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MOST AMERICANS LACK THE KNOWLEDGE TO BE FINANCIALLY FIT PER ANNUAL TIAA INSTITUTE-GFLEC PERSONAL FINANCE INDEX

Most Americans lack personal finance knowledge necessary to make appropriate financial decisions in the normal course of life

NEW YORK (April 4, 2018) – Large numbers of Americans do not have the knowledge associated with financial decisions, according to an annual survey released today by the TIAA Institute and the Global Financial Literacy Excellence Center (GFLEC) at the George Washington University School of Business. In the second wave of the survey, U.S. adults answered, on average, only one-half of the 28 survey questions correctly.

The 2018 TIAA Institute-GFLEC Personal Finance Index (P-Fin Index) reveals that financial literacy is the lowest in the area of comprehending risk with only 35 percent of questions on risk answered correctly, on average. Given that risk and uncertainty are inherent in most financial decision-making, low knowledge levels on this topic carry implications for Americans' overall financial well-being.

Compared to the 2017 findings, personal finance knowledge remains strong on the topics of borrowing and debt management with 60 percent of those questions answered correctly. For many individuals, knowledge and understanding of debt-related topics may emerge from confronting accumulated debt across the life cycle, often from a young age because of student loans.

"The annual P-Fin Index provides a deep understanding of the state of financial literacy among U.S. adults," said Stephanie Bell-Rose, Head of the TIAA Institute. "Given the link between financial knowledge and financial outcomes, individuals would clearly benefit from increased financial literacy levels. This is particularly important in an ever-changing financial landscape."

"Less than one in five U.S. adults demonstrated a relatively high level of personal finance knowledge by answering more than 75 percent of the survey questions correctly," said Annamaria Lusardi, Academic Director of GFLEC. "Low levels of financial literacy, among not only the young but also people close to retirement, show we need to step up the effort to promote financial knowledge across the entire population."

The P-Fin Index found that financial literacy is significantly higher among men than women; with a share of 21 percent of men answering 75 percent of the P-Fin Index questions correctly compared to a share of 12 percent among women.

Additionally, individuals who have participated in a financial education class or program answered more P-Fin questions correctly on average than those who have not received financial education. This positive correlation shows the importance of financial education in schools and the workplace.

The P-Fin Index is unique in its capacity to robustly measure an individual's overall personal finance knowledge. The survey-based assessment tool asks 28 questions, covering eight areas of functional knowledge:

1. Earning – determinants of wages and take-home pay
2. Consuming – budgets and managing spending
3. Saving – factors that maximize accumulations
4. Investing – investment types; risk and return
5. Borrowing/managing debt – relationship between loan features and repayments
6. Insuring – types of coverage and how insurance works
7. Comprehending risk – understanding uncertain financial outcomes
8. Go-to information sources – recognizing appropriate sources and advice

The report was authored by Paul Yakoboski, Senior Economist at the TIAA Institute, GFLEC's Academic Director Annamaria Lusardi, and Andrea Hasler, GFLEC's Assistant Research Professor in Financial Literacy. It includes demographic breakdowns by age, gender, race/ethnicity, education level, household income and exposure to financial education.

The full report can be found [here](#).

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About the TIAA Institute

The TIAA Institute helps advance the ways individuals and institutions plan for financial security and organizational effectiveness. The institute conducts in-depth research, provides access to a network of thought leaders, and enables those it serves to anticipate trends, plan future strategies and maximize opportunities for success. For more information about the TIAA Institute, visit www.tiaainstitute.org and follow us on Twitter @TIAAInstitute.

About TIAA

TIAA (TIAA.org) is a unique financial partner. TIAA is the leading provider of financial services in the academic, research, medical, cultural and government fields. TIAA has \$1 trillion in assets under management (as of 12/31/2017) and

offers a wide range of financial solutions, including investing, banking, advice and education, and retirement services.

About GFLEC

Founded in 2011 at the George Washington University School of Business, the Global Financial Literacy Excellence Center (GFLEC) has positioned itself to be the world's leading center for financial literacy research and policy. Through rigorous scholarship and research, wide-reaching education, and global policy services, the Center works with partners in Washington, D.C., throughout the United States, and across the globe to raise the level of financial knowledge. GFLEC builds on more than 20 years of academic research by Professor Annamaria Lusardi, an early contributor to financial literacy as a field of study. The Center collaborates on policy work with key institutions such as the FINRA Investor Education Foundation, the Organization for Economic Cooperation and Development (OECD), and the Italian Financial Education Committee. For more information about GFLEC, visit www.gflec.org.