Introduction

Annamaria Lusardi
Director

Olivia S. Mitchell & Arie Kapteyn
Associate Directors

The George Washington University School of Business, June 21, 2012
FLC: Our Infrastructure

• Top-notch academics:
  - Center of excellence
  - Multidisciplinary approach: Academics in economics, finance, psychology, marketing, law, health, and linguistic

• Innovative not-for-profit and for-profit groups:
  - Doorways to Dreams, ideas42, Financial Literacy Group, AEI, NBER
  - Applied Research and Consulting, Mathew Greenwald and Associates

• Collaborate with thought leaders and institutions in financial literacy:
  - FINRA Investor Education Foundation, NEFE, NYSE Foundation, FRB, OECD, World Bank, TIAA-CREF Institute, Filene Research Institute

• Collaborate with our other centers:
  - Pension Research Council (Wharton), BeFi and RAND’s centers
FLC: What we have done so far

- Twenty-nine projects in two years
  - All supported by Social Security

- Several of these projects are multi-year ones and were expanded further

- We have pursued other **big** projects in financial literacy connected to these projects
  - Financial Literacy Around The World (8-country comparison)
  - Contribute to National Financial Capability Study and Programme for International Student Assessment (PISA)
  - Financial Literacy Seminar Series, joint with FRB, and FinLit Talks
  - Collaborate with a new museum of saving to promote fin education
Some of our projects

- Financial education at **school and in the workplace**
- Financial literacy **over the life-cycle**
  - Young, middle age, close retirement, after retirement
- Focus not only on **asset building** but also on debt and **debt management**
- Focus on **vulnerable groups:**
  - Women, low income, immigrants, disable children
- **Innovative** ways to promote and deliver financial literacy:
  - Videos, stories, visual tools
  - Financial literacy games
  - Financial check-up
The importance of data and measurement

Very important tool we have: **RAND American Life Panel (ALP)**

- One of the first surveys to provide a comprehensive measure of financial literacy
- Because it is an internet panel we can get timely data on topics of interest
- We can use it to do evaluation on representative samples

**We have a passion for data:**

- Health and Retirement Study: Several modules on fin literacy
- National Financial Capability Study
- OECD’s PISA 2012 module on financial literacy
A framework for financial literacy

How to interpret the data?

• Need a framework
• The framework guided the data collection
• Important to study policy implications

Theoretical model for financial literacy

- Financial literacy is a choice variable
FLC: Multi-pronged Strategy

Educate
- Eradicate financial illiteracy: One cannot do well in the modern world without being able to read and write financially.

Simplify
- Saving and investing are complex decisions.

Implement
- Implementation crucial to change behavior.

Evaluate
- What works? Focus on cost-effective programs. Today we will discuss what works.
Example: Project for college and high school students

- Designing financial literacy modules
- Building financial literacy content in college courses
Financial literacy games

Celebrity calamity
Bite Nightclub
Extensions

- Use modules for a new program at The George Washington University School of Business

- D2D has modified their financial literacy games for a workplace financial education program with Staples

- Deliver financial education via a museum
A Museum of Saving in Italy
A Museum of Saving in Italy
Ciao!
Giochiamo insieme? Metti alla prova le tue conoscenze sul risparmio e l'economia con il trivial quiz e non perderti le caselle bonus per incrementare il punteggio.
Occhio alle formiche da collezione: raccogline 3 e partecipa al concorso!
Buon divertimento!

Premi per iniziare
What have we learned?

- Financial illiteracy is widespread
  - Take into account in the design and evaluation of programs

- Very large differences in the population
  - One size does not fit all; importance of targeting

- Focus on important decisions and teachable moments
  - Start of job, retirement

- Many unexploited delivery channels
  - Need for originality and creativity

- Critical importance of evaluation: What works?
  - Also for fine-tuning

- Importance of theory to understand the effects of programs and policy
We have written a lot: Books, Insights, Reports

- **Financial Literacy: Implications for Retirement Security and the Financial Marketplace**

- Financial Literacy *Insights*

- All projects and reports posted on: [http://www.rand.org/labor/centers/financial-literacy.html](http://www.rand.org/labor/centers/financial-literacy.html)
Special Issue of JPEF, October 2011

- **Financial Literacy Around the World (FLAT World)**

- Planning a special issue of **Numeracy**

- **American Academy of Arts & Sciences has become interested in fin literacy**
What made our work and success possible?

• Passion, originality, and ingenuity of our teams
  - Human capital matters

• Capacity to deliver on time

• Focus on important questions
Final thoughts

“If you think education is expensive, try ignorance”

D. Bok (Former President of Harvard)

“Simplicity is the ultimate sophistication”

Leonardo da Vinci (1452-1519)