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## GFLEC FinLit News

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FALL 2015 NEWSLETTER

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### Message from Academic Director Annamaria Lusardi

Dear Friends and Colleagues,

Financial illiteracy is truly a global issue. According to the findings of the S&P Global Financial Literacy Survey, which we discuss in this newsletter, only one in three individuals around the world are financially literate. This fall, we travelled to Mexico City, Kuala Lumpur, Beijing, Madrid, Rio de Janeiro, and Sao Paulo to discuss the results of this new survey and to find ways to address this global problem. We have also started a new collaboration with the Center for Finance (CeFi) at Insper in Sao Paulo, and we are happy that our

network of research partners continues to expand globally.

When it comes to financial literacy, we really need a revolution, both in our thinking and in the amplification of the effort to improve levels of financial literacy. This is why, in Beijing, we launched the Financial Literacy Manifesto, an initiative of the International Federation of Finance Museums. This is not just a commitment to improve financial literacy around the world, but also a call to action. I hope you will join us and become—or continue to be—an ambassador for financial literacy and encourage others to do so as well.

I wish all of you a very happy holiday season, or as we say in Italy, *Buone Feste*.

Warm regards,  
Anna



### **Forthcoming Publication: Optimal Financial Knowledge and Wealth Inequality**

The *Journal of Political Economy* will soon publish “Optimal Financial Knowledge and Wealth Inequality,” co-authored by Annamaria Lusardi, Pierre-Carl Michaud of the Université du Québec à Montréal, and Olivia S. Mitchell of the Wharton School...

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### **GFLEC in Beijing for the 3rd IFFM Annual Meeting and Global Financial Museum Expo**

As one of the founding members of the International Federation of Finance Museums (IFFM), GFLEC attended the 3rd annual meeting in Beijing, China, at the end of October 2015. The Chinese Museum of Finance, a co-founding member, hosted this meeting...

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### **Call for Papers: Cherry Blossom Financial Education Institute**

The 2nd Cherry Blossom Financial Education Institute, sponsored by the National Endowment for Financial Education, will be hosted by GFLEC at the George Washington University School of Business on April 15, 2016. The Institute provides an...

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## **GFLEC Happenings**

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## **Findings from the S&P Global FinLit**



## Survey

On November 18, 2015, the findings of the landmark Standard & Poor's Ratings Services Global Financial Literacy Survey were released at Gallup headquarters in Washington, D.C. This is the most extensive measurement of financial literacy around the world. The survey probes four basic financial concepts: numeracy, risk diversification, inflation...

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## Beijing Financial Literacy Manifesto

At the Global Financial Museum Expo in Beijing, China, a joint event of the International Federation of Finance Museums (IFFM) and the Chinese Museum of Finance, Director Lusardi announced the Beijing Financial Literacy Manifesto. This manifesto, issued by the IFFM, explains...

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## Fall 2015 Financial Literacy Seminar Series

The Financial Literacy Seminar Series (FLSS) celebrated its 50th seminar when this semester's series resumed on September 17, 2015. The FLSS is a joint initiative of GFLEC and the Federal Reserve Board that began in 2011.

This semester, B. Douglas Bernheim, the Edward Ames...

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## Director Lusardi Presents at TIAA-CREF Symposium in Austin

Director Lusardi gave a presentation at TIAA-CREF's Fellows Symposium titled "Advancing Financial Literacy, Capability and Well-Being among Hispanics," on November 10, 2015. The presentation outlined the research findings of a GFLEC report funded by TIAA-CREF Institute and using data from the National Financial Capability Study.

[View Director Lusardi's presentation here.](#)





## **Lusardi Gives Special Address at the Malaysia-OECD Global Symposium**

On September 30, 2015, Director Lusardi delivered a special address at the Malaysia-OECD Global Symposium on Financial Well-Being. Her presentation highlighted the significance of the 2012 OECD PISA data and previewed findings from the S&P Global FinLit Survey.

[View Director Lusardi's presentation here.](#)



## **Keynote Address to MIDE Symposium**

Director Lusardi visited the Museo Interactivo de Economía (MIDE) in Mexico City and delivered the Economic and Financial Education Symposium's keynote address on the economic importance of financial literacy.

MIDE serves with GFLEC on the executive committee of the International Federation of Finance Museums and will host the Federation's 2016 annual meeting.

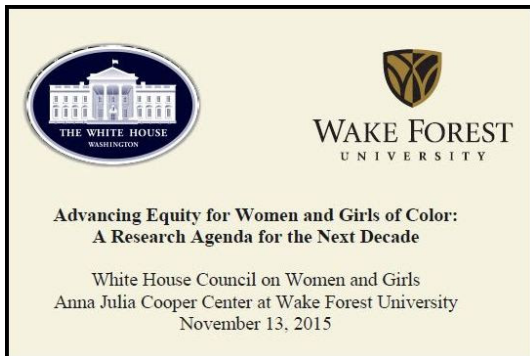
[View Director Lusardi's presentation here.](#)



## **Presenting a Global Perspective on Financial Literacy in Madrid**

Director Lusardi gave a presentation during the International Organization of Securities Commissions' (IOSCO)'s annual flagship capacity-building program, the Seminar Training Program, in Madrid, Spain, on October 20, 2015. She previewed the findings from the S&P Global FinLit Survey.

[View Director Lusardi's presentation here.](#)



## **Lusardi Joins Panel at White House Conference**

On November 11, 2015, Director Lusardi spoke at the conference on Advancing Equity for Women and Girls of Color: A Research Agenda for the Next Decade. The conference was a collaboration between the White House Council on Women and Girls and Wake Forest University. Lusardi joined the Striving for Success panel and discussed the gender gap in financial literacy.

[More details about the conference are available here.](#)



## **Keynote at Financial Education & Investor Behavior Conference in Brazil**

As the keynote speaker at the Financial Education and Investor Behavior Conference in Rio de Janeiro, Brazil on Dec. 8, 2015, Director Lusardi discussed the importance of improving financial literacy levels throughout the world. She also showed how research findings can be used to improve the effectiveness of financial education programs.

View Director Lusardi's presentation [here](#).

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**Forthcoming Publication:  
Optimal Financial Knowledge and Wealth Inequality**

The *Journal of Political Economy* will soon publish “Optimal Financial Knowledge and Wealth Inequality,” co-authored by Annamaria Lusardi, Pierre-Carl Michaud of the Université du Québec à Montréal, and Olivia S. Mitchell of the Wharton School.

In their paper, Lusardi, Michaud, and Mitchell discuss the development of a lifecycle model with endogenous financial knowledge accumulation to determine the effect of financial knowledge on wealth and wealth inequality. Through their analysis, they find that financial knowledge is a key determinant of wealth, and they estimate 30 to 40 percent of wealth inequality can be attributed to financial knowledge. The paper explains that individuals who already have the optimal level of financial knowledge and optimal wealth will not exhibit large behavioral changes as a result of financial education. This clarifies why some financial education programs have not yielded large behavioral changes. The authors conclude that future evaluations of financial education programs must take into account participants’ optimal and current levels of financial knowledge.

Click [here](#) to read the paper.



## **GFLEC in Beijing for the 3<sup>rd</sup> IFFM Annual Meeting and Global Financial Museum Expo**

As one of the founding members of the International Federation of Finance Museums (IFFM), GFLEC attended the 3rd annual meeting in Beijing, China, at the end of October 2015. The Chinese Museum of Finance, a co-founding member, hosted this meeting as well as the Global Financial Museum Expo. Thought leaders from around the world representing museums, academia, business, and government discussed the critical need for financial literacy and the great value that finance museums can bring to financial education initiatives.

At the annual meeting, IFFM delegates committed to focusing their efforts on addressing the gender gap in financial literacy. Research has repeatedly demonstrated that women around the world have lower financial literacy levels than men. The IFFM members are asked to address this gender gap in their museum's financial education programs and initiatives. The meeting included visits to the Museum of Global Finance, the Museum of Internet Finance, and the Chinese Museum of Finance.

The Global Financial Museum Expo followed the IFFM Annual Meeting and brought together experts from the finance, government, academic, and finance museum sectors to discuss financial literacy and financial inclusion. GFLEC and the finance museums each designed a booth to illustrate their work to promote financial literacy and financial education.

An opening ceremony and gala dinner, with master of ceremonies Wei Tian, an anchor at CCTV News, served to mark the occasion. During the opening ceremony, Lusardi announced the release of the [Beijing Financial Literacy Manifesto](#). In this manifesto, the IFFM explains the critical role that financial literacy plays in the well-being of individuals and society. The manifesto also includes a call to action.

Annamaria Lusardi and David Cowen, President of the Museum of American Finance and Co-Founder of the IFFM, were presented with the 2015 IFFM Financial Literacy Award for their dedication to improving financial literacy.

Keynote speakers at the Expo included

- Annamaria Lusardi, Academic Director, GFLEC
- Edmund S. Phelps, 2006 Nobel Laureate in Economics and McVickar Professor of Political Economy, Columbia University
- Bing Dai, Vice Chairman, China Everbright Group, Co.
- Ning Tang, Founder and CEO, CreditEase
- Xuejun Zhao, Chairman, Harvest Fund Management Company
- Shixiang Li, Executive Vice Mayor of Beijing
- Dongrong Li, former Deputy Governor, People's Bank of China
- Mingkang Lu, Former Chairman, China Banking Regulatory Commission



- Zhenjiang Sui, Deputy Mayor of Beijing
- Xialing Wu, Former Deputy Governor, People's Bank of China

We are looking forward to traveling to Mexico City for next year's annual meeting to be hosted by the Museo Interactivo de Economía (MIDE).

Click [here](#) to learn more about the IFFM and the events in Beijing.





## **Call for Papers: Cherry Blossom Financial Education Institute**

The 2<sup>nd</sup> Cherry Blossom Financial Education Institute, sponsored by the National Endowment for Financial Education, will be hosted by GFLEC at the George Washington University School of Business on April 15, 2016. The Institute provides an ongoing forum where financial education research at various stages of completion can be presented and discussed. The objectives are to promote excellent work in this field and to foster research that can inform policy and identify effective financial education programs.

Click [here](#) for the call for papers.



## **Findings from the S&P Global FinLit Survey**

On November 18, 2015, the findings of the landmark Standard & Poor's Ratings Services Global Financial Literacy Survey were released at Gallup headquarters in Washington, D.C. This is the most extensive measurement of financial literacy around the world. The survey probes four basic financial concepts: numeracy, risk diversification, inflation, and compound interest. The data was collected in 2014 by Gallup as part of its Gallup World Poll survey and was analyzed by researchers from the World Bank and GFLEC. The survey results come from interviews conducted with more than 150,000 adults in 143 countries.

Director Lusardi joined a panel that discussed the survey findings and that included Jon Clifton, Managing Director, Global Analytics, Gallup; Leora Klapper, Lead Economist, Development Research Group, World Bank; and Diane Vazza, Managing Director, Head of Global Fixed Income Research, Standard & Poor's Ratings Services. The panel was moderated by Jason Gold, Chief Operating Officer, McGraw Hill Financial Global Institute.

Click [here](#) to visit GFLEC's webpage about the global survey and the event. You can also watch a short video in which Director Lusardi speaks about the survey, the key findings, and their implications.



## Beijing Financial Literacy Manifesto

At the Global Financial Museum Expo in Beijing, China, a joint event of the International Federation of Finance Museums (IFFM) and the Chinese Museum of Finance, Director Lusardi announced the Beijing Financial Literacy Manifesto. This manifesto, issued by the IFFM, explains the critical role that financial literacy plays for the well-being of individuals and society. The Federation committed to improving financial literacy for all—from the very young to the very old—and to targeting people at critical stages of the life cycle. The manifesto also includes a call to action; the solution to the global financial literacy crisis includes individuals demanding financial education in schools, the workplace, and in other community organizations.

Excerpts from the manifesto:

*“Financial literacy refers not just to the knowledge of financial concepts but also the capacity to use that knowledge to improve the financial well-being of individuals and society. Financial literacy makes it possible for individuals to fully participate in economic life, and, as such, it is important for individuals, families, communities, countries and our global economy.”*

*“We care about lack of financial literacy because there are severe consequences associated with it. Those who are not financially literate are less likely to participate in financial markets, are less likely to save and plan for the future, and are more likely to have problems with debt.”*

*“As the recent financial crisis made clear, access to credit without proper financial knowledge can result in harmful costs for both the individual and for society. We are at a crisis point when it comes to financial literacy and we need to take action.”*

*“Join us and become an ambassador for financial literacy. Demand it in your school, your workplace, your library, your museum. Let’s stand up for financial literacy.”*

Click [here](#) to read the full manifesto.



## **Fall 2015 Financial Literacy Seminar Series**

The Financial Literacy Seminar Series (FLSS) celebrated its 50<sup>th</sup> seminar when this semester's series resumed on September 17, 2015. The FLSS is a joint initiative of GFLEC and the Federal Reserve Board that began in 2011.

This semester, B. Douglas Bernheim, the Edward Ames Edmonds Professor of Economics at Stanford University, was the Distinguished Financial Literacy Speaker. He presented the paper "The Effect of Financial Education on the Quality of Decision Making" (joint with Sandro Ambuehl and Annamaria Lusardi) and discussed the importance of assessing financial competence when evaluating the outcomes of financial education programs.

Additional presenters this semester included Leora Klapper and Peter Van Oudheusden, both from the World Bank. They presented research on the 2014 Global Findex Database, which measures financial inclusion around the world.

Enrichetta Ravina, Assistant Professor of Finance and Economics at Columbia Business School, presented her research paper "Who is Internationally Diversified? Evidence from 296 401(k) Plans." Geng Li, Chief of the Consumer Finance Section at the Federal Reserve Board, presented "Credit Scores and Committed Relationships." Arie Kapteyn, Professor of Economics and Director of the Center for Economic and Social Research at the University of Southern California, continued the fall series with "Cognitive Constraints on Valuing Annuities."

The fall seminar series concluded on December 10 with a presentation by Matthew Shapiro, the Lawrence R. Klein Collegiate Professor of Economics at the University of Michigan, titled "How Individuals Smooth Spending: Evidence from the 2013 Government Shutdown Using Account Data."

The spring FLSS series will restart in March 2016.

To see the FLSS schedule for fall 2015 and accompanying resources, including short interviews with the speakers, please click [here](#).