

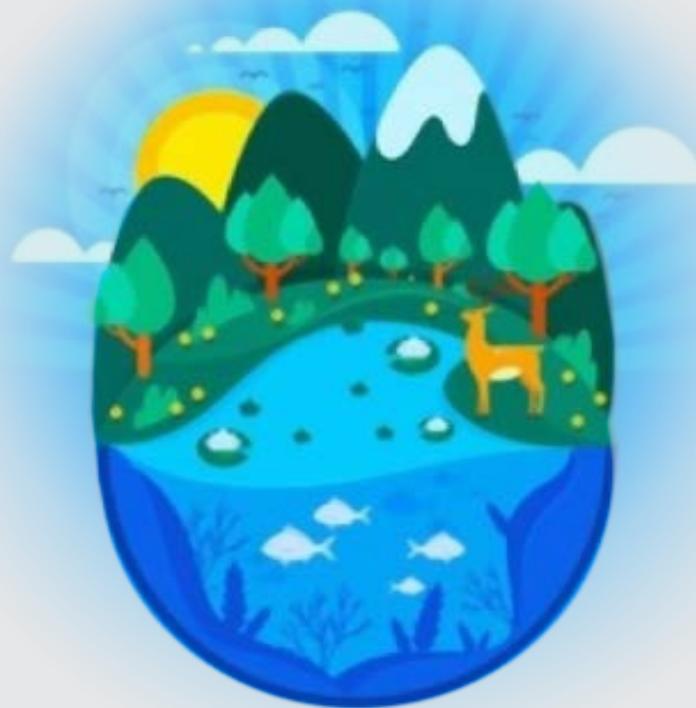
# Financial Literacy for the Greater Good

November 1, 2019 | Ottawa

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

## We need many components

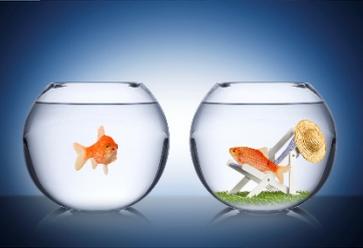
- Financial literacy is an essential one
- It is the foundation (like water)
- That is my focus today



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?

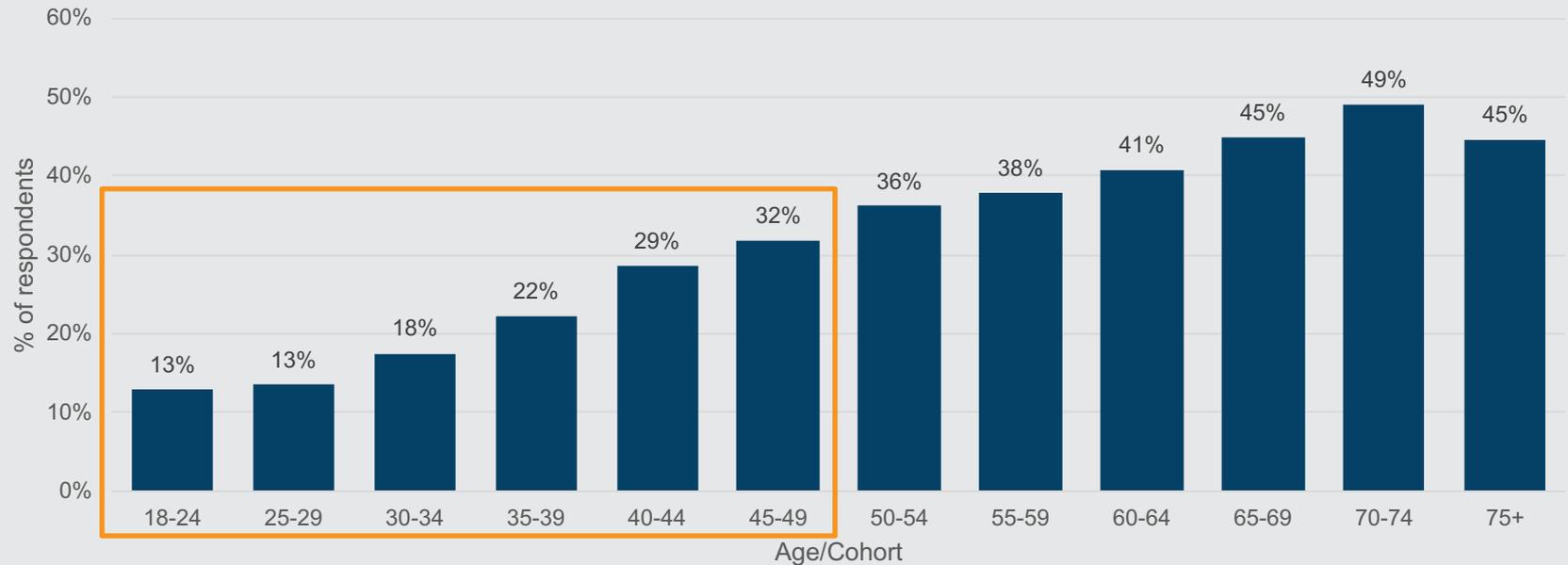
### Distribution of responses across the Canadian population (National panel run by *Innovative Research* 2012)

	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

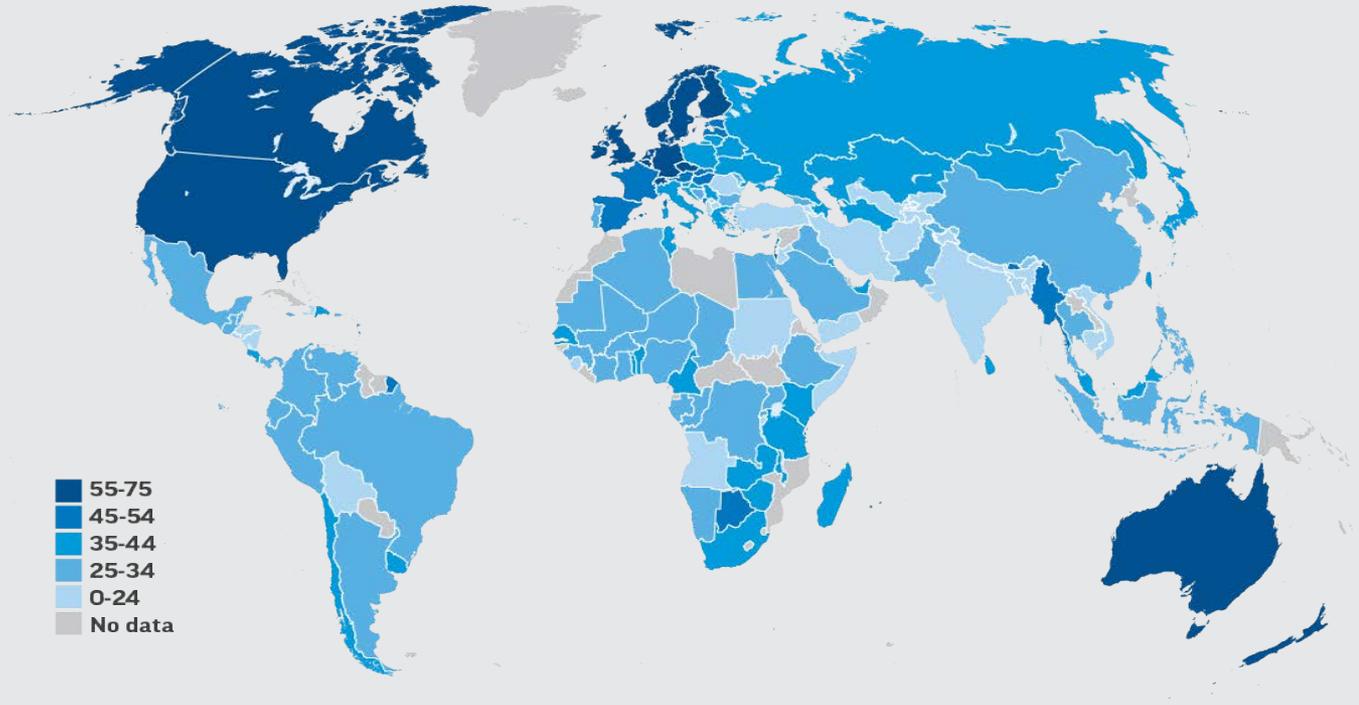
- The largest, most comprehensive, global measure of financial literacy
- Interviewed more than 150,000 adults age 15+ in more than 140 countries
- The measure has to be applicable to every country, irrespective of economic structure and financial market development
- The survey covers four topics:
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

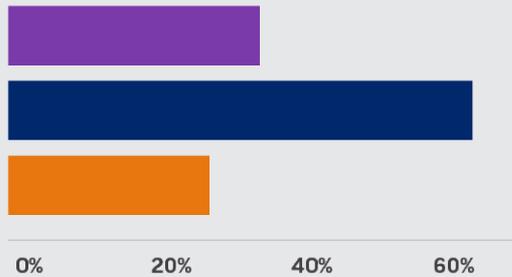
*In Canada, 68% of adults are financially literate*

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>

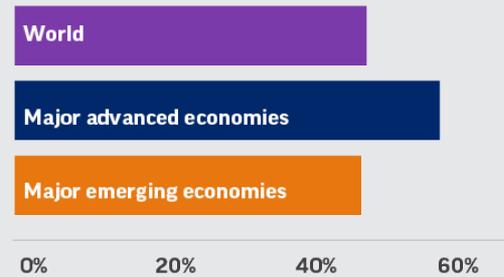
# Financial literacy by topic

## % of adults answering correctly

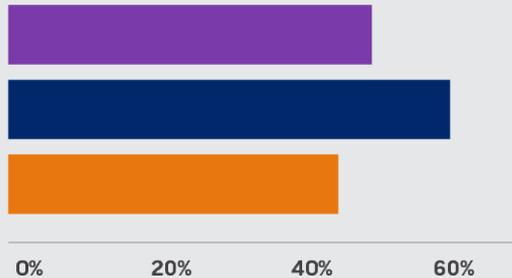
**RISK DIVERSIFICATION**



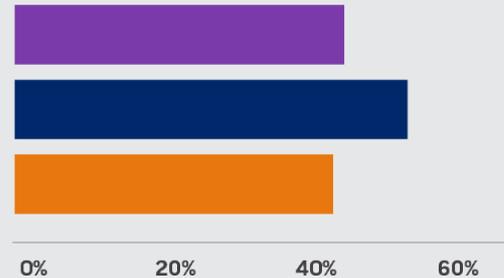
**NUMERACY (INTEREST)**



**INFLATION**



**COMPOUND INTEREST**

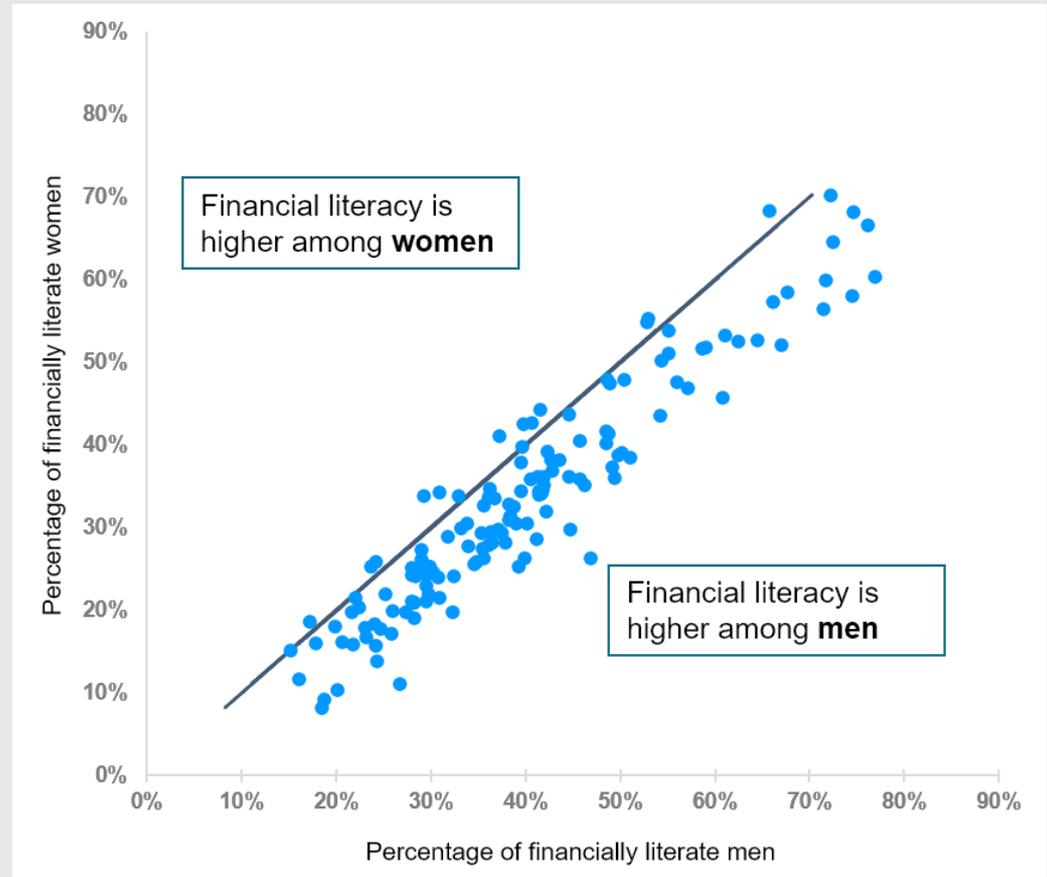


Inflation and simple interest/numeration is what people know most across countries.

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



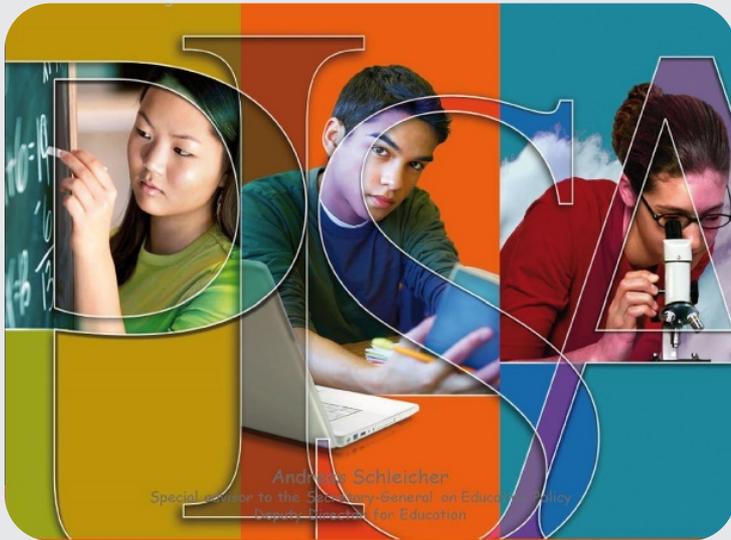
Source: Global FinLit Survey

# OECD Programme for International Student Assessment (PISA)



## 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.

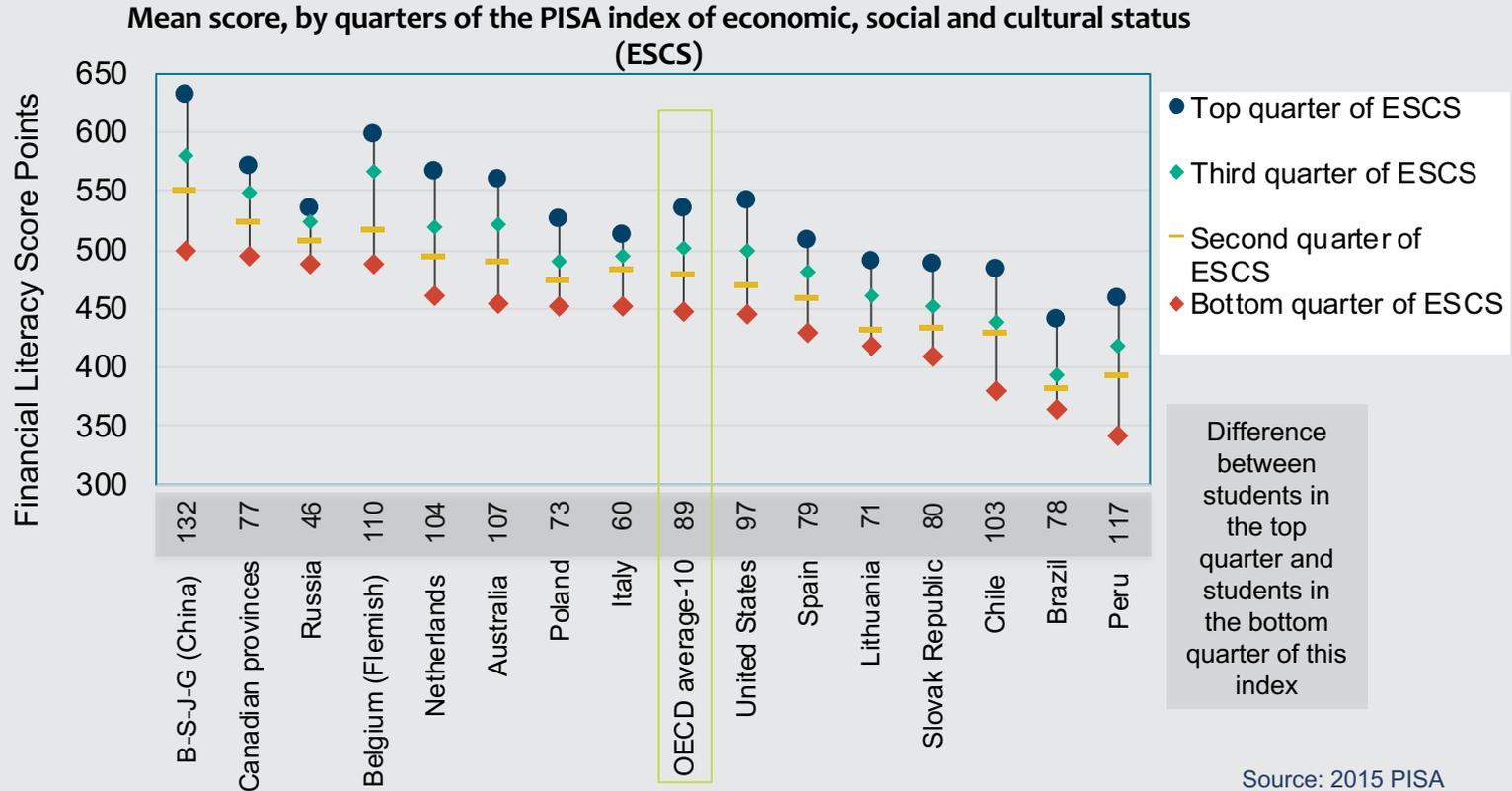


Andreas Schleicher  
Special Advisor to the Secretary-General on Education Policy  
Deputy Director for Education

## 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



## 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

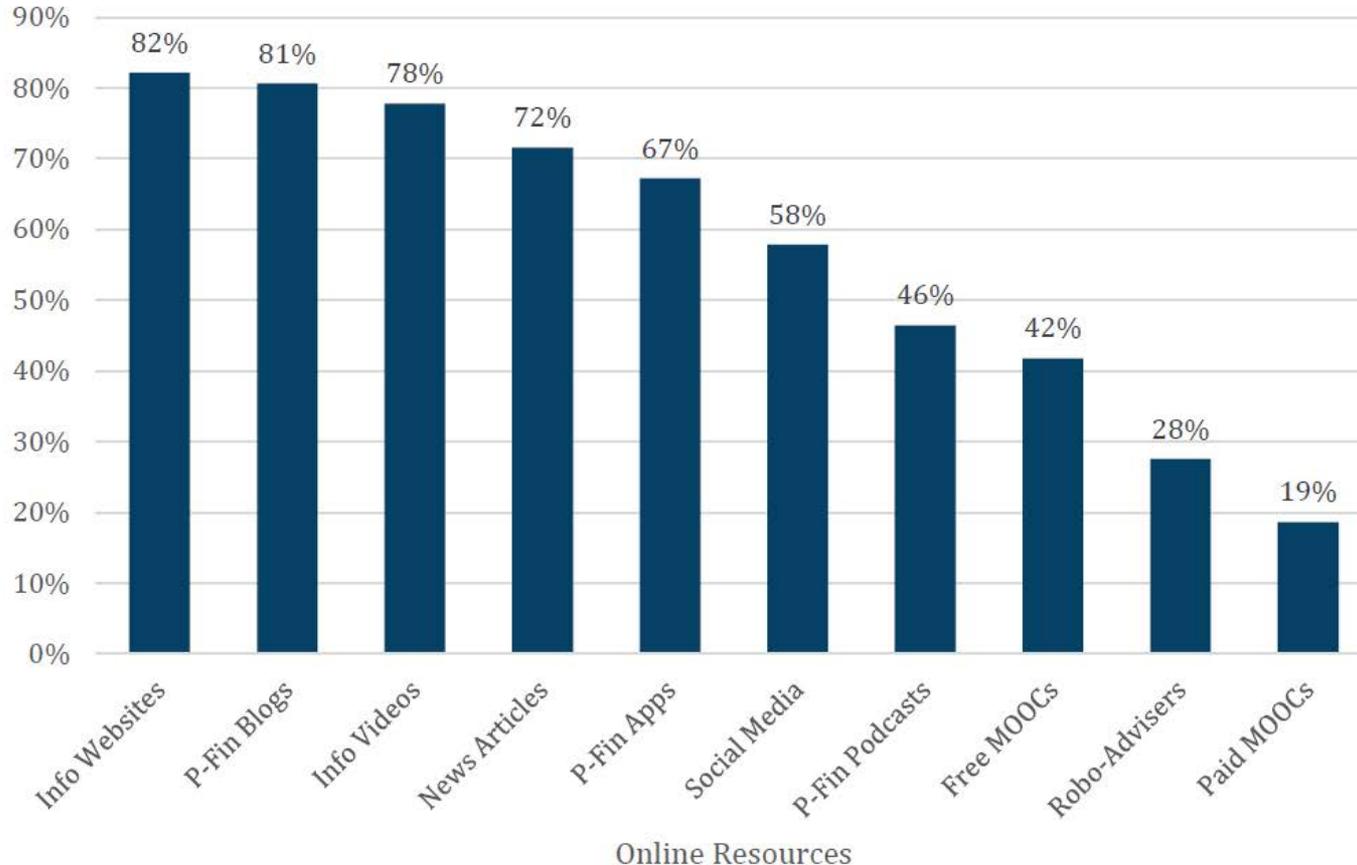
**24%**

show high  
financial  
literacy

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

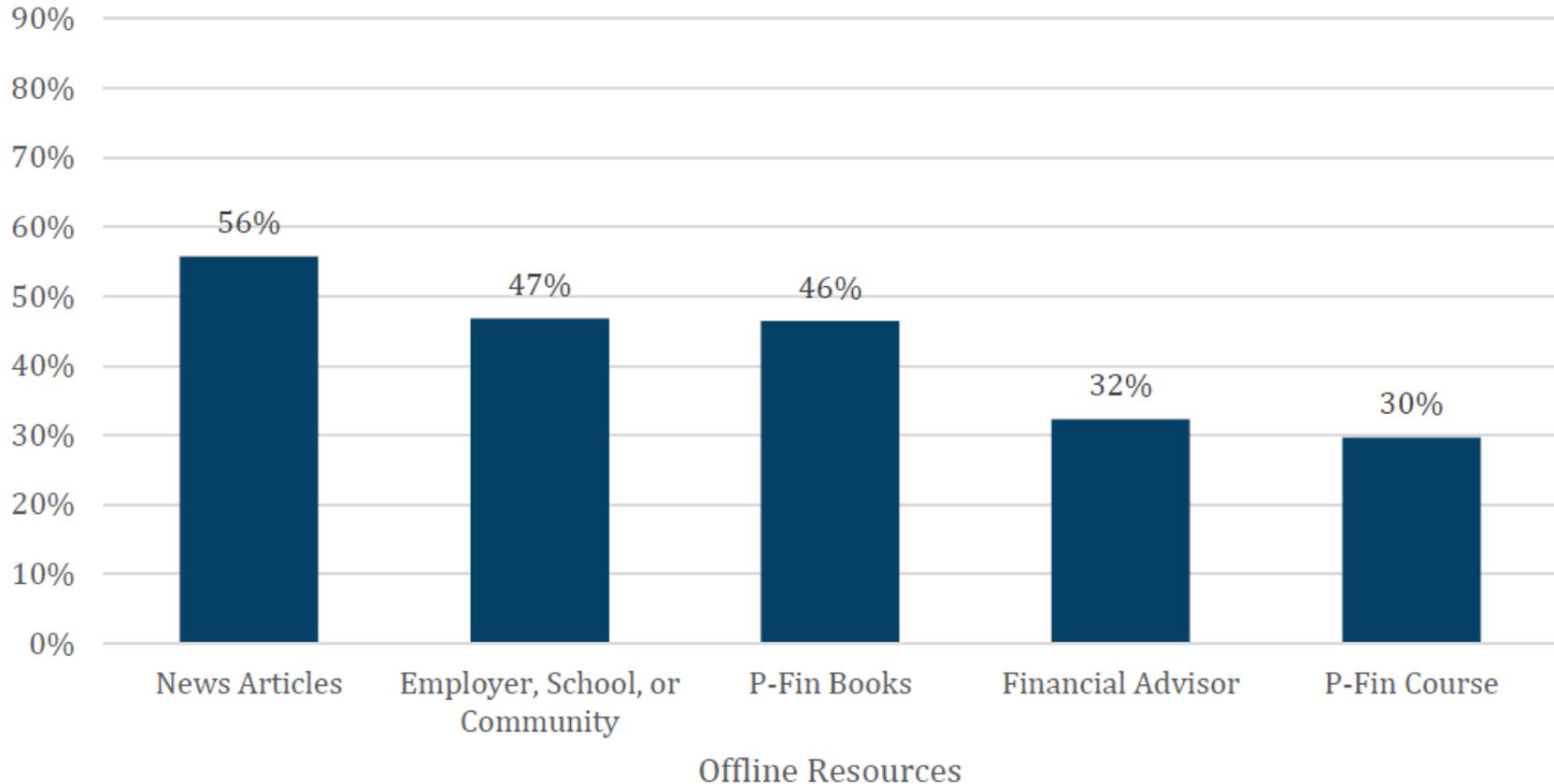
# Millennials' Engagement with Online Financial Education Resources and Tools

**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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