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## STUDY FINDS MILLENNIAL FINANCIAL TECHNOLOGY USERS CAN BENEFIT FROM FINANCIAL LITERACY

*Millennials surveyed in the annual Personal Finance Index display low levels of financial literacy; study also found those who use financial technology do not always make sound financial decisions.*

**NEW YORK (September 12, 2018)** – A new report, released today by the TIAA Institute and the Global Financial Literacy Excellence Center (GFLEC) at the George Washington University School of Business, found there is a financial literacy gap among millennials. The report also found that while most millennials use their smartphones to manage their personal finances, financial technology (fin-tech) does not necessarily improve their personal finance management practices.

The “Millennial Financial Literacy and Fin-Tech Use: Who Knows What in the Digital Era” study utilized the TIAA Institute-GFLEC 2018 Personal Finance Index (P-Fin Index) to examine the personal finance knowledge of millennials. Millennials answered 44 percent of P-Fin Index questions correctly, compared to 50 percent of the US adult population. Moreover, younger millennials (ages 18-27) answered 41 percent of P-Fin Index questions correctly, compared to 47 percent of older millennials (ages 28-37).

Financial literacy among both older and younger millennials is lowest in the areas of comprehending risk and insuring. Understanding insurance, in particular, saw the greatest gap between younger and older millennials. Financial literacy is highest in the area of borrowing and debt management for both younger and older millennials.

The report also examined how millennials use technology to manage their personal finances and the effect of financial technology on financial outcomes. Approximately 80 percent of millennials use their smartphone for transactional purposes like paying bills and depositing checks, and 90 percent use their phones for informational activities like tracking their spending.

While fin-tech offers a convenient way to manage finances, users do not always make savvy financial decisions. Almost 30 percent of millennials who use their smartphone to make mobile payments report overdrawing their checking account, compared with 20 percent who do not make mobile payments. Further, one-quarter of those who track spending with their smartphone report overdrawing their accounts, compared with 20 percent of those who do not track spending via their smartphone.

Fin-tech users benefit from being financially literate; those with high levels of financial literacy are less likely to overdraw their checking accounts.

“The millennial oversample in this year’s P-Fin Index sheds a light on the use of mobile technology, and the impact that it has had on an increasingly influential generation,” Stephanie Bell-Rose, Head of the TIAA Institute. “As technology continues to develop ways to make our lives easier, it is clear that we cannot exclusively rely on it to guide us through our financial lives. Our research underscores the importance of financial literacy and its complementary relationship with fin-tech in producing good outcomes.”

“The low level of financial literacy among millennials speaks of the importance of equipping this large generation with the knowledge and skills that are needed to make financial decisions in the digital era,” Annamaria Lusardi, Academic Director at GFLEC and the Denit Trust Chair of Economics and Accountancy at GW. “This study shows that fin-tech users have different needs and characteristics, providing many opportunities for innovation for fin-tech developers.”

The P-Fin Index examines financial literacy across eight areas of personal finance in which individuals routinely function. The survey provides a robust indicator of overall personal finance knowledge and understanding. The 2018 survey leveraged a special set of questions to examine millennial fin-tech use and its impact on personal finance.

The report with new insights on financial literacy levels of millennials was authored by Paul Yakoboski, Senior Economist at the TIAA Institute, Annamaria Lusardi, Academic Director at GFLEC, and Andrea Hasler, Assistant Research Professor in Financial Literacy at GW’s GFLEC.

The full report can be found [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).

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<sup>1</sup> The 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 (36 fund companies), 11/30/13 (48), 11/30/14 (48), 11/30/15 (37), 11/30/16 (34) and 11/30/17 (34) with at least five equity, five bond, or three mixed-asset portfolios. Note this award pertains to mutual funds within the TIAA-CREF group of mutual funds; other funds distributed by Nuveen Securities were not included. From Thomson Reuters Lipper Awards, © 2018 Thomson Reuters. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this Content without express written permission is prohibited. Past performance does not guarantee future results. Certain funds have fee waivers in effect. Without such waivers ratings could be lower. For current performance, rankings and prospectuses, please visit

academic, research, medical, cultural and government fields. TIAA has \$1 trillion in assets under management (as of 6/30/2018<sup>2</sup>) and offers a wide range of financial solutions, including investing, banking, advice and education, 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, D.C., throughout the United States, and across the globe to raise the level of financial knowledge. GFLEC builds on more than 20 years of academic research by Professor Annamaria Lusardi, an early contributor to financial literacy as a field of study. The Center collaborates on policy work with key institutions such as the FINRA Investor Education Foundation, the Organization for Economic Cooperation and Development (OECD), and the Italian Financial Education Committee. For more information about GFLEC, visit [www.gflec.org](http://www.gflec.org).

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the Research and Performance section on TIAA.org. Securities offered through Nuveen, LLC, and TIAA-CREF Individual & Institutional Services, LLC, members FINRA and SIPC.

<sup>2</sup> Based on \$1 trillion of assets under management across Nuveen Investments affiliates and TIAA investment management teams as of 6/30/18