Risk Literacy

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New data on financial literacy around the world

The data, designed in collaboration with the World Bank and GFLEC, was released on November 18, 2015
The S&P Global FinLit Survey

In 2014, Gallup interviewed adults (age 15 and older) in more than 140 countries around the world about their level of financial literacy.

The survey covers four topics:
- Numeracy
- Interest compounding
- Inflation
- Risk diversification
Financial literacy globally

% of adults who are financially literate

- 1 in 3 adults worldwide responded correctly to three topics out of four topics
### Global Ranking

<table>
<thead>
<tr>
<th>GFLS Ranking</th>
<th>Country</th>
<th>at least 3 out of 4 topics answered correctly (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Norway</td>
<td>71%</td>
</tr>
<tr>
<td>1</td>
<td>Denmark</td>
<td>71%</td>
</tr>
<tr>
<td>1</td>
<td>Sweden</td>
<td>71%</td>
</tr>
<tr>
<td>2</td>
<td>Israel</td>
<td>68%</td>
</tr>
<tr>
<td>2</td>
<td>Canada</td>
<td>68%</td>
</tr>
<tr>
<td>71</td>
<td>Gabon</td>
<td>35%</td>
</tr>
<tr>
<td>72 (Median)</td>
<td>Bulgaria</td>
<td>35%</td>
</tr>
<tr>
<td>73</td>
<td>Côte d'Ivoire</td>
<td>35%</td>
</tr>
<tr>
<td>140</td>
<td>Angola</td>
<td>15%</td>
</tr>
<tr>
<td>141</td>
<td>Somalia</td>
<td>15%</td>
</tr>
<tr>
<td>142</td>
<td>Afghanistan</td>
<td>14%</td>
</tr>
<tr>
<td>143</td>
<td>Albania</td>
<td>14%</td>
</tr>
<tr>
<td>144</td>
<td>Yemen</td>
<td>13%</td>
</tr>
</tbody>
</table>

**Norway, Denmark, and Sweden lead the world with 71% of adults answering three out of four topics correctly.**

**In the US, 57% answer three out of four topics correctly. US ranks 14th.**
Financial literacy around the world: Which topics do people know?

% of adults who are financially literate

**RISK DIVERSIFICATION**
- World: 60%
- Major advanced economies: 60%
- Major emerging economies: 40%

**INFLATION**
- World: 60%
- Major advanced economies: 60%
- Major emerging economies: 40%

**NUMERACY (INTEREST)**
- World: 60%
- Major advanced economies: 60%
- Major emerging economies: 40%

**COMPOUND INTEREST**
- World: 60%
- Major advanced economies: 60%
- Major emerging economies: 40%
A program for the young

Five steps to planning success

- Program targeted to young workers
  - They are the ones with low financial literacy

- Used new methods of communication
  - Video and narratives

- Kept the message free of economic/finance jargon
  - Very important for women

- Covered concepts, such as interest compounding and risk diversification, in a simple story
Short video about risk

Risk diversification = don’t put all your eggs in one basket

Link to Video http://gflec.org/education/educational-videos/
Visualization: Research shows use of computer-supported representation of data amplifies cognition

- Increases cognitive resources and expands working memory
- Reduces search effort and time costs – represents large amount of data in small space
- Enhances recognition of trends
- Encourages exploration of the decision space
- Increases confidence
Visualizing risk

Don`t put all your savings in one basket

But because this investment has some risk, you could make even more - up to $6600

The width of the cone represents all possible outcomes in one year

The midpoint of the cone represents the outcome you're most likely to get

But you could also lose money and end up with only $4200
What can we expect from different investments?

I decided to put my $5000 in the investment with some risk, the "Riskier Fund".

I decided to put my $5000 in the investment with less risk, the "Less Risky Fund".
Beijing Financial Literacy Manifesto

“… the International Federation of Finance Museums is committed to promoting financial literacy globally, raising awareness that every individual in every country is in need of financial literacy.”
Contact and sources of information

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