

## Millennials and Financial Literacy: A Global Perspective

May 2017

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Research support was  
provided by the Global  
Thinking Foundation.



Financial literacy is of utmost importance for Millennials, as they face financial decisions that can have consequences for the rest of their life. However, in a rapidly changing economic landscape, Millennials do not seem to be prepared to deal with the financial challenges they will encounter, as they lack the knowledge needed to make savvy decisions.

Financial services and products have become increasingly complex and are more widely accessible to Millennials than they were to previous generations, due to rapid advances in digital technology. As a result, this generation must take on greater responsibility for their own financial decisions, like investing and saving for retirement. However, young adults worldwide demonstrate remarkably low levels of financial knowledge. Lack of knowledge is of great concern because low levels of financial literacy are associated with having greater debt, loans with higher interest rates, less diversified investments, less savings—including retirement savings—and incurring more transaction fees.

By examining the financial literacy of more than 150,000 people in 140 economies worldwide, the 2014 Standard & Poor's Rating Services Global Financial Literacy Survey has delivered the most comprehensive global assessment of financial literacy to date. The survey includes questions pertaining to basic financial concepts, and the results indicate that just 33% of people worldwide can be deemed financially literate.

Overall, financial literacy rates among Millennials are found to be very low. Financial knowledge is generally higher in the major advanced countries, where financial literacy rates rise with middle age, but decline again later in life. In emerging economies, with lower levels of financial knowledge overall, young adults demonstrate higher rates of financial literacy relative to older generations.

In the poorest countries, there is no evidence that higher income is associated with higher financial literacy. This likely means that national policies related to education shape financial literacy in these economies more than any other factor. While having a more advanced economic system may provide students with greater exposure to financial concepts, research shows that students in advanced economies do not, in fact, score higher on financial literacy measures than students in less rich countries. These findings highlight the importance of having a well-functioning education system, in which financial education is offered in a rigorous format embedded in the school curricula.

Worldwide, financial literacy among Millennials is associated with multiple socio-economic indicators. Across the G20, there is a positive correlation between financial literacy among Millennials and the percentage of the population holding a bank account, using the Internet, and using semiformal and formal saving mechanisms. Conversely, lack of financial knowledge is correlated with an increase in the number of individuals who are unable to come up with emergency funds.

Given the importance of financial literacy in today's economy, helping Millennials acquire financial knowledge in school and the workplace can prove beneficial for both individuals and society.