

AFT TEACH Conference 2015

July 13, 2015



Teaching Students Financial Literacy: Why is it Necessary?

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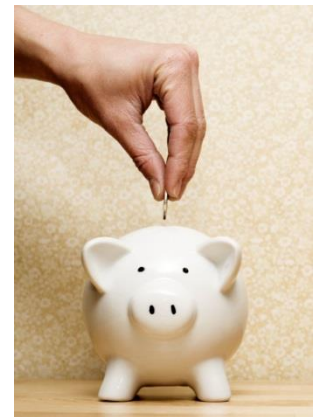


Why is financial literacy relevant for young people?



We Are Our Own CFOs

**Need to be financially literate *before*
engaging in financial transactions**



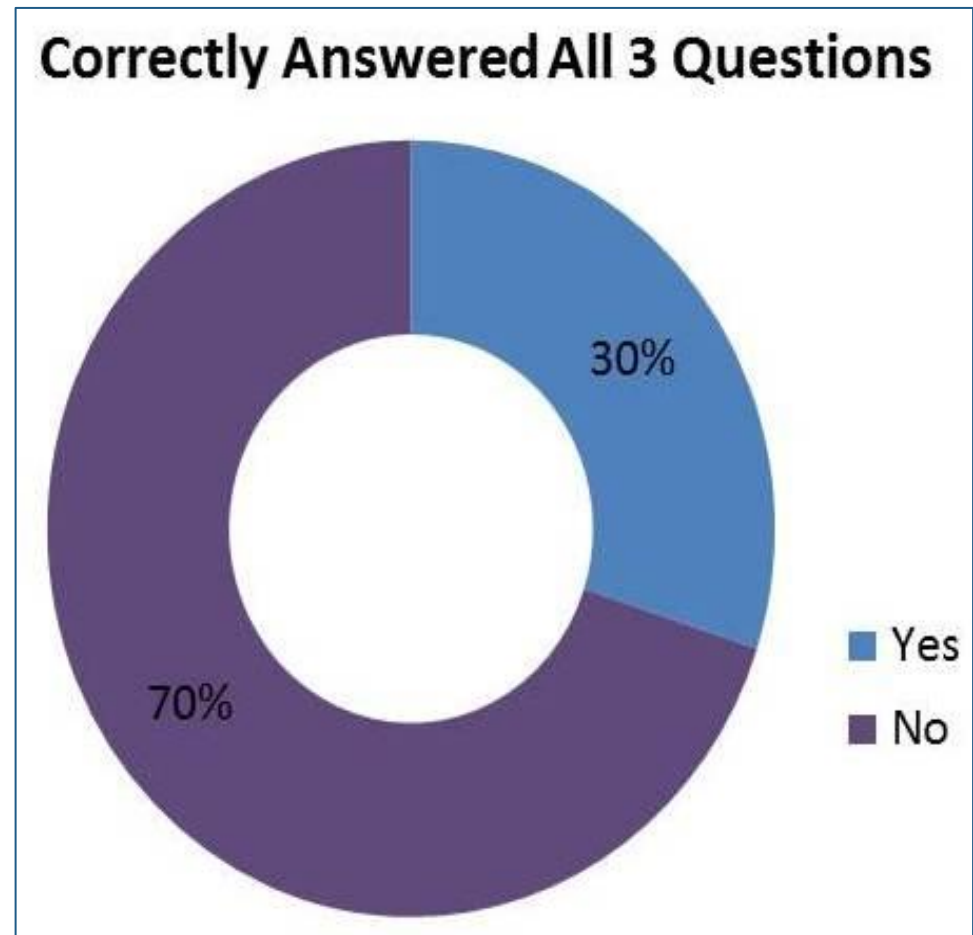
Schools can provide a basis of FinLit on which to build



Adults FinLit Indicates Need for Students

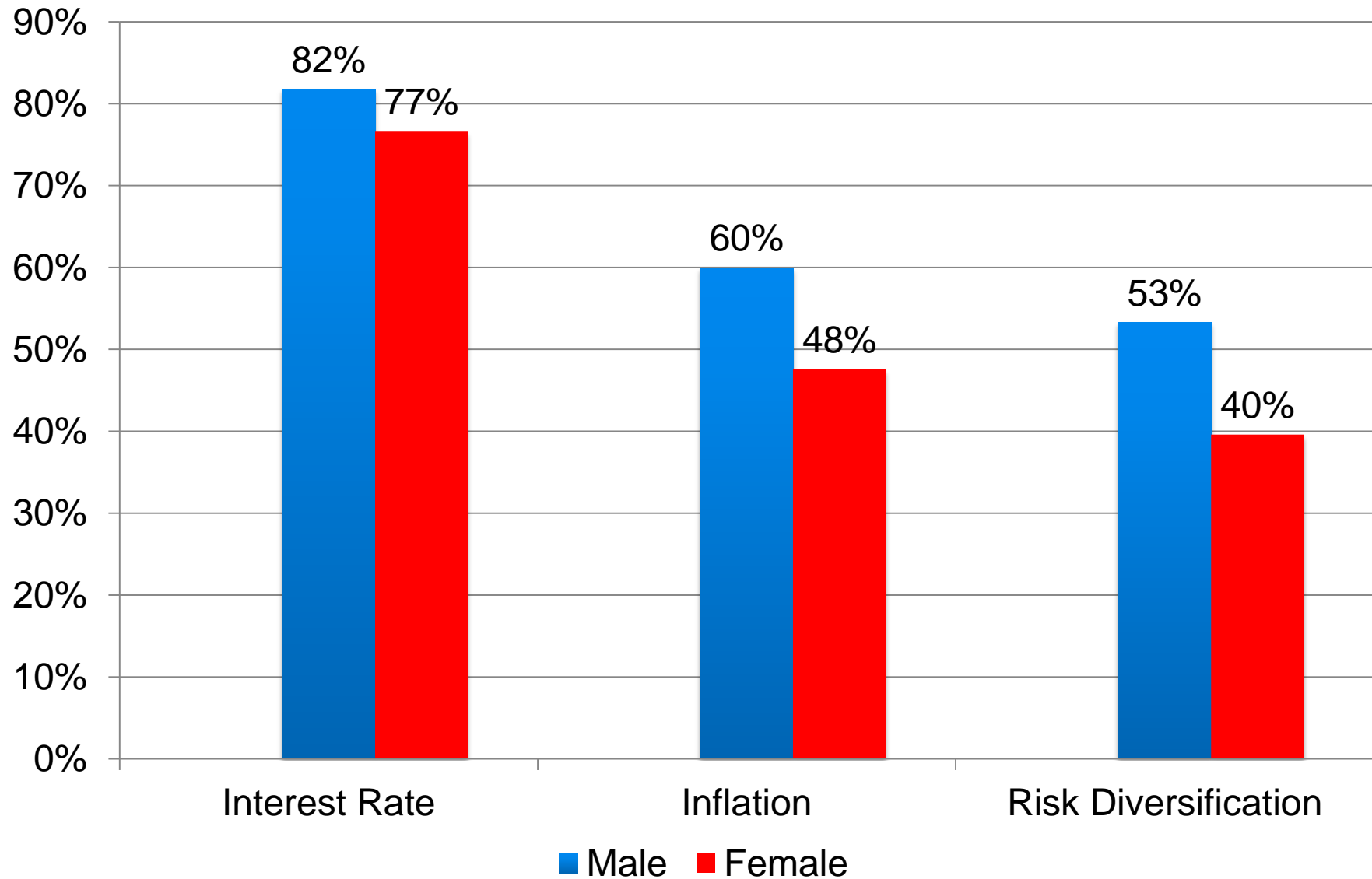
3 FinLit Questions That Indicate Knowledge

- 1) Compound Interest
- 2) Inflation
- 3) Risk



Source: National Financial Capability Study, 2012

Financial literacy and gender (age: 23-28, National Longitudinal Survey of Youth, 2007-2008)



Savings of American Adults

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)

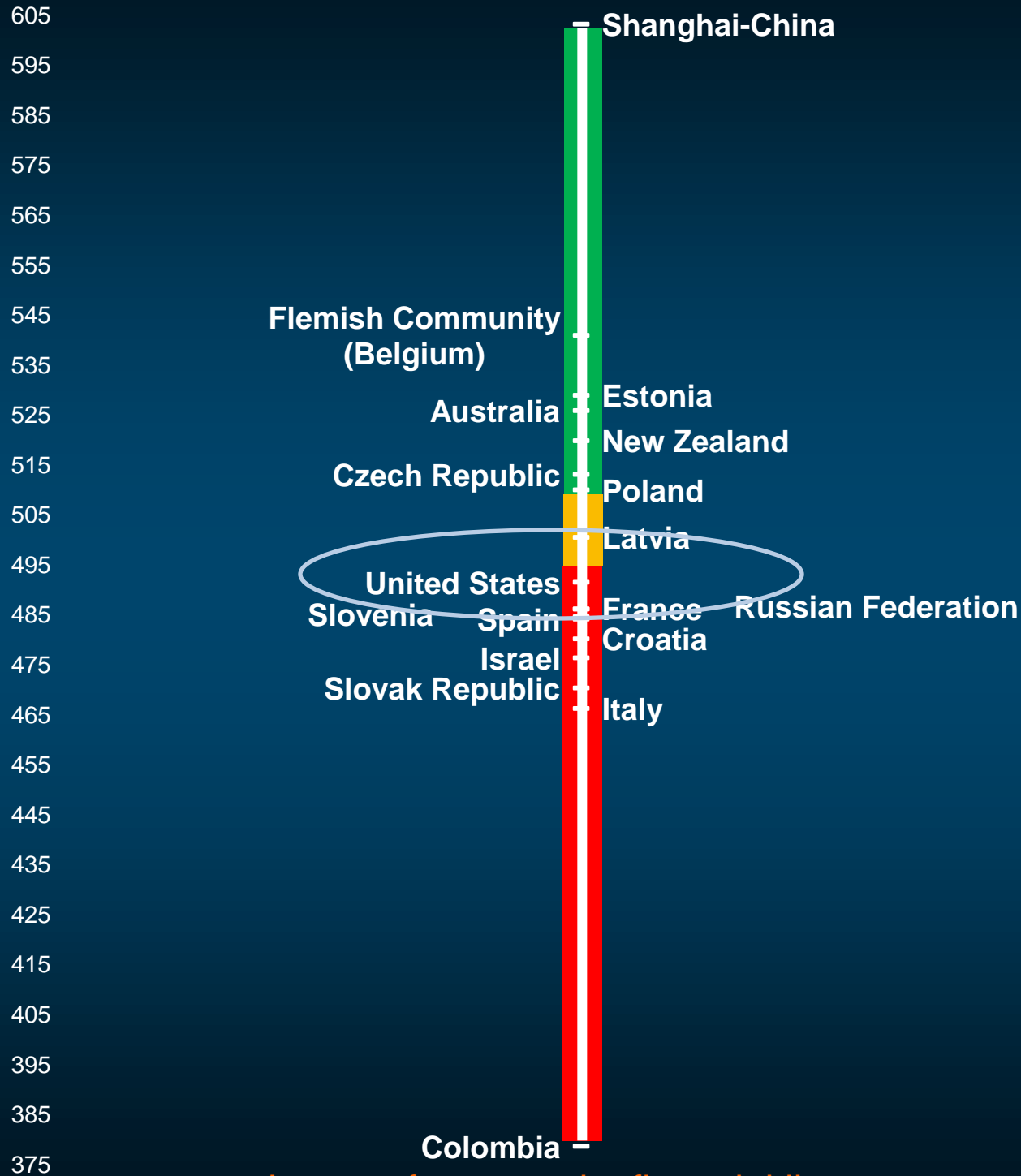
- ***Are students well prepared for future challenges?***
- ***Can they analyze, reason and communicate effectively?***
- ***Do they have the capacity to continue learning throughout life?***



Mean score

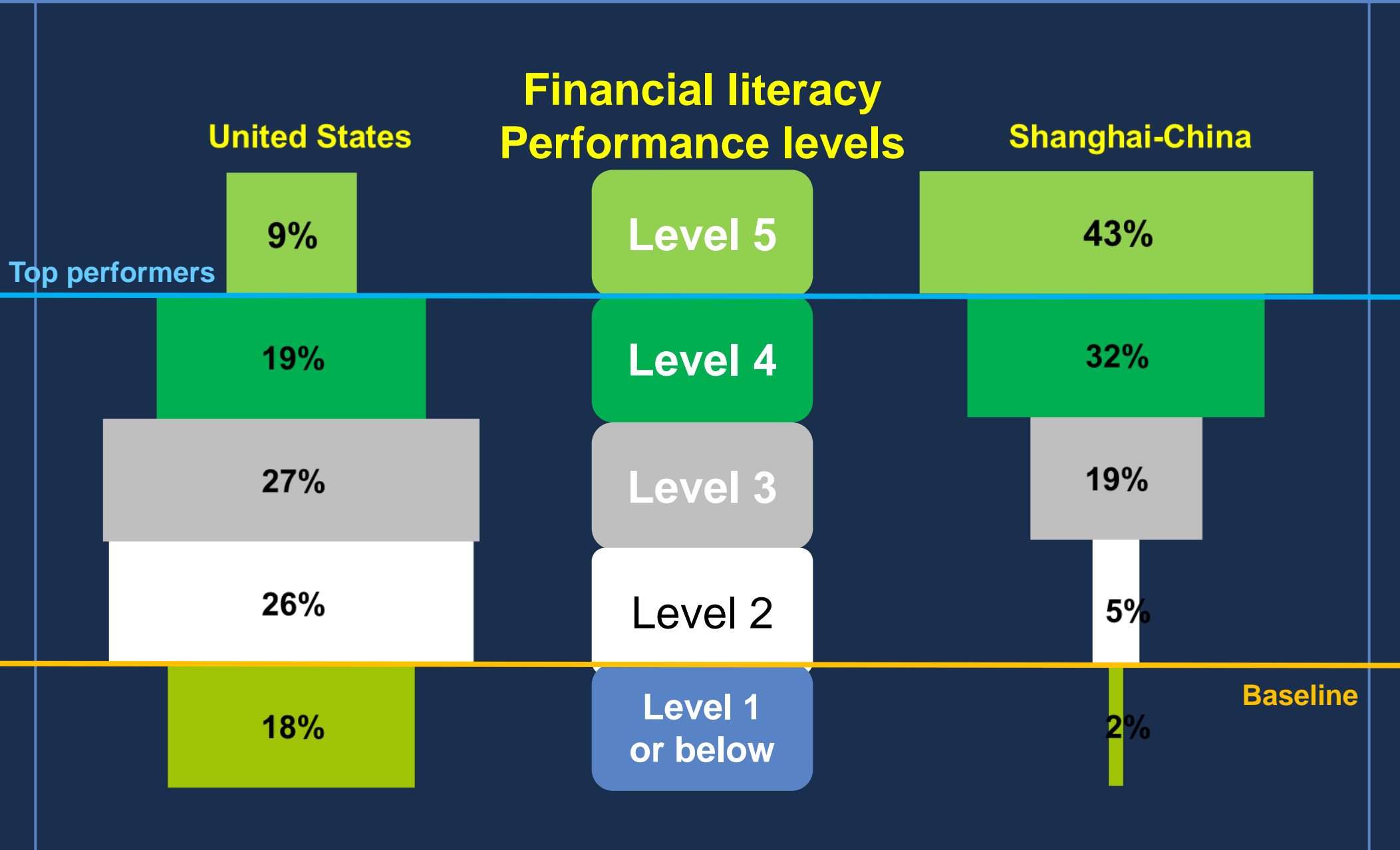
Strong performance in financial literacy

Average performance of 15-year-olds in financial literacy



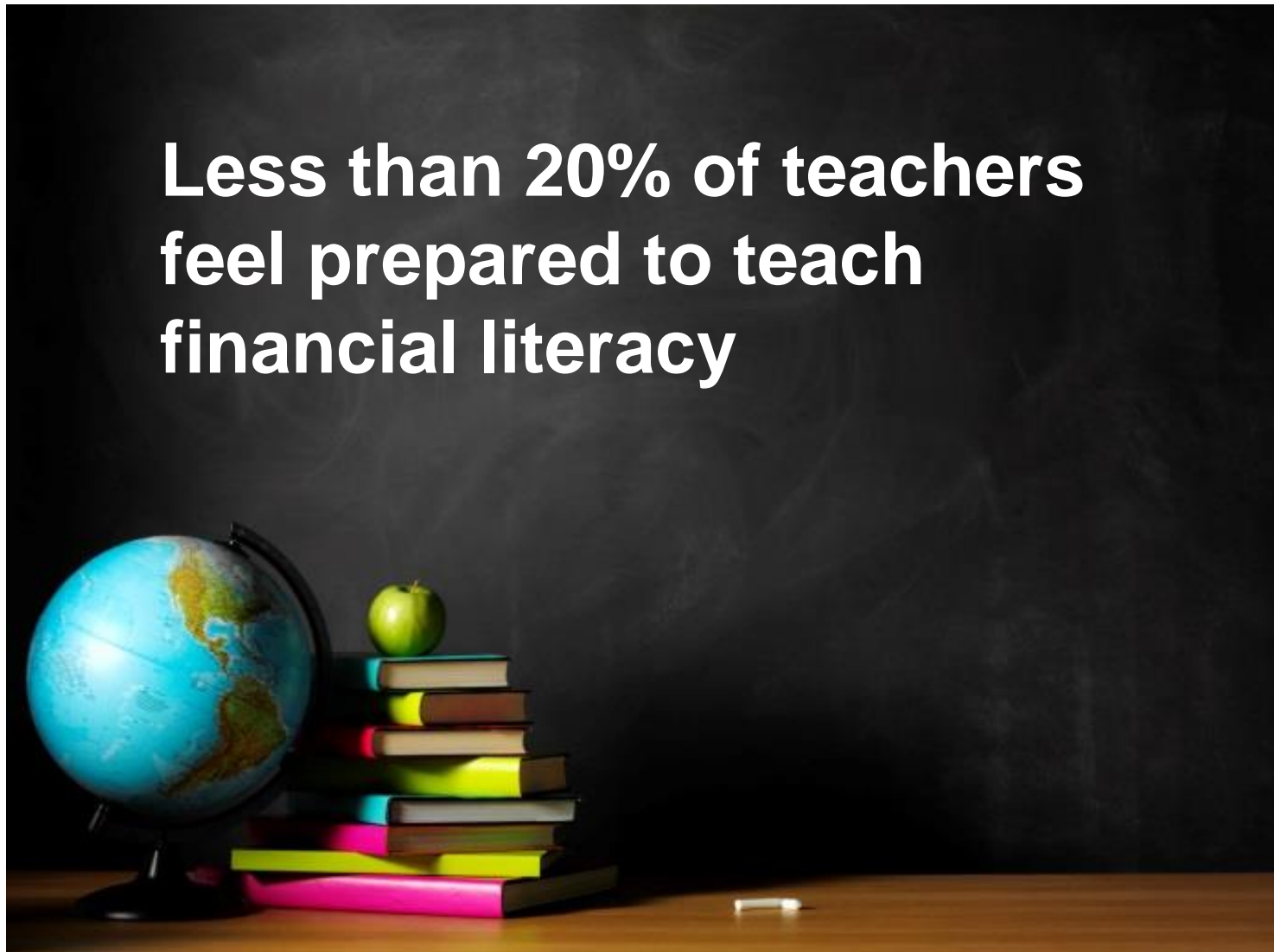
Low performance in financial literacy

Distribution of performance, US vs. Shanghai-China



Supporting Teachers

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



Way, Wendy and Karen Holden. 2009. Teachers' Background and Capacity to Teach Personal Finance: Results of a National Study. *Journal of Financial Counseling and Planning* 20(2): 64-78.

Financial Education Works!

- Rigorous FinEd programs in high schools can improve credit scores and lower likelihood of delinquency on debts for young adults
 - Source: Alexandra Brown, J. Michael Collins, Maximilian Schmeiser, and Carly Urban. “State Mandated Financial Education and the Credit Behavior of Young Adults.” 2014.
- Well-developed programs have a positive impact
 - Source: William B. Walstad, Ken Rebeck, and Richard A. MacDonald. “The Effects of Financial Education on the Financial Knowledge of High School Students.



Thank You

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