



FinLit news



WINTER 2015 NEWSLETTER

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Message from Academic Director Annamaria Lusardi

Dear Friends and Colleagues,

Happy Financial Literacy Month! As the month dedicated to financial literacy has arrived, I am pleased to inform you of GFLEC's most recent activities.

Throughout April, we will be premiering our "Big Ideas in Financial Literacy" video series. These are short videos featuring GFLEC researchers and collaborators that focus on a particular facet of financial literacy or financial education. We are also thrilled to host the inaugural Cherry Blossom Financial Education Institute on April 10, in collaboration with the University of Arizona's Take Charge America Institute. You can follow all of GFLEC's Financial Literacy Month activities on our website, LinkedIn, Facebook, and Twitter.

Planning for the 3rd Annual OECD/GFLEC Global Policy Research Symposium to Advance Financial Literacy is underway. We are very excited about the topic of this year's symposium: "Harnessing Financial Education to Spur Entrepreneurship and Innovation." We look forward to welcoming many of you in Paris on May 7, 2015.

We hope you enjoy reading this quarter's newsletter. Be sure to check out our new [website!](#)

Warm regards,
Anna



CEE Honors Director Lusardi with Forbes Award

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Featured Published Research: "Risk Literacy"

Using domestic and international data, Director Annamaria Lusardi finds that knowledge of financial risk is strikingly low both in the population and across a variety of demographics. Across countries and age groups, individuals...

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Entrepreneurship and FinEd at OECD/GFLEC Symposium

"Harnessing Financial Education to Spur Entrepreneurship and Innovation" will be the theme of the Third Global Policy Research Symposium to Advance Financial Literacy. Co-organized by GFLEC and the OECD/INFE, the May....

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GFLEC Happenings



Featured Working Paper: "Financial Literacy and Economic Outcomes: Evidence and Policy Implications"

Director Annamaria Lusardi and Professor Olivia S. Mitchell reviewed what has been learned about financial literacy and its relationship to financial decision making around the world. The resulting paper, "Financial Literacy and Economic....

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Lusardi Delivers Keynote Address at European Money Week Launch

March 9 marked the launch of European Money Week, a joint initiative of European banking associations that promotes



financial literacy and financial education for students in elementary and secondary schools. Director Lusardi, invited by the European Banking Federation, gave the keynote address and concluding remarks at the Financial Education Roundtable held in Brussels, Belgium. Watch her presentation [here](#) and view her PowerPoint slides [here](#).



Inaugural Cherry Blossom Financial Education Institute

As part of its celebration of Financial Literacy Month, GFLEC will host the inaugural Cherry Blossom Financial Education Institute on April 10 at the George Washington University School of Business. Co-sponsored by the University of Arizona's Take Charge America Institute, this event will....

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The Spring 2015 Financial Literacy Seminar Series

The Spring 2015 Financial Literacy Seminar Series (FLSS) kicked off on March 19 with a presentation by Brian Melzer of Northwestern University. He presented his paper "Non-Cognitive Abilities and Loan Delinquency." At the following seminar on March 26, Dimitris Christelis of the University of Naples Federico II presented "The Impact of....

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Three Questions to Measure Financial Literacy

The "Big Three" financial literacy questions, 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

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CEE Honors Director Lusardi with Forbes Award

The Council for Economic Education (CEE) announced last January that Director Annamaria Lusardi will be honored with the 2014 William A. Forbes Public Awareness Award for her work to advance public awareness of the importance of economic and financial education. She will be formally presented with the award in May 2015 at the CEE Women's Breakfast, "Vantage Point: Growing Companies, Growing Women Leaders," in New York City.

"Through her groundbreaking work as a researcher and advocate, Annamaria Lusardi has been a leading voice in the national conversation on financial literacy, raising global awareness of its critical need," said Nan J. Morrison, CEE's President and CEO. To read the full press release, click [here](#).



Featured Published Research: “Risk Literacy”

Using domestic and international data, Director Annamaria Lusardi finds that knowledge of financial risk is strikingly low both in the population and across a variety of demographics. Across countries and age groups, individuals show little mastery of concepts such as risk diversification and the relationship between risk and return. Indeed, in financial literacy surveys assessing knowledge of interest compounding, inflation, and risk, respondents consistently performed worst on the risk-related question. Knowledge of risk is critical to making decisions about saving and retirement planning. These findings have implications for individuals, policy makers, and the financial and insurance industry. While individuals are facing increasingly complex financial and insurance instruments, their low risk literacy may limit their ability to use these instruments on a micro level, and—on a macro level—impede the development of well-functioning financial markets.

Read the full paper [here](#).



Entrepreneurship and Financial Education are the Focus of 3rd OECD/INFE/GFLEC Symposium

“Harnessing Financial Education to Spur Entrepreneurship and Innovation” will be the theme of the 3rd Global Policy Research Symposium to Advance Financial Literacy. Co-organized by GFLEC and the OECD/INFE, the May 7 conference in Paris will look into available evidence to address cutting-edge policy issues and identify key research directions, as well as practical solutions, with a view to advancing financial literacy for micro, small, and medium enterprises (MSMEs). The program includes leading researchers, officials, and experts in the field. In attendance will be governors of the central banks of Italy, France, and Portugal. Rushia Brown, president and founder of the Women’s Professional Basketball Alumni Association and a GFLEC Board member, and E. J. Reedy, director in Research and Policy for the Kauffman Foundation, will also attend and speak.

To read more and view the program, click [here](#).



Featured Working Paper: “Financial Literacy and Economic Outcomes: Evidence and Policy Implications”

Director Annamaria Lusardi and Professor Olivia S. Mitchell reviewed what has been learned about financial literacy and its relationship to financial decision making around the world. The resulting paper, “Financial Literacy and Economic Outcomes: Evidence and Policy Implications,” explores their findings and discusses the policy implications of this important area of research.

Lusardi and Mitchell found that not only are financial literacy levels low in many countries, including those with well-developed financial markets, but also that financial illiteracy is particularly acute for some demographic groups, especially women and those who are less educated. They also offer new evidence on financial literacy among high school students, drawing on data from the Programme for International Student Assessment (PISA). According to their overview of existing research, those who regulate and supervise financial markets need to devote close attention to how well young people, employees, and retirees understand the economic world around them.

Read the full paper [here](#).



Inaugural Cherry Blossom Financial Education Institute

As part of its celebration of Financial Literacy Month, GFLEC will host the inaugural Cherry Blossom Financial Education Institute on April 10 at the George Washington University School of Business. Co-sponsored by the University of Arizona's Take Charge America Institute, this event will feature innovative research on financial education from around the world and will foster in-depth discussion about research methods and findings.

The event announcement drew great interest, with more than 60 submissions following the call for papers. The review committee has chosen thirteen papers to be presented at the one-day Institute. Papers and presentations will be posted on our website following the event.



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On April 8, the FLSS Distinguished Financial Literacy Speaker, Punam Keller, of the Tuck School of Business at Dartmouth College, will present “Enhanced Active Choice: A New Method to Motivate Behavior Change.” She will discuss the findings of her research in the context of health care and the possible applications of Enhanced Active Choice to financial education and financial decision making.

The second half of the spring series will include presentations by John Turner of the Pension Policy Center (“Financial Illiteracy Meets Conflicted Advice: The Case of Thrift Savings Plan Rollovers”), Max Schmeiser of the Federal Reserve Board (“State Mandated Financial Education and the Credit Behavior of Young Adults”), and Ben Keys of the University of Chicago (“Minimum Payments and Debt Paydown in Consumer Credit Cards”).

To see the FLSS schedule for spring 2015 and accompanying resources, including a short interview with each speaker, please click [here](#).



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