

Financial Literacy, Illuminated

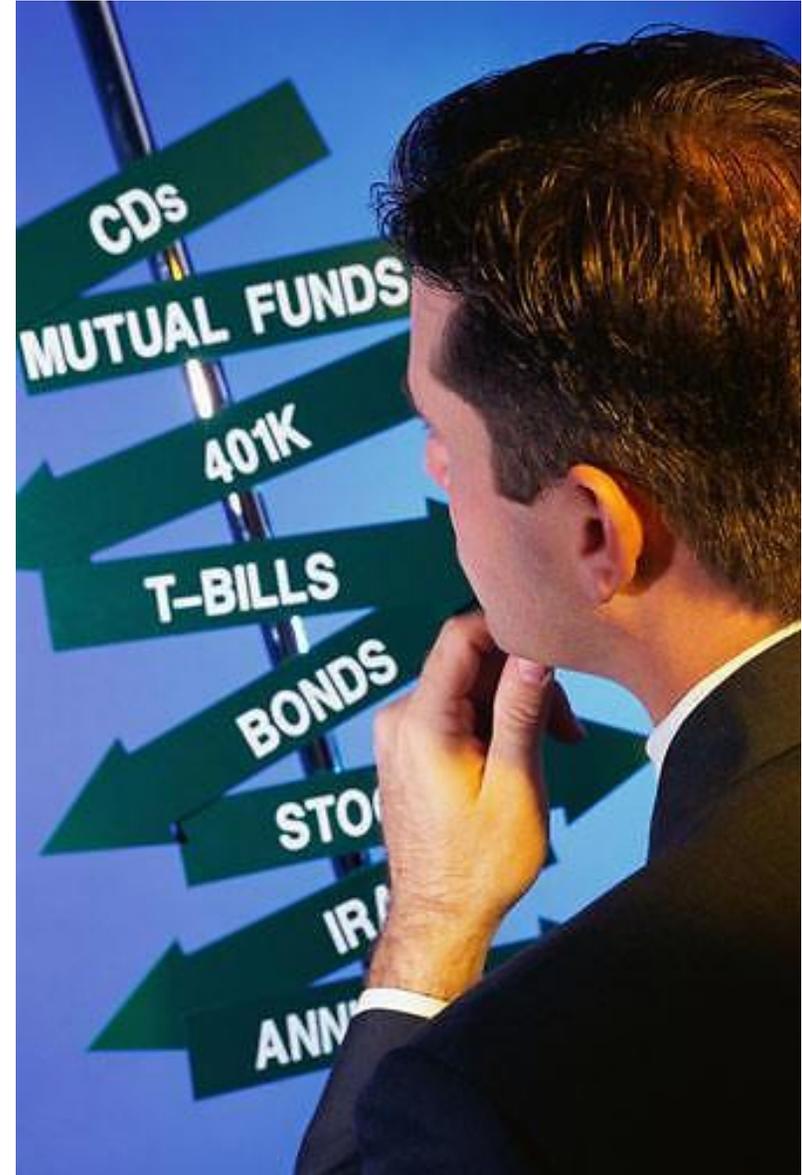
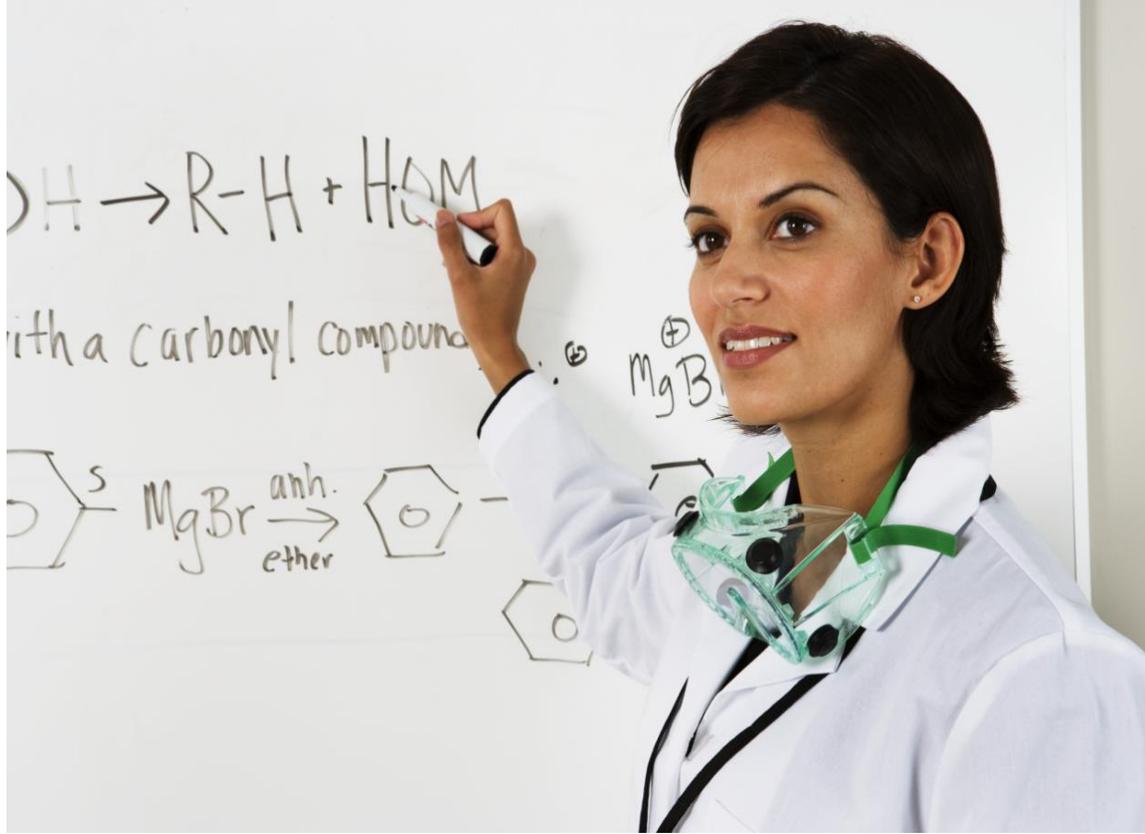
It's a FLAT World

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How much do we know? Numeracy

Suppose you had \$100 in a savings account and the interest rate was 2% per year.

After 5 years, how much do you think you would have in the account if you left the money to grow?

- More than \$102 (correct)
- Exactly \$102
- Less than \$102
- Don't know
- Refuse to answer

How much do we know? Inflation

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year.

After 1 year, with the money in this account, would you be able to buy...

- More than today
- Exactly the same as today
- Less than today (correct)
- Don't know
- Refuse to answer

How much do we know? Risk diversification

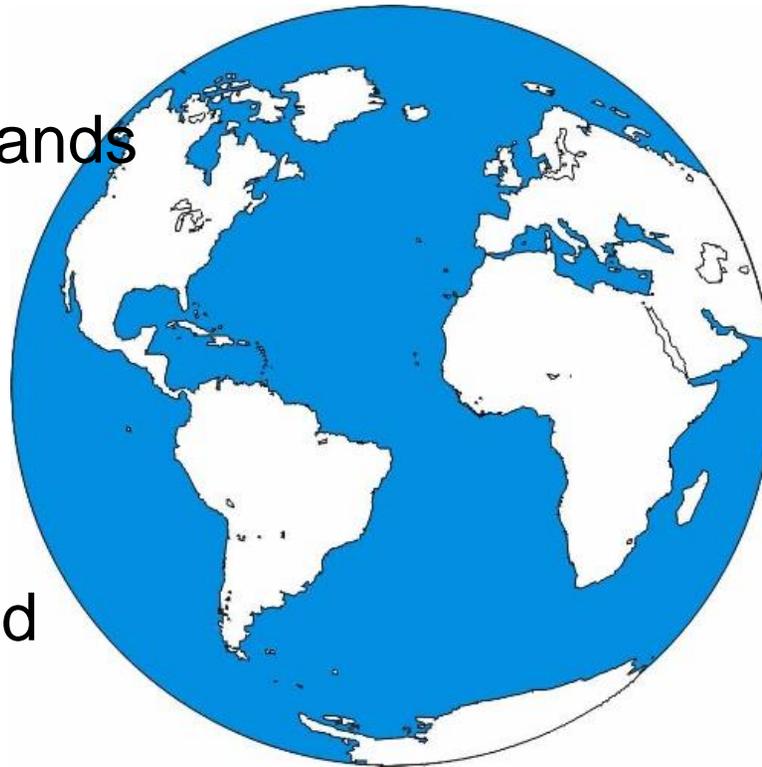
“Do you think the following statement is true or false?”

Buying a single company stock usually provides a safer return than a stock mutual fund.”

- True
- False (correct)
- Don't know
- Refuse to answer

Financial Literacy Around The World (FLAT World)

USA
The Netherlands
Germany
Italy
Sweden
Russia
Japan
New Zealand



Australia
Switzerland
France
Romania

How much do Americans know?

	Responses			
	<i>Correct</i>	<i>Incorrect</i>	<i>DK</i>	<i>Refuse</i>
Interest rate	65%	21%	13%	1%
Inflation	64%	20%	14%	2%
Risk diversif.	52%	13%	34%	1%

Only 30% of Americans answered all three questions correctly

The world is...*flat!*



Financial literacy and women

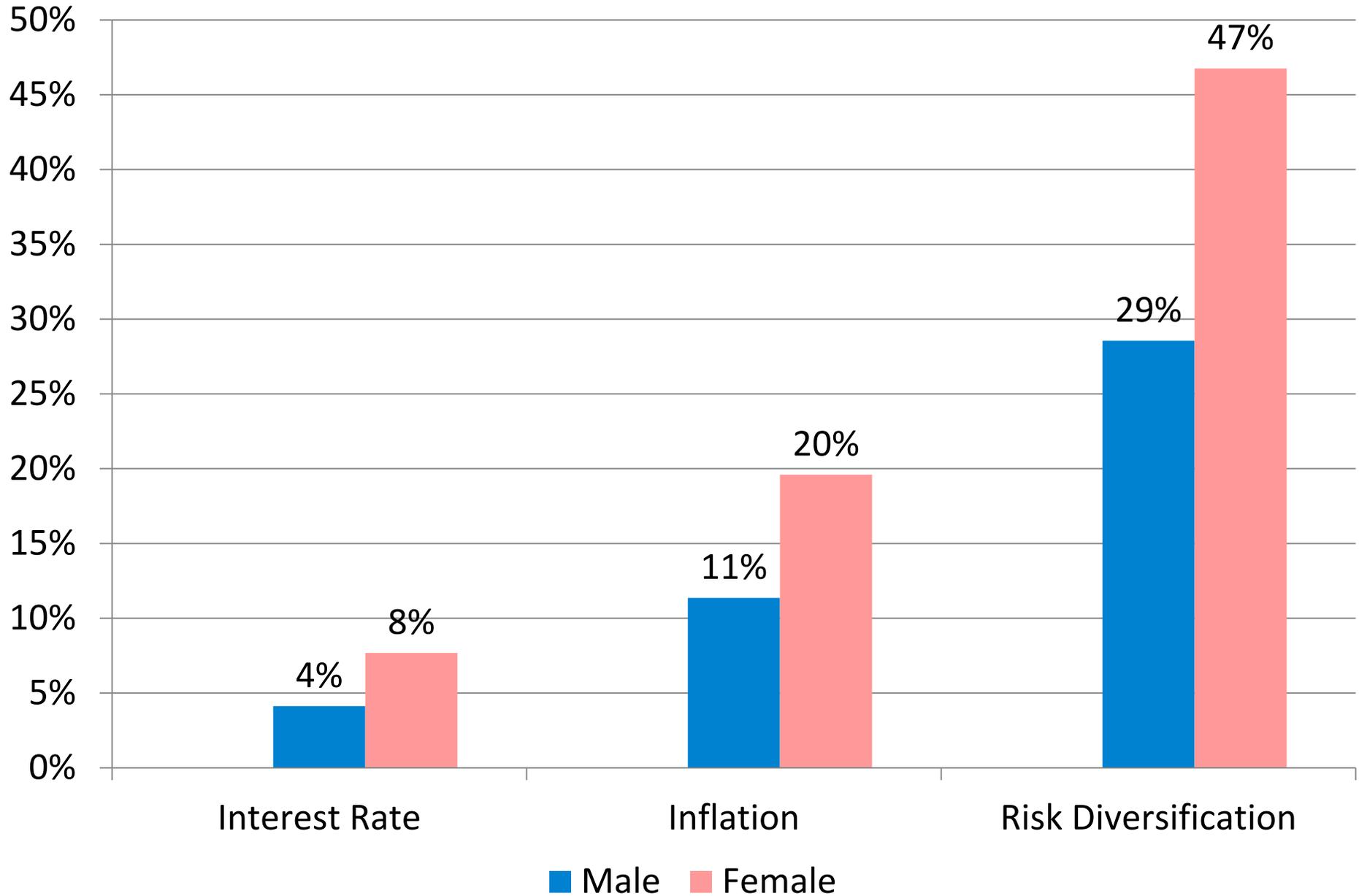
- **In all surveyed countries, women answered the financial literacy questions in the same way...**

Women say:

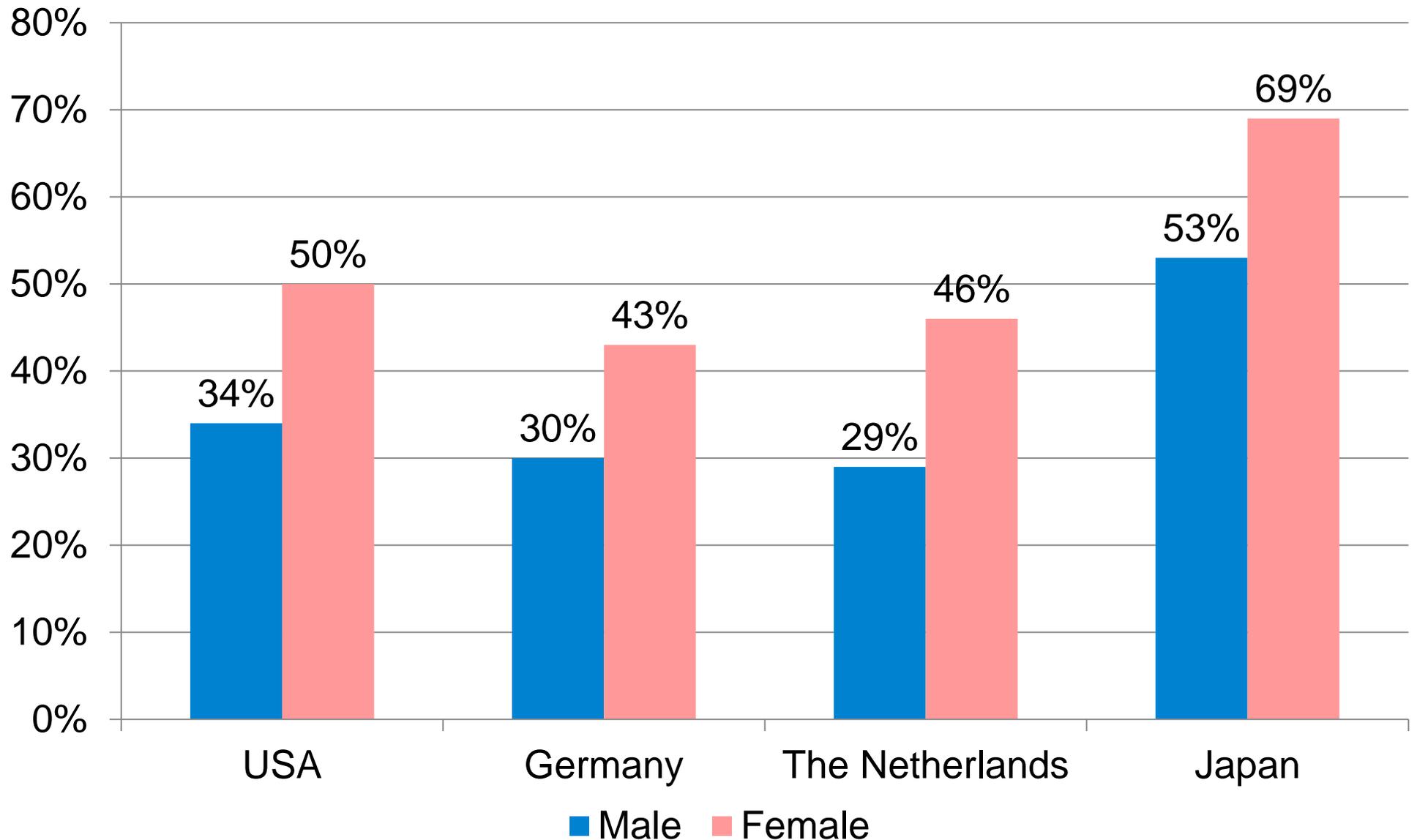
I do not know!



“Do not know” responses by gender (ages 23-28, USA)



“Do not know” responses by gender in USA, Germany, The Netherlands, and Japan



Financial literacy affects financial behavior

Debt and debt management



Investments



Planning & wealth accumulation

FORECLOSURE

sale



Financial literacy, a new skill for the 21st century