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WINTER 2014 NEWSLETTER

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Message from Academic Director Annamaria Lusardi

Dear Friends and Colleagues,

As Financial Literacy Month begins, it is my pleasure to update you on the work that GFLEC has been doing to promote financial literacy and financial literacy research in the United States and abroad.

Several of our recent events have focused on research that looks at women's financial literacy, which is found to be consistently lower than that of men across countries. GFLEC also has released a new study examining the financial behavior of the generation known as the Millennials. I think some of the results may surprise you.

To celebrate Financial Literacy Month, we are launching the FinLit Talks. Inspired by the TED Talks, FinLit Talks are short video interviews with thought leaders in financial literacy. We will post a new video on our website each day during the month of April.

If you are not yet doing so, you may follow our activities in real time on Twitter, LinkedIn, and Facebook as well as on my blog.

Warm regards,
Anna



Featured Research: College-Educated Millennials

GFLEC's analysis of the 2012 National Financial Capability Study data reveals important information about young Americans' financial knowledge—and their financial fragility. Among the findings in the report...

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Former Italian Minister of Labor Visits GFLEC

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GFLEC Happenings



Our Research Published in the *Journal of Economic Literature*

"The Economic Importance of Financial Literacy: Theory and Evidence," coauthored by Annamaria Lusardi and Olivia Mitchell of the Wharton School, was published in the March issue of the *Journal of Economic Literature*...

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Researching Gender Differences in Financial Literacy

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SSRN Financial Literacy eJournal

You can read the most recent papers on financial literacy in the [Financial Literacy eJournal](#), launched last fall by GFLEC.



News from the OECD

We are delighted that the OECD [Program for International Student Assessment \(PISA\)](#) report on financial literacy will be released on July 9, 2014, and are very much looking forward to working with that data.

Director Annamaria Lusardi has been nominated to chair...

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Teaching Personal Finance

A strong advocate of financial education, GFLEC Director Annamaria Lusardi is using her own institution as a laboratory. She designed and is teaching a new personal finance course at the George Washington School of Business (GWSB). The course—the first of its kind at the university—aims to provide students with the knowledge and tools they need...

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Rai Conference Spotlights the Gender Gap in Financial Literacy

Rai News, Italy's public broadcasting network, included an examination of financial literacy and gender during the *Donna È* (Italian for "Woman Is") conference it hosted in Rome on March 5 and 6. Director Annamaria Lusardi served as one of the keynote speakers in the session focused on women's...

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Financial Literacy Seminar Series



The Financial Literacy Seminar Series (FLSS) resumed in March with a presentation on mortgage refinancing behavior by Professor John Campbell from the Department of Economics at Harvard University. Using evidence from Denmark, Prof. Campbell examined the refinancing behavior of households during a recent period of declining interest rates...

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New Financial Literacy Seminar Series in Spain

Spain's IE Business School has teamed up with the Ramón Areces Foundation in Madrid to launch a new financial literacy seminar series. IE Business School is one of GFLEC's collaborators, and Annamaria Lusardi took part in the January 16 inaugural seminar by presenting findings from the *Financial Literacy Around the World* project.

To listen to or view the presentation, please click [here](#).

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Featured Research: New Study Examines the Personal Finances of College-Educated Millennials

GFLEC's analysis of the 2012 National Financial Capability Study data reveals important information about young Americans' financial knowledge—and their financial fragility. Among the findings in the report focused on college-educated Millennials (also known as Generation Y):

- Millennials are on course to be the best-educated generation in U.S. history. They express great confidence in their financial knowledge, but the data reveal poor levels of financial literacy and capability.
- College-educated Millennials are financially active and much more likely to have bank accounts, real estate investments, stocks and bonds, and retirement accounts than the general population.
- Even though they have come of age during a time of economic turbulence, fewer than half of these Millennials have rainy day funds to cover emergencies. Women and non-Asian minorities are at the greatest risk.
- College-educated Millennials struggle to make debt payments and worry about their debt. Almost half of those with outstanding student loans are concerned about their ability to pay them off.
- Nearly a third of those with a mortgage think they owe more than they could sell their home for today, and a fifth of all college-educated Millennials with a mortgage have been late with at least one mortgage payment in the last two years.
- More than one in five has unpaid medical bills, and the figure is much higher among those without health insurance.
- College-educated Millennials use credit cards—in a big way. Eighty-seven percent have at least one credit card; 24 percent have four or more. Nearly half of those with a credit card carry unpaid balances.
- Financial literacy cannot be taken for granted, even among these highly educated individuals. Only 38 percent of college-educated Millennials can correctly answer three questions designed to measure understanding of interest rates, inflation, and risk diversification.

You can read the report on college-educated Millennials, written in collaboration with Dr. Paul Yakoboski and sponsored by the TIAA-CREF Institute, by clicking [here](#).



Former Italian Minister of Labor Visits GFLEC

Elsa Fornero, Italy's former minister of labor, social policies, and equal opportunities and professor of economics at the University of Turin, visited GFLEC in February. Prof. Fornero worked on a project examining the importance of financial literacy to the implementation of pension and other economic reforms. She lectured on her experience as a policymaker in a macroeconomics course at the George Washington University School of Business. She also started a new project, in collaboration with GFLEC Director Annamaria Lusardi, on women and financial literacy.

Prof. Fornero also spoke at GFLEC's Financial Literacy Policy Perspectives Luncheon, held this time in New York City. She discussed her work on financial literacy and the critical need to examine the causes of the gender gap in financial literacy. The luncheon concluded with a tour of the New York Stock Exchange.



Lusardi Presents at TEDx Foggy Bottom

Annamaria Lusardi joined an eclectic group of thought leaders and innovators—including a poet, neurologist, chalk artist, and professional counselor—onstage at a special TEDx event hosted by the George Washington University. GFLEC Director Lusardi spoke to an audience of more than a thousand people about her research on financial literacy. Her presentation *Financial Literacy, Illuminated* can be found [here](#). The event provided an important opportunity to raise awareness of the financial illiteracy crisis, especially as it affects women around the world.

For full details on the event, please click [here](#).



Our Research Published in the *Journal of Economic Literature*

“The Economic Importance of Financial Literacy: Theory and Evidence,” coauthored by Annamaria Lusardi and Olivia Mitchell of the Wharton School, was published in the March issue of the *Journal of Economic Literature*. The paper assesses the rapidly growing body of economic research on financial literacy and financial education. The paper argues that although the literature is still young, conclusions may be drawn about the effects and consequences of financial illiteracy and what works to improve financial literacy. While the costs of raising financial literacy are likely to be substantial, so too are the costs of being liquidity-constrained, over-indebted, and poor. A copy of the paper is posted [here](#).



Researching Gender Differences in Financial Literacy

GFLEC is working with its European Investment Bank Institute grant partners to examine gender differences in financial literacy in Germany, the Netherlands, Sweden, and the United States. GFLEC's partners on the project are academics and researchers from the University of Groningen, the Munich Center for the Economics of Aging, the Dutch Central Bank, the Swedish Ministry of Finance, and Stockholm University. Findings from this research will be posted on our website soon.

This project builds on earlier work on financial literacy around the world, which was published in the [*Journal of Pension Economics and Finance*](#).



News from the OECD

We are delighted that the OECD [Program for International Student Assessment](#) (PISA) report on financial literacy will be released on July 9, 2014, and are very much looking forward to working with that data.

Director Annamaria Lusardi has been nominated to chair the new Research Committee of the OECD/International Network on Financial Education (INFE). The committee's mission is to systematically keep abreast of the cutting-edge research carried out around the world in order to better inform financial education policy and to advance knowledge of INFE members.



Teaching Personal Finance

A strong advocate of financial education, GFLEC Director Annamaria Lusardi is using her own institution as a laboratory. She designed and is teaching a new personal finance course at the George Washington School of Business (GWSB). The course—the first of its kind at the university—aims to provide students with the knowledge and tools they need to address the wide range of financial decisions they will face throughout their lives.

In February, Director Lusardi also taught personal finance to the students in GWSB's special STAR EMBA program, an executive MBA program that is tailored to meet the complex financial and business needs of professional athletes, artists, and others with strong personal brands.



Rai Conference Spotlights the Gender Gap in Financial Literacy

Rai News, Italy's public broadcasting network, included an examination of financial literacy and gender during the *Donna è...* (Italian for "Woman Is...") conference it hosted in Rome on March 5 and 6. Director Annamaria Lusardi served as one of the keynote speakers in the session focused on women's contributions to the economy and economic growth. She spoke of the importance of financial literacy for women. She also offered some of her personal experiences as a woman working in the fields of economics and personal finance.

Donna è... addressed women's participation in a number of other arenas, from politics and culture to science and the media. Italian President Giorgio Napolitano and First Lady Clio Napolitano attended the conference, which was scheduled just ahead of International Women's Day.

Director Lusardi was also featured in a TV interview a few days later in which she discussed the importance of financial literacy in today's society.

To learn more about the conference, please click [here](#).

To watch the TV interview, please click [here](#).



Financial Literacy Seminar Series

The Financial Literacy Seminar Series (FLSS) resumed in March with a presentation on mortgage refinancing behavior by Professor John Campbell from the Department of Economics at Harvard University. Using data from Denmark, Prof. Campbell examined the refinancing behavior of households during a recent period of declining interest rates.

Prof. Campbell, the FLSS Distinguished Financial Literacy Speaker, based his presentation on “Inattention and Inertia in Household Finance: Evidence from the Danish Mortgage Market,” a new paper that he coauthored with Steffen Andersen of the Copenhagen Business School, Kasper Meisner Nielsen of the Hong Kong University of Science and Technology, and Tarun Ramadorai of the Saïd Business School.

To read Prof. Campbell’s paper, please click [here](#).

You can find the full schedule of spring seminars [here](#).