

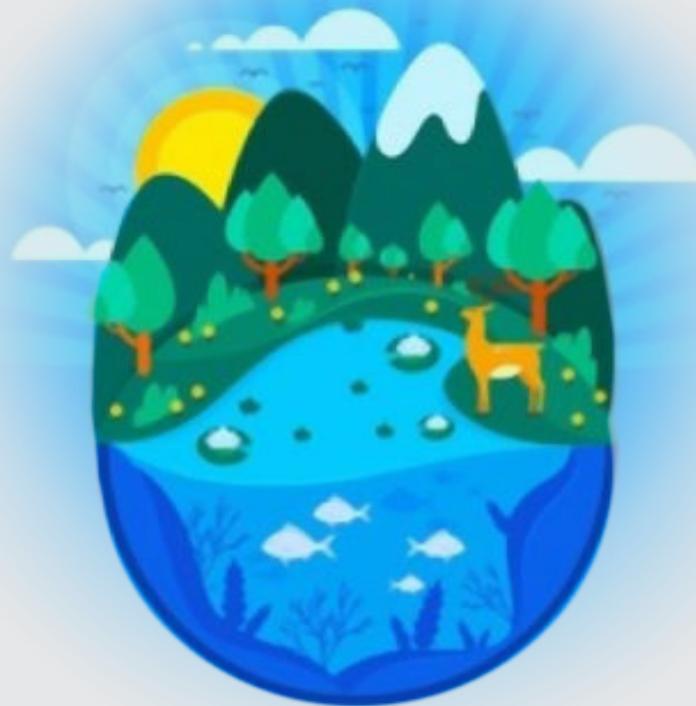
# Financial Literacy for the Greater Good

November 1, 2019 | Ottawa

**The George Washington School of Business  
Global Financial Literacy Excellence Center (GFLEC)**

## We need many components

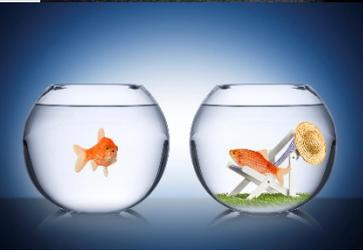
- Financial literacy is an essential one
- It is the foundation (like water)
- That is my focus today



A financially literate world  
where people can achieve  
their dreams.



# What is your dream?



Advancing research and solutions that open the door to universal financial literacy.



## Three topics

- 1** > **Financial literacy**
- 2** > **Using evidence to inform programs**
- 3** > **Changing the statistics**



# **Financial literacy**

## How much do Canadians know?

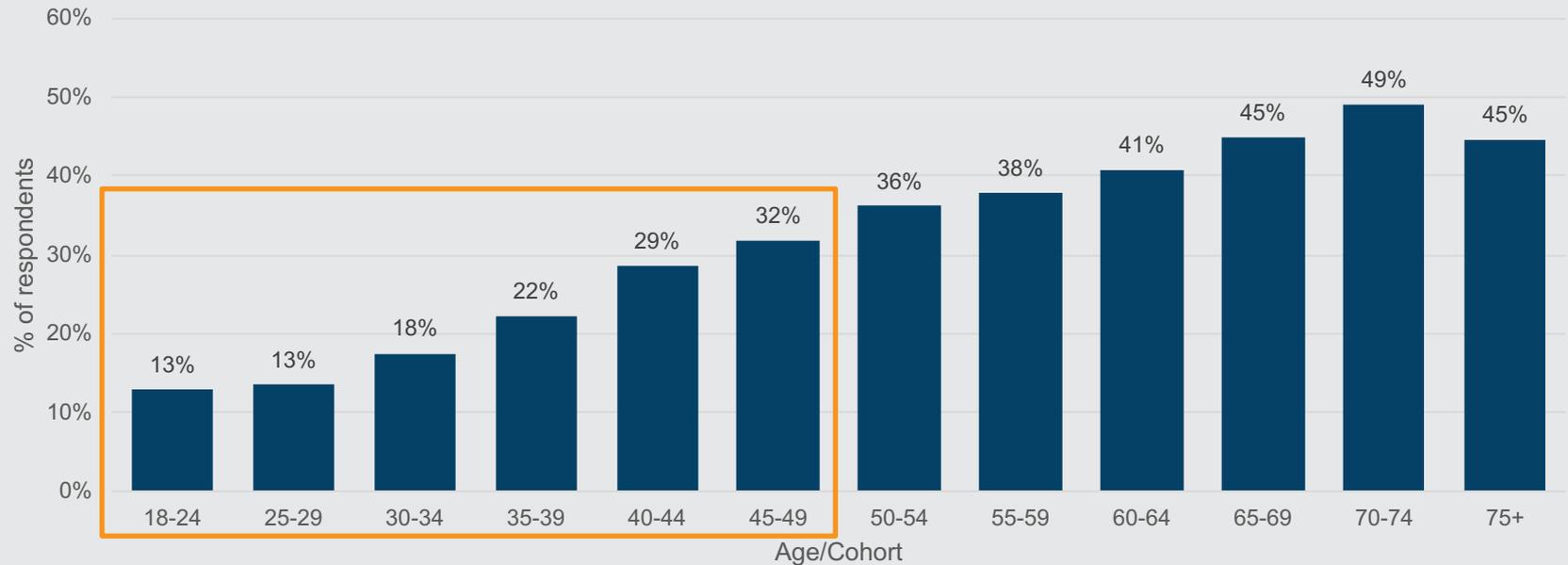
### Distribution of responses across the Canadian population (National panel run by *Innovative Research* 2012)

	Responses		
	<i>Correct</i>	<i>Incorrect</i>	<i>DK</i>
Interest rate	78%	13%	9%
Inflation	66%	18%	16%
Risk diversif.	59%	9%	31%

NB: Only **about 1/3** correctly answer all 3 questions. **About 1/3** do not know about risk.

## Financial literacy across age

Percentage answering the Big 3 questions correctly



Source: 2018 NFCS

- Financial knowledge increases very slowly with age/cohort
- About 1/3 know these 3 basic concepts by age 50 even though many financial decisions are made well before that age

## The S&P Global Finlit Survey

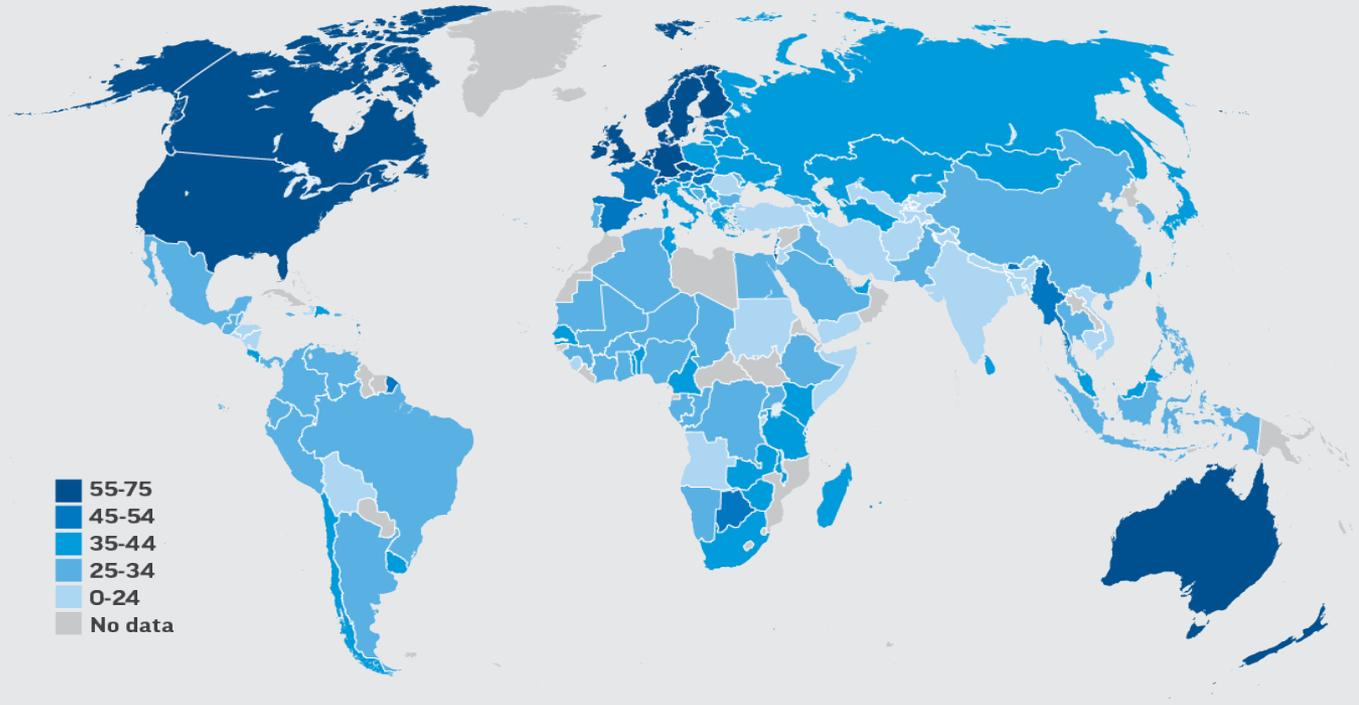
- The largest, most comprehensive, global measure of financial literacy
- Interviewed more than 150,000 adults age 15+ in more than 140 countries
- The measure has to be applicable to every country, irrespective of economic structure and financial market development
- The survey covers four topics:
  - Numeracy
  - Interest compounding
  - Inflation
  - Risk diversification



***Being financially literate:***  
Able to answer 3 out of these  
4 topics correctly

# Financial Literacy Across the Globe

% of financially literate adults



Only 1 in 3 adults worldwide responded correctly to three out of four topics

## Financial literacy by country

*Norway, Denmark, and Sweden lead the list with 71% of adults being financially literate.*

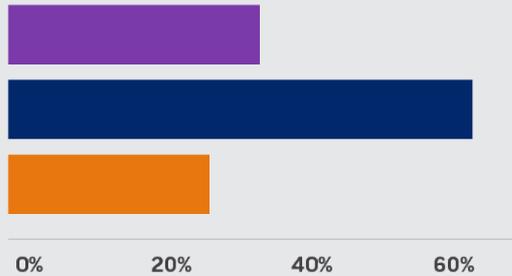
*In Canada, 68% of adults are financially literate*

Country	% who are financially literate
<b>Norway</b>	<b>71%</b>
-----	-----
<b>Canada</b>	<b>68%</b>
-----	-----
<b>United States</b>	<b>57%</b>
<b>Austria</b>	<b>53%</b>
-----	-----
<b>Mongolia</b>	<b>41%</b>
-----	-----
<b>Mexico</b>	<b>32%</b>
-----	-----
<b>China</b>	<b>28%</b>
<b>Vietnam</b>	<b>24%</b>

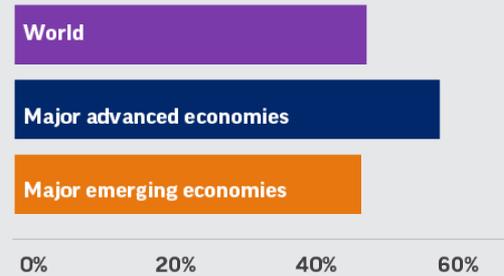
# Financial literacy by topic

## % of adults answering correctly

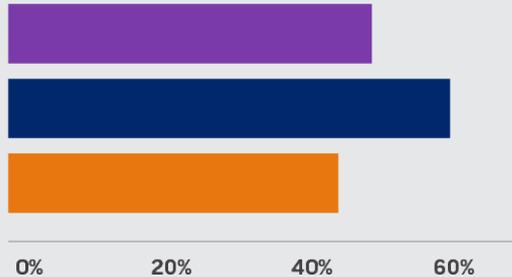
**RISK DIVERSIFICATION**



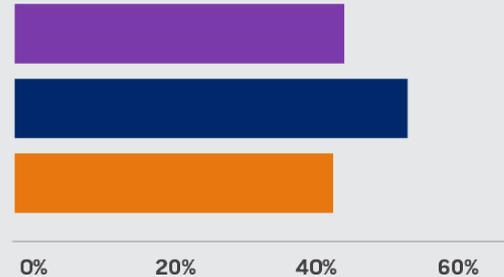
**NUMERACY (INTEREST)**



**INFLATION**



**COMPOUND INTEREST**

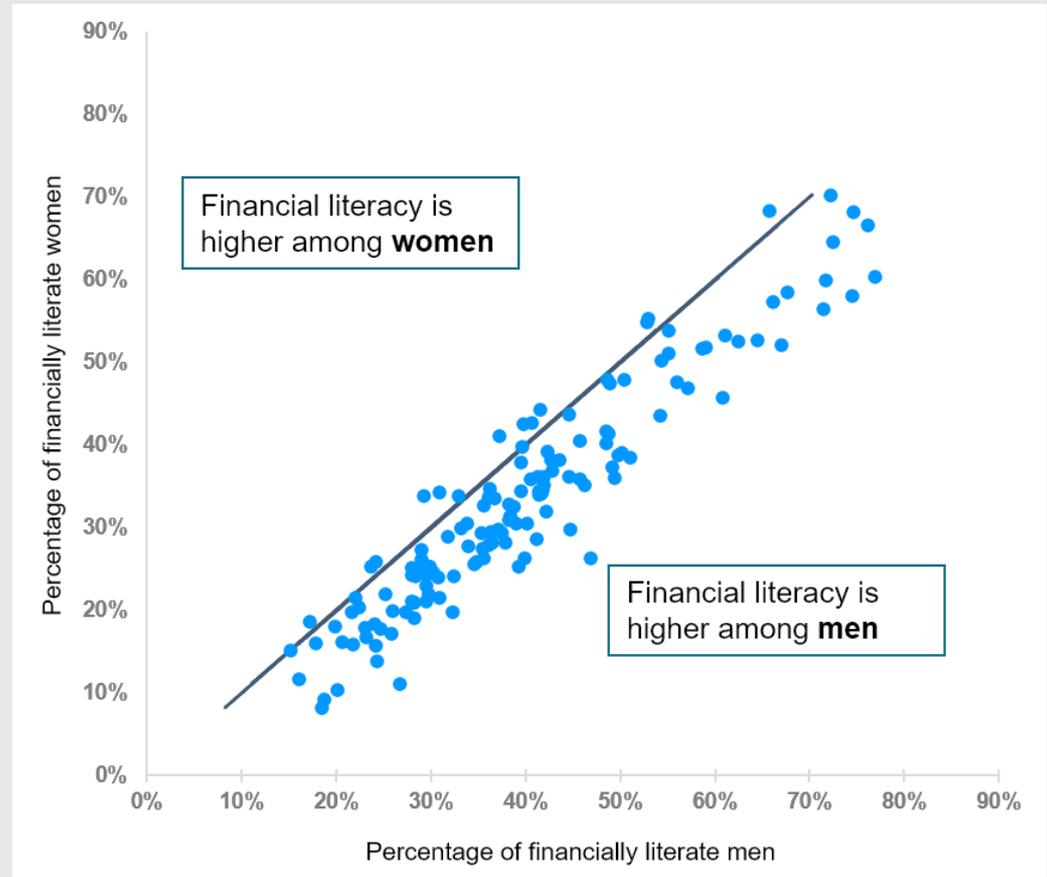


Inflation and simple interest/numeration is what people know most across countries.

Risk diversification is what people know the least.

# Gender gap in financial literacy around the world

In most economies around the world, men have a better understanding of basic financial concepts than women



Source: Global FinLit Survey

# OECD Programme for International Student Assessment (PISA)



Andreas Schleicher  
Special Advisor to the Secretary-General on Education Policy  
Deputy Director for Education

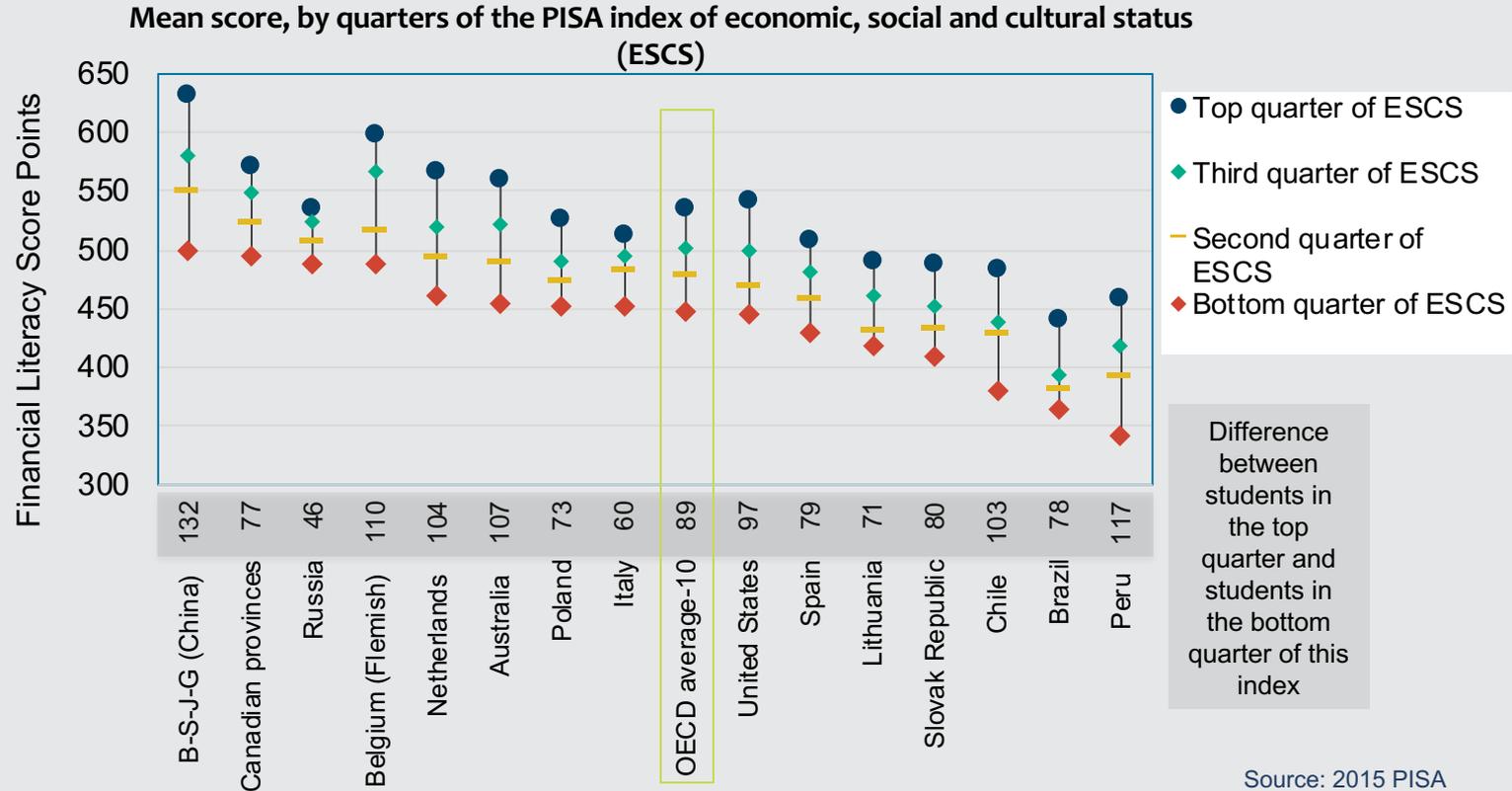
## OECD Programme for International Student Assessment (PISA)

- Since 2000
- Every three years
- Added financial literacy questions in 2012
- It assesses to what extent students near the end of compulsory education have acquired some of the knowledge and skills essential for full participation in society.

## PISA financial literacy scores (out of 650)



# The Role of Socioeconomic Status (2015)



Socioeconomically advantaged students score 89 points higher than disadvantaged students, on average across OECD, this is equivalent to more than one PISA proficiency level.

## Looking deeper into financial literacy | PISA

20%

One in five students are at level 1, they have no/insufficient financial knowledge

- Only 12% are top performers in finlit

12%

### Key findings

- Differences start early in the life cycle
- Widespread financial illiteracy present in all countries
- Basic knowledge cannot be taken from granted, even in advanced economies
- Vulnerable groups
  - Women
  - Young
  - Individuals from low socio-economic backgrounds
  - Individuals with less education
  - Most people in poorer countries

# 2

## Using evidence to inform programs

## Identifying barriers to youth financial education

### **Fast Lane**

Research-based online resource center promoting FinEd in U.S. high schools

- Identified common barriers that prevent schools from including personal finance in their curricula
- Conducted interviews, focus groups, literature review, & data analysis
- Key findings
  - ◆ Lack of time in the curriculum
  - ◆ Few funding sources available
  - ◆ Lack of professional development for teachers
  - ◆ High turnover of leadership creates ever changing priorities
  - ◆ Resistance from policy makers that financial education does not work

## Overcoming barriers

- 6 Target Audiences
- Provides translation of research to show evidence that financial literacy matters and financial education works
- Provide tailored resources for individuals to advocate for financial education
- Create easy-to-understand roadmaps towards effective financial education
- Brings together curriculum, games, and more from different organizations



**FAST LANE**

**GFLEC**  
GLOBAL FINANCIAL LITERACY  
EXCELLENCE CENTER

**GW** | Business

Funded by  
**pwc**

## Lesson learned in the U.S.

### ESSENTIAL ELEMENTS OF AN EFFECTIVE PROGRAM



We identified 6 elements needed for *effective* FinEd programs

Afterschool, extracurricular programs, and NGOs can help promote youth FinEd

- Offering engaging resources
- Professional development

# Millennials' Engagement with Online Financial Education Resources and Tools

## Millennials' Use of Online Financial Resources

### *Knowledge and Motivation Gap*

#### KNOWLEDGE

**55%**

grasp very basic  
financial concepts

**VS**

#### MOTIVATION

**92%**

would like to increase their money  
management skills and learn more  
about how to manage their finances

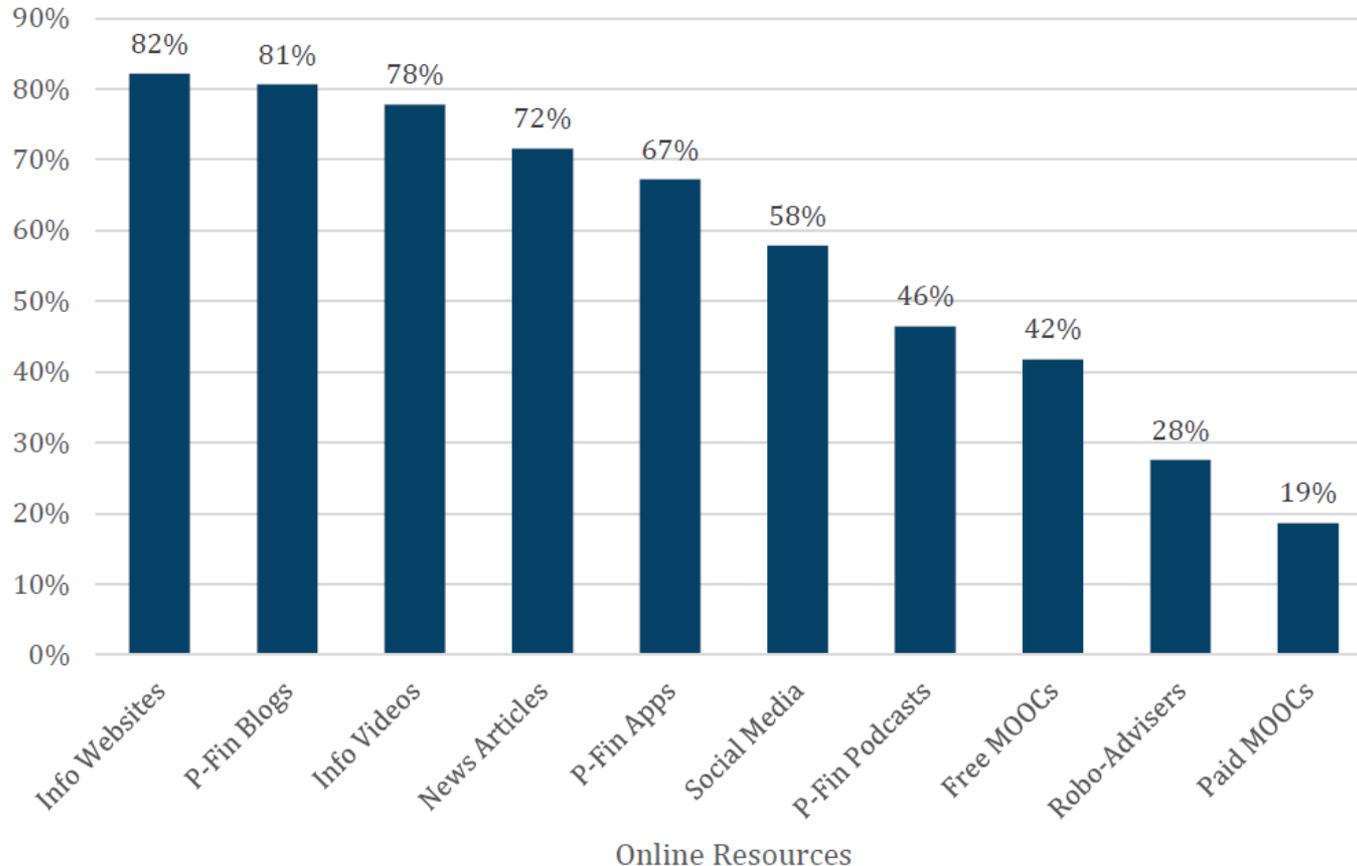
**24%**

show high  
financial  
literacy

Data: Online survey of U.S. Millennials (18-37 year-olds); 1,885 observations

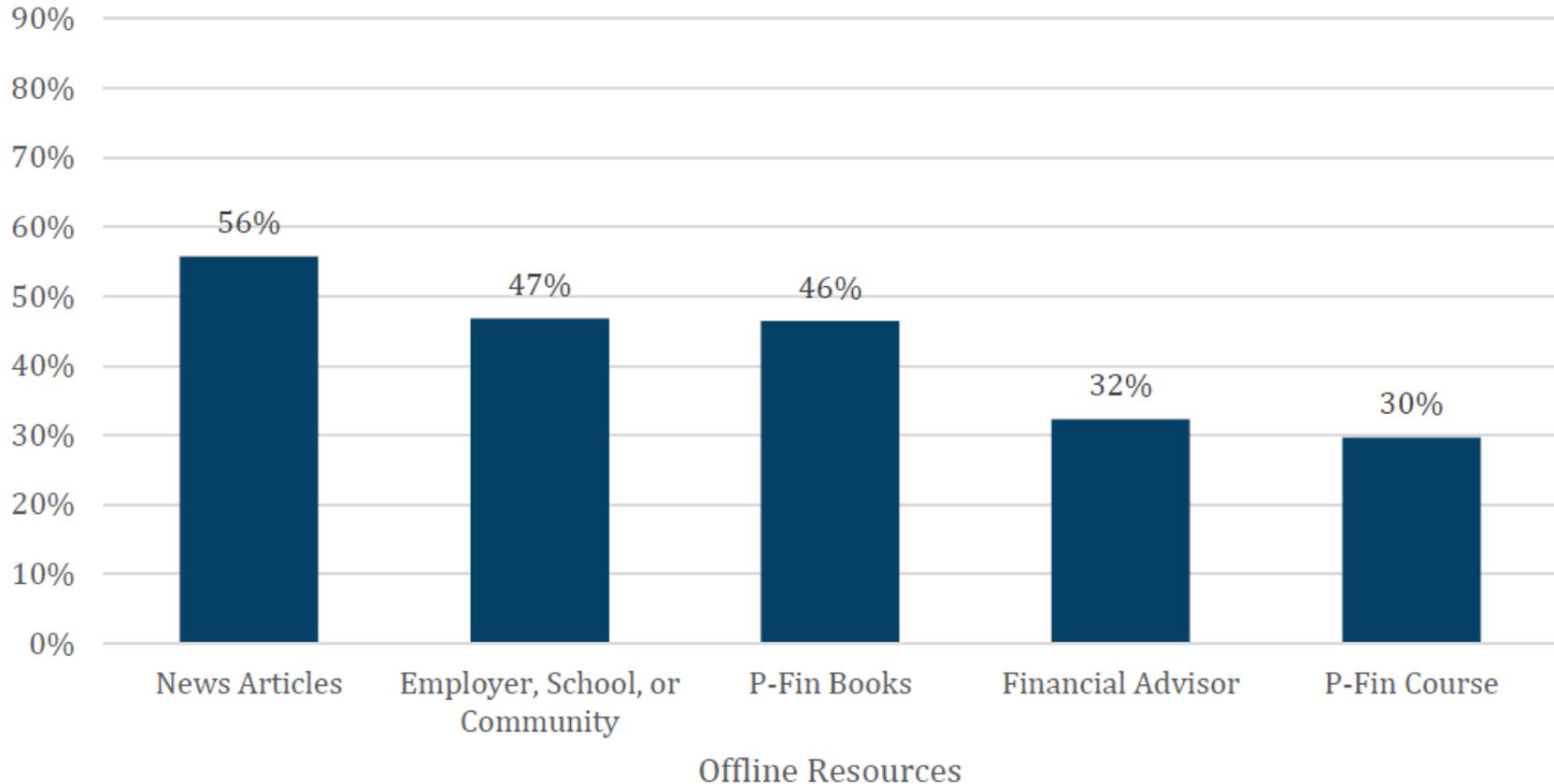
# Millennials' Engagement with Online Financial Education Resources and Tools

**Figure 1:** Percentage of Millennials using different online financial education resources frequently or sometimes



## Millennials' Engagement with Online Financial Education Resources and Tools

**Figure 2:** Percentage of Millennials using different offline financial education resources frequently or sometimes



## Millennials' Engagement with Online Financial Education Resources and Tools - FINDINGS

- Many Millennials engage with online personal finance resources
  - ◆ Differences in usage across different platforms
- Millennials who do not engage
  - ◆ Are not facing an immediate financial decision
  - ◆ Have trouble finding helpful information
  - ◆ Fear information will be too complicated
- Distrust of information prevents engagement
- To increase engagement
  - Need for targeted campaigns to build trust in online resources
  - Go where they are
  - Leverage social connections (family and friends)

## Topic 3

# 3> Changing the statistics

## Solutions for widespread financial illiteracy

**Finlit does improve financial behaviors. Those with financial knowledge are**

- Less financially fragile
- More likely to plan and save for retirement
- More savvy about investments
- Manage their debt better

**Need for tailored and scalable programs**

- FinEd in school
- Financial wellness programs in the workplace
- FinEd in the community (museums, libraries, theaters, other places where people go to learn)
- More evaluations

## Girl Rising financial literacy curriculum

- Financial literacy curriculum to promote economic empowerment for young girls
- Curriculum includes lesson plans for children in upper-elementary, middle school, and high school



## Thinking outside the box: Financial literacy games



## Personal finance course at the George Washington University

- Personal Finance courses for undergraduate and graduate students
- Extensive coverage of risk and risk management
- Paying attention to gender differences in financial literacy
- Paying attention to behavioral biases
- Material available for free on our website



## Concluding remarks

Financial literacy is like **reading** and **writing: it is an essential skill to thrive in the 21<sup>st</sup> century**

- Everyone deals with finance, and finance is sufficiently complex that we cannot leave it to the individual to learn by themselves
- It is very important to be financially literate as early as possible
- Financial literacy is a stepping stone for financial well-being

## Olympics of Economics and Finance

### Italian Olympics of Economics and Finance

- Junior high school students
- Schools across the country participated
- Winners: female and male students from different regions

**We can change the statistics!**

**Thank you!**

**[GFLEC.org](https://www.gflec.org)**

**[FastLane-Education.org](https://www.fastlane-education.org)**

## A quote from the first President of the U.S

**“Knowledge is in every country the surest basis of public happiness.”**

*President George Washington*

# GFLEC

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EXCELLENCE CENTER

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