Teaching Students Financial Literacy: Why is it Necessary?

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Need for FinLit

Big Decisions (even at young age)

Cost of Ed & Training

Shifting demographics

Increasingly complex financial markets

Changing labor markets

Shrinking welfare systems

Youth have access to financial products
Why is financial literacy relevant for young people?

We Are Our Own CFOs

Need to be financially literate before engaging in financial transactions
Schools can provide a basis of FinLit on which to build a lifetime pursuit.
Adults FinLit Indicates Need for Students

3 FinLit Questions That Indicate Knowledge

1) Compound Interest
2) Inflation
3) Risk

40% of Americans cannot come up with $2000 in 30 days if an emergency arises.

It pays to be financially literate

Debt and debt management
Investments
Planning and wealth accumulation
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?
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

Spain

Slovenia

Slovenia

Colombia

Low performance in financial literacy

- Colombia

Mean score
Distribution of performance, US vs. Shanghai-China

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<thead>
<tr>
<th></th>
<th>United States</th>
<th>Financial literacy</th>
<th>Shanghai-China</th>
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<tbody>
<tr>
<td>Top performers</td>
<td></td>
<td>Performance levels</td>
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</tr>
<tr>
<td>9%</td>
<td>Level 5</td>
<td>43%</td>
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<tr>
<td>19%</td>
<td>Level 4</td>
<td>32%</td>
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<tr>
<td>27%</td>
<td>Level 3</td>
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<tr>
<td>26%</td>
<td>Level 2</td>
<td>19%</td>
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<tr>
<td>18%</td>
<td>Level 1 or below</td>
<td>5%</td>
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<td>Baseline</td>
<td>2%</td>
<td>2%</td>
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Supporting Teachers

Less than 20% of teachers feel prepared to teach financial literacy

Financial Education Works!

- Rigorous FinEd programs in high schools can improve credit scores and lower likelihood of delinquency on debts for young adults

- Well-developed programs have a positive impact
Thank You

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