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## FINANCIAL LITERACY LINKED TO FINANCIAL WELLNESS

*P-Fin Index finds those with greater financial literacy are better able to handle financial shocks, more likely to save for retirement and less constrained by debt*

**NEW YORK (April 2, 2019)** – Many Americans continue to lack the personal finance knowledge necessary to make sound financial decisions, according to the third annual Personal Finance Index (P-Fin Index) released by the TIAA Institute and the Global Financial Literacy Excellence Center (GFLEC) at the George Washington University School of Business (GWSB).

The **2019** P-Fin Index identified critical gaps in financial literacy among American adults and underscored the connection between financial literacy and financial wellness, which is the ability for a person to control their finances and meet their financial goals. Borrowing and debt management remains the area where knowledge is highest, likely due to Americans confronting accumulated debt in early adulthood. Comprehending risk – a critical component of making personal finance and investment decisions – is where financial literacy is lowest.

“The P-Fin Index is the preeminent annual barometer of Americans’ personal finance knowledge,” said Stephanie Bell-Rose, Head of the TIAA Institute. “Understanding the connection between financial literacy and financial wellness was a particular focus this year to help us create a better roadmap for improving the financial well-being of Americans.”

“This long term collaboration with the TIAA Institute has allowed us to study not only the level of personal finance knowledge but also to assess its changes over time. Findings from this third survey show that we need to step up the effort to improve financial knowledge among the U.S. population,” said Dr. Annamaria Lusardi, Denit Trust Endowed Chair of Economics and Accountancy and Academic Director of the GFLEC at GWSB.

On average, U.S. adults answered only 51 percent of the P-Fin Index questions correctly. Other key findings from this year’s P-Fin Index include:

- **Those with greater financial literacy are more likely to save and plan for retirement.** Eighty-eight percent of those who answered between 76 and 100 percent of P-Fin questions correctly save for retirement on a regular basis, compared to 37 percent of those who answered less than 26 percent of P-Fin questions correctly.
- **Those with greater financial literacy are more likely to have non-retirement savings.** Eighty-six percent of those who answered between 76 and 100 percent of P-Fin questions correctly have non-retirement financial savings, compared to 34 percent of those who answered less than 26 percent of P-Fin questions correctly.

- **Those with greater financial literacy have a greater propensity to track spending.** Sixty-three percent of those who answered between 76 and 100 percent of P-Fin questions correctly usually or almost always tracked their spending, compared to 54 percent of those who answered less than 26 percent of P-Fin questions correctly.
- **Those with greater financial literacy are less likely to be financially fragile.** Eighty-five percent of those who answered between 76 and 100 percent of P-Fin questions correctly could certainly come up with \$2,000 if an unexpected need arose within the next month, compared to 25 percent of those who answered less than 26 percent of P-Fin questions correctly.

The P-Fin Index is unique in its capacity to produce a robust measure of overall personal finance knowledge as well as an analysis of knowledge across different areas of personal finance. The survey asks a total of 28 questions about the following eight functional areas:

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

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](http://www.tiaainstitute.org).

### **About TIAA**

With an award-winning<sup>1</sup> track record for consistent investment performance, TIAA (TIAA.org) is the leading provider of financial services in the academic,

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<sup>1</sup> The Lipper Mixed-Assets Large Fund Award is given to the group with the lowest average decile ranking of three years' Consistent Return for eligible funds over the three-year period ended 11/30/15 (against 39 fund families), 11/30/16 (36), 11/30/17 (35) and 11/30/18 (35). Note this award pertains to mixed-assets mutual funds within the TIAA-CREF group of mutual funds; other funds distributed by Nuveen Securities were not

research, medical, cultural and government fields. TIAA has nearly \$1 trillion in assets under management (as of 12/31/2018<sup>2</sup>) and offers a wide range of financial solutions, including investing, banking, advice and education, and retirement services.

### **About GFLEC**

The Global Financial Literacy Excellence Center (GFLEC) is dedicated to advancing research and solutions that open the door to universal financial literacy. In working toward that mission, GFLEC has positioned itself as the world's leading incubator for financial literacy research, policy, and solutions.

GFLEC launched in 2011 at the George Washington University School of Business in Washington, D.C. Since then, it has pioneered breakthrough tools to measure financial literacy, developed and advised on educational programs, and crafted policy guidelines aimed at advancing financial knowledge in the United States and around the world. For more information on GFLEC, visit [www.gflec.org](http://www.gflec.org).

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<sup>2</sup> Based on \$970 billion of assets under management across Nuveen Investments affiliates and TIAA investment management teams as of 12/31/18.