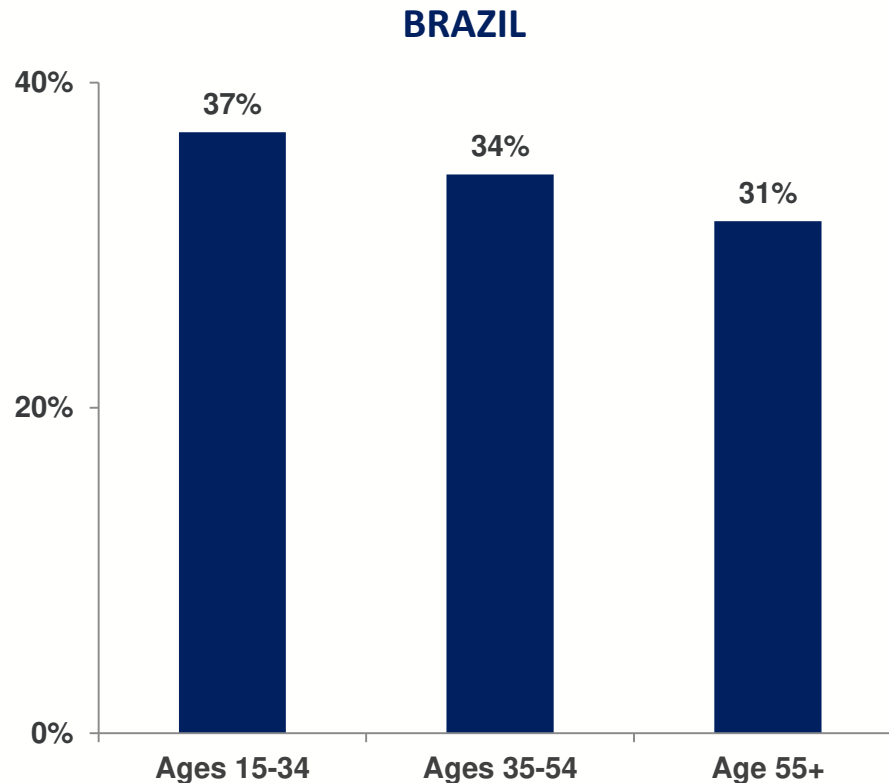


- Different life cycle profiles of financial literacy across countries
- Young adults in major emerging countries are more financially literate than older respondents



# Financial literacy over the life cycle (cont'd)

% of adults who are financially literate



- Young adults in Brazil are more financially literate than older respondents. But the level of financial literacy overall is low.



# Programme for International Student Assessment (PISA)

## Measuring financial literacy among the young

- **PISA is the first large-scale international study to assess the financial literacy of 15-year-old students**
- **18 countries participated in the 2012 Financial Literacy Assessment**

The countries-economies are:

Australia, Belgium (Flemish Community), Shanghai-China, Colombia, Croatia, Czech Republic, Estonia, France, Israel, Italy, Latvia, New Zealand, Poland, Russia, Slovak Republic, Slovenia, Spain, and the United States



# Programme for International Student Assessment (PISA)

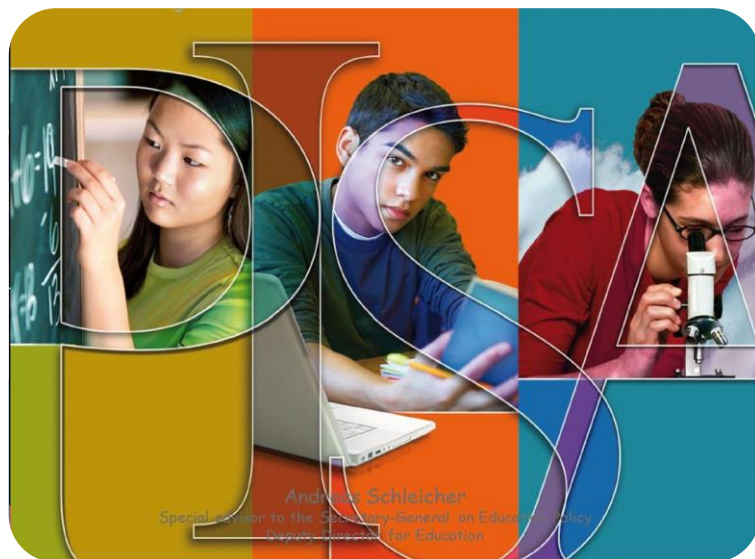
*Are students well prepared for future challenges?*

*Can they analyze, reason and communicate effectively?*

*Do they have the capacity to continue learning throughout life?*



Since 2000, every three years the OECD Programme for International Student Assessment (PISA) answers these questions and more. **It assesses to what extent students near the end of compulsory education have acquired some of the knowledge and skills essential for full participation in society.**



Andreas Schleicher  
Special Advisor to the Secretary-General on Education Policy  
Deputy Director for Education



# PISA Financial literacy assessment

## A multi-year project

- A group of experts was put together 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





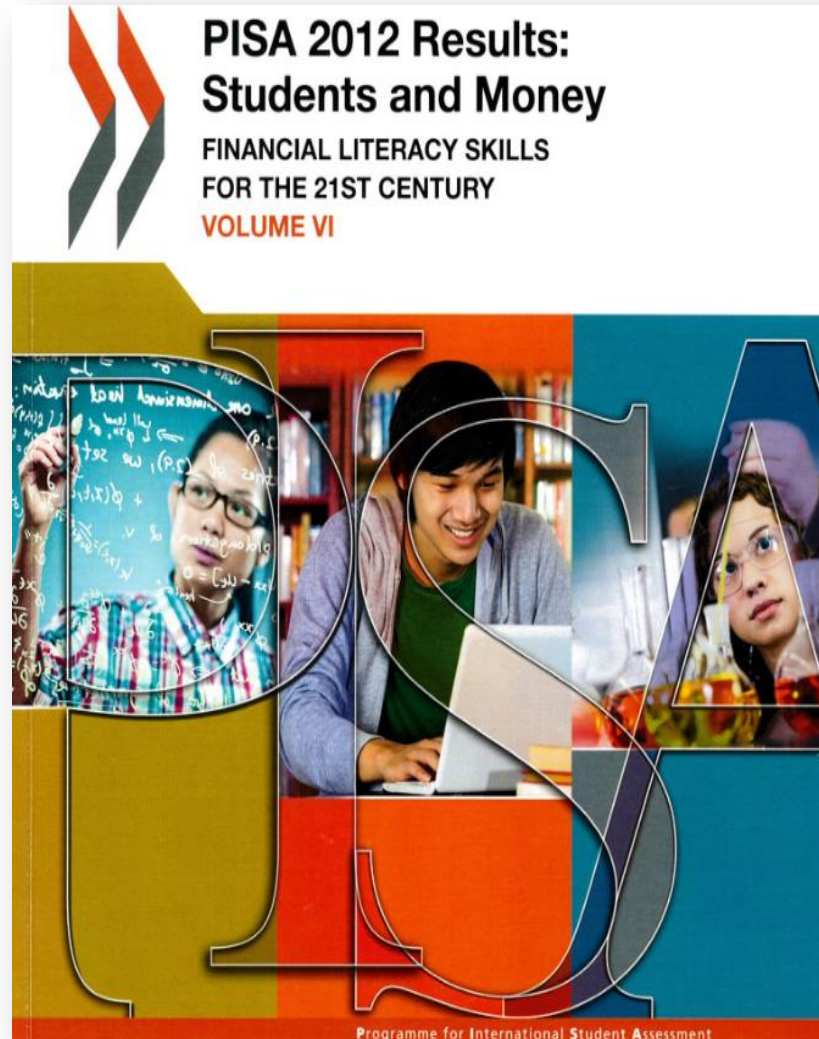
# PISA Financial literacy assessment

## Definition of financial literacy

*“Financial literacy is **knowledge and understanding** of financial concepts and risks, and the **skills, motivation and confidence** to **apply** such knowledge and understanding in order to make **effective decisions** across a **range of financial contexts**, to improve the financial well-being of **individuals and society**, and to enable **participation in economic life**.”*



# Financial Literacy Skills for the 21<sup>st</sup> Century





Mean score

605  
595  
585  
575  
565  
555  
545  
535  
525  
515  
505  
495  
485  
475  
465  
455  
445  
435  
425  
415  
405  
395  
385  
375

Strong performance in  
financial literacy

Shanghai-China

Average performance  
of 15-year-olds in  
financial literacy

Flemish  
Community  
(Belgium)

Australia

Estonia

New Zealand

Czech Republic

Poland

Latvia

United States

Slovenia

Spain

France

Russian  
Federation

Israel

Croatia

Slovak Republic

Italy

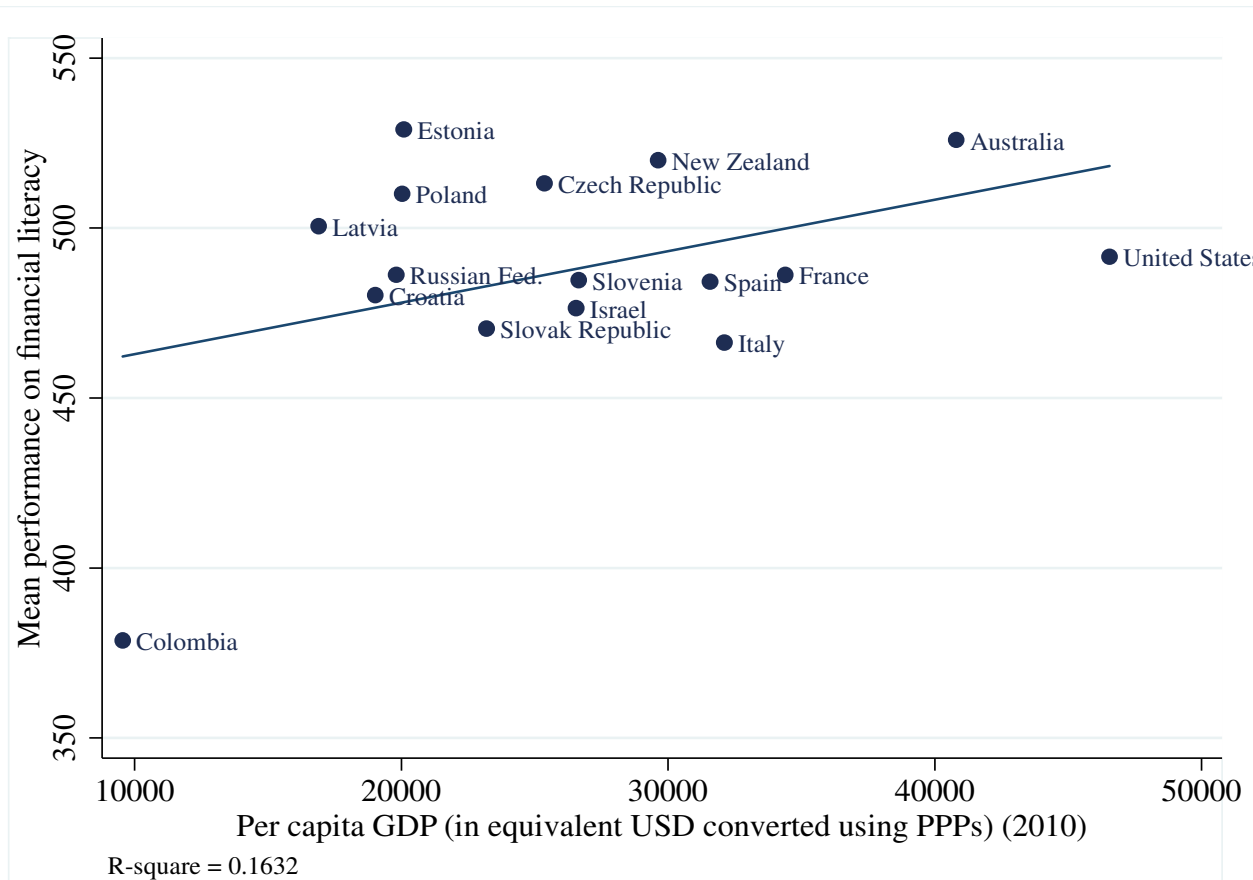
Colombia

Low performance in financial literacy





# Real GDP per capita and financial literacy

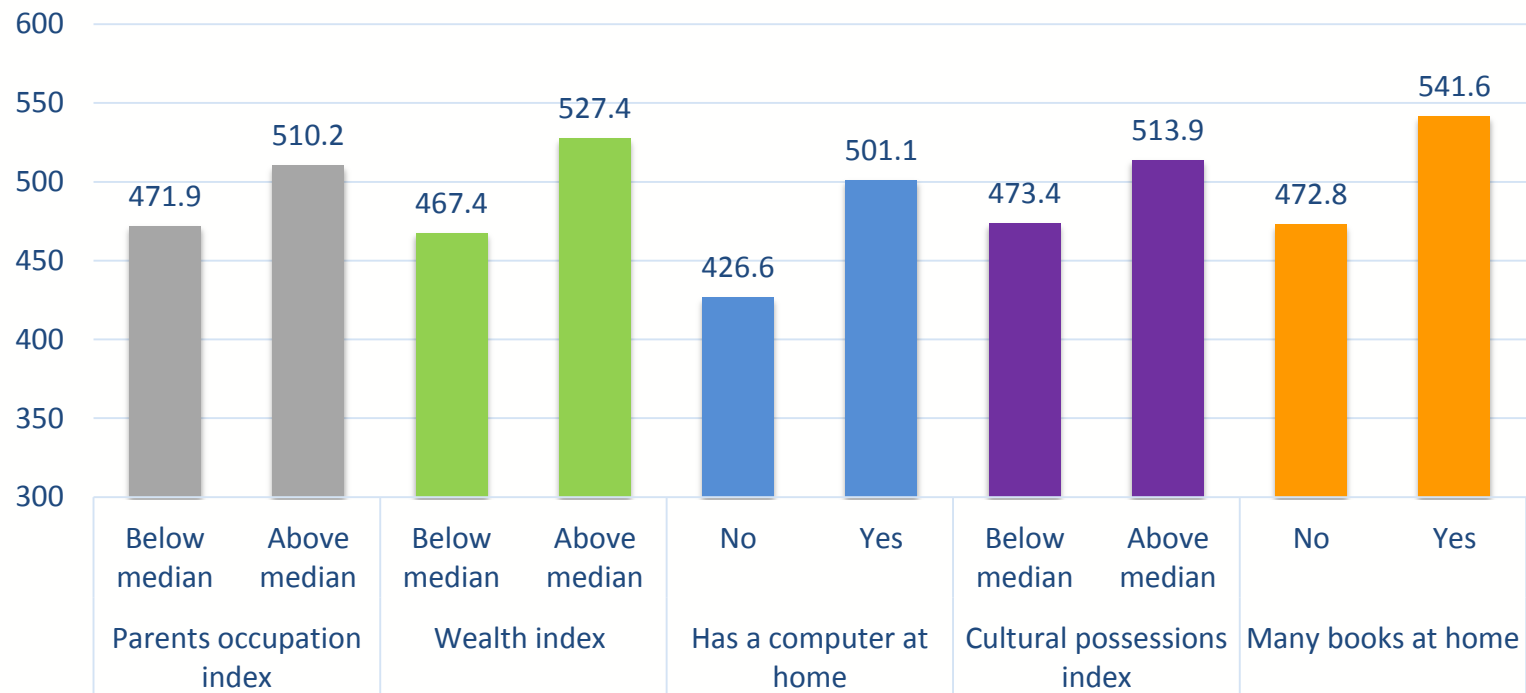


**GDP per capita only explains 16% of country level variations in financial literacy**



# The role of socioeconomic status

## Financial literacy score in the US



- Young people who are financially literate are from educated families who have a lot of resources



# 2015 PISA data released on May 24, 2017

Global Policy  
Symposium at  
the OECD  
focused on the  
needs of youth



Programme for International Student Assessment

**Launch of the OECD PISA 2015 financial literacy assessment of students**

**4<sup>th</sup> OECD/GFLEC global policy research symposium to advance financial literacy: Addressing the needs of youth**

**PROGRAMME**

24 May 2017  
Room CC12, OECD Conference Centre  
2 rue André Pascal, 75016 Paris  
France





# Which PISA?





# What the data is telling us

## Two key groups for financial education







# The need for financial education

Financial literacy has powerful implications



- From 30 to 40% of wealth inequality is explained by financial literacy



# It is expensive not to do financial education

## Financial illiteracy is expensive

- **Borrowing behavior**
  - Defaults and inability to pay
- **Saving behavior**
  - Not saving enough for the short and long term
- **Poor investment**
  - In financial assets, education, entrepreneurship

**How do we want to pay for the cost of ignorance?**





# Implications for financial education

How these data can inform policy and programs

- **Need to improve levels of financial literacy**
  - Levels of knowledge are critically low globally
- **The young have low financial knowledge**
  - Even in countries with advanced financial markets
- **It is important to provide access to all**
  - Socio-economic status strong determinant of financial literacy



# Implications for financial education (cont'd)

## How these data can inform policy and programs

- **One size does not fit all**
  - Need for more targeted programs, particularly for vulnerable groups
- **Women are ideal targets for financial education programs**
- **We need to start in school**
  - Widespread financial illiteracy requires robust interventions



# Implications for financial education (cont'd)

How these data can inform policy and programs

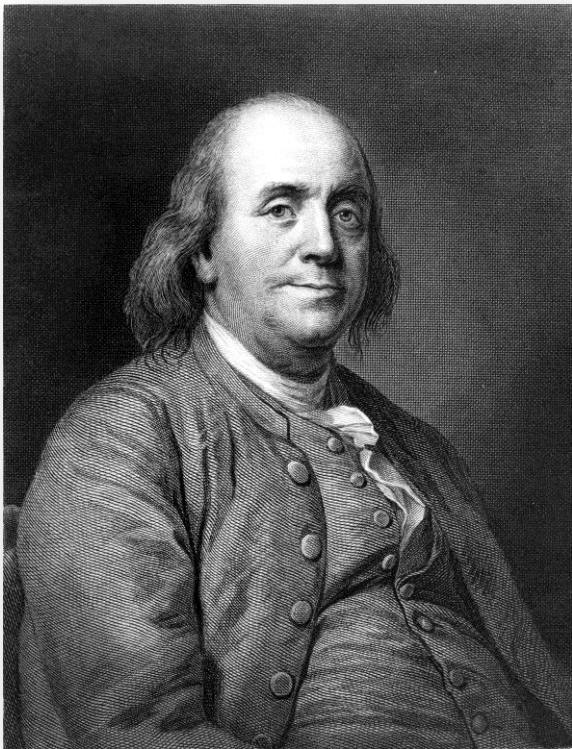
- **We need large and scalable programs**
  - Financial education in school
  - Financial education in the workplace or in government programs
  - Financial education in the community (libraries, museums, other places where people go to learn)





## An earlier thinker on financial literacy

*“An investment in knowledge pays the best interest.”*



Benjamin Franklin, *The Way to Wealth*, 1758



# How to make fin education work in school

## Investing in financial education

- Start early (from kindergarten; e.g., New Zealand, financial education from age 5 to 105)
- Make it rigorous (like every other course), need a solid curriculum
- Train the teachers
- Engage parents and others



# How to make fin education work in school

## Investing in financial education

- Use technology : it provides great opportunities
- Think outside the box



# Start early: teaching with Elmo

- Elmo and Beth Kobliner (member of President's Advisory Council on Financial Capability)







# Training the teachers

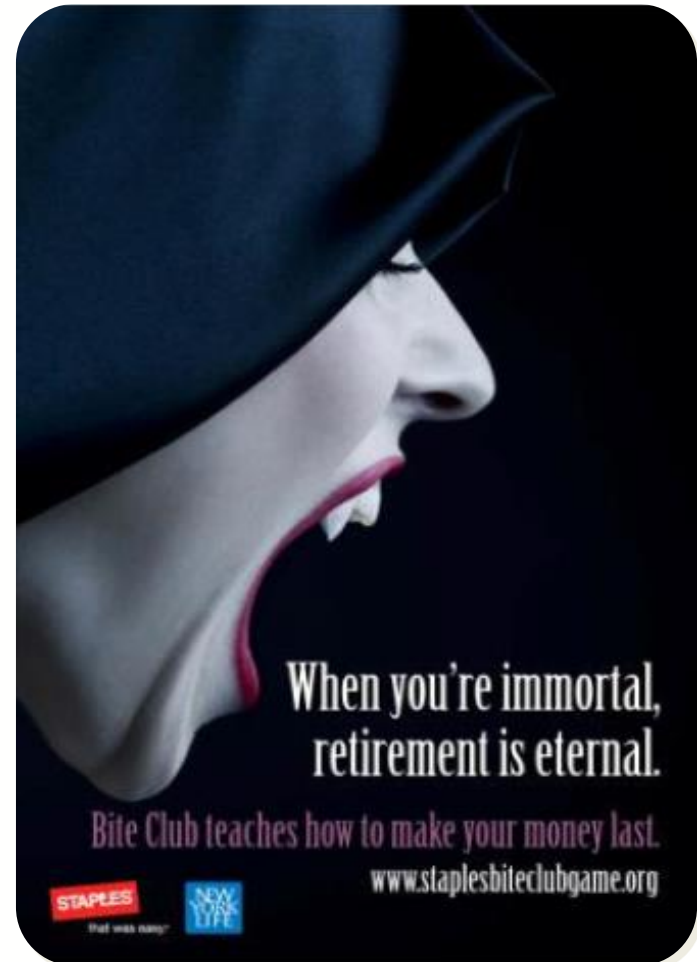
## Critical importance of teachers

- Several studies in the US show that teachers feel unprepared to teach financial literacy
- PISA data show how important teachers are
- Teachers themselves benefit from financial literacy
- Many countries have started initiatives to train teachers even when financial education is not mandatory in school





# Thinking outside the box: finlit games





# Financial education in the workplace



- Teaching Millennials about risk diversification using stories in a short video

# Il Museo del Risparmio



## Il gioco della Formica



MdR  
MUSEO DEL RISPARMIO

Regole del gioco

Regolamento del concorso





Ciao!

Giochiamo insieme? Metti alla prova le tue conoscenze sul risparmio e l'economia con il trivial quiz e non perderti le caselle bonus per incrementare il punteggio.

Occhio alle formiche da collezione: raccogliline 3 e partecipa al concorso!

Buon divertimento!

Premi per iniziare





# International Federation of Finance Museums (IFFM)

## EXECUTIVE COMMITTEE

### Chinese Museum of Finance (CMF)

Tianjin, China | Dr. Wang Wei



### Global Financial Literacy Excellence Center (GFLEC)

Washington, DC, USA | Dr. Annamaria Lusardi



### Interactive Museum of Economics (MIDE)

Mexico City, Mexico | Silvia Singer



### Museum of American Finance (MoAF)

New York City, USA | Dr. David Cowen



### Museum of Saving (MOS)

Turin, Italy | Dr. Giovanna Paladino



INTERNATIONAL FEDERATION  
of FINANCE MUSEUMS



# Beijing Financial Literacy Manifesto



*“... the International Federation of Finance Museums (IFFM) is committed to promoting financial literacy globally, raising awareness that every individual in every country is in need of financial literacy.”*



# Coordinated effort

## Need for a coordinated effort

- With financial education, we are forming the next generation of customers, workers, and citizens
- Need to change the statistics we have seen so far
- We can shape our future



# It can be done

Financial education cannot wait

- We need visionary leaders
- We need to take a long run view
- We need to work together



# Final thoughts

## Shifting paradigm

- **Financial literacy is like reading and writing**
  - As it was not possible in the past to participate in society without being able to read and write, so it is not possible to thrive in today's society without being financially literate
- **Building human capital for the 21<sup>st</sup> century**
  - Everyone deals with finance and finance is sufficiently complex that we cannot leave it to the individual to learn by himself/herself





# Final thoughts (cont'd)

## Shifting paradigm

- **There are many initiatives and programs that can be implemented**
  - OECD/INFE portal is a good source of information

**Which future do we want to build?**



## Final quote

Our actions, as minute as they may seem, can change the world. At any given moment, we make choices about our way of life. [...] Each one of us makes their own Tomorrow. And together we make ours – the Tomorrows we want.

Museum of Tomorrow, Rio, Brazil

# **OBRIGADA!**

**All of the reports and papers cited in this  
presentation are available at  
[www.gflec.org](http://www.gflec.org)**

