



# Financial Capability Assessment for Church Pension Group Members

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# The Global Financial Literacy Excellence Center (GFLEC)

- Founded in 2011 at The George Washington University School of Business by Prof. Annamaria Lusardi
- GFLEC is one of the leading research centers in financial literacy globally.



## Core Activities



- We focus on groundbreaking research to advance financial literacy, with particular emphasis on financial education in schools, in the workplace, and in the community.
- Through our research and expertise, we seek to inform policy as well as develop and promote financial literacy program around the world.

# Some questions we all ask

## How can I best prepare for emergency situations?

- Precautionary savings

## What will my work be tomorrow?

- Investing in skills and education

## Will my pension be enough?

- Saving for the future

## How can I grow my saving?

- Investing and portfolio choice

## How can I help others?

- Children and parents
- Caring for others and the environment

And much more...



## Some questions we all ask

What will my work be tomorrow?

- Investing in skills and education

Will my pension be enough?

- Saving for the future

# Are we prepared to make these decisions?

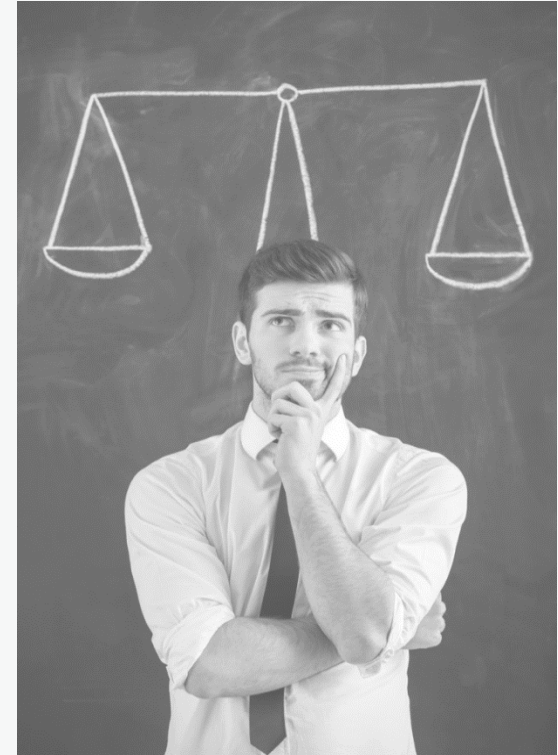
How can I grow my saving?

- Investing and portfolio choice

How can I help others?

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And much more...



# Data Methodology

## When was the data collected?

- Between November and December 2018

## What was the size of the sample?

- The sample included 1,053 individuals

## What was asked in the survey?

- 38 questions:
  - Financial Literacy
  - Financial Situation
  - Money-Management Behavior

## Who was the comparison group?

- 2015 and 2018 National Financial Capability Study (NFCS)
- Comparison group characteristics: Those who are at least 25 years old, hold bachelor or post graduate degrees, and are employed full-time or part-time.

## What do we do with these findings?

- Inform program direction
- Update CPG curriculum
- Research findings can help raise awareness

# Part 1

## Measuring Financial Literacy





# Measuring the ABC of personal finance

## What are the Big Three?

Three financial literacy question that test the knowledge of fundamental financial concepts.

- Interest Rate
- Inflation
- Risk Diversification

## What are the main findings?

- Financial illiteracy is widespread in the population
- Basic knowledge cannot be taken for granted, even in advanced economies
- Risk diversification is most difficult concept to grasp
- Vulnerable groups are less likely to answer correctly
- Similar patterns across countries



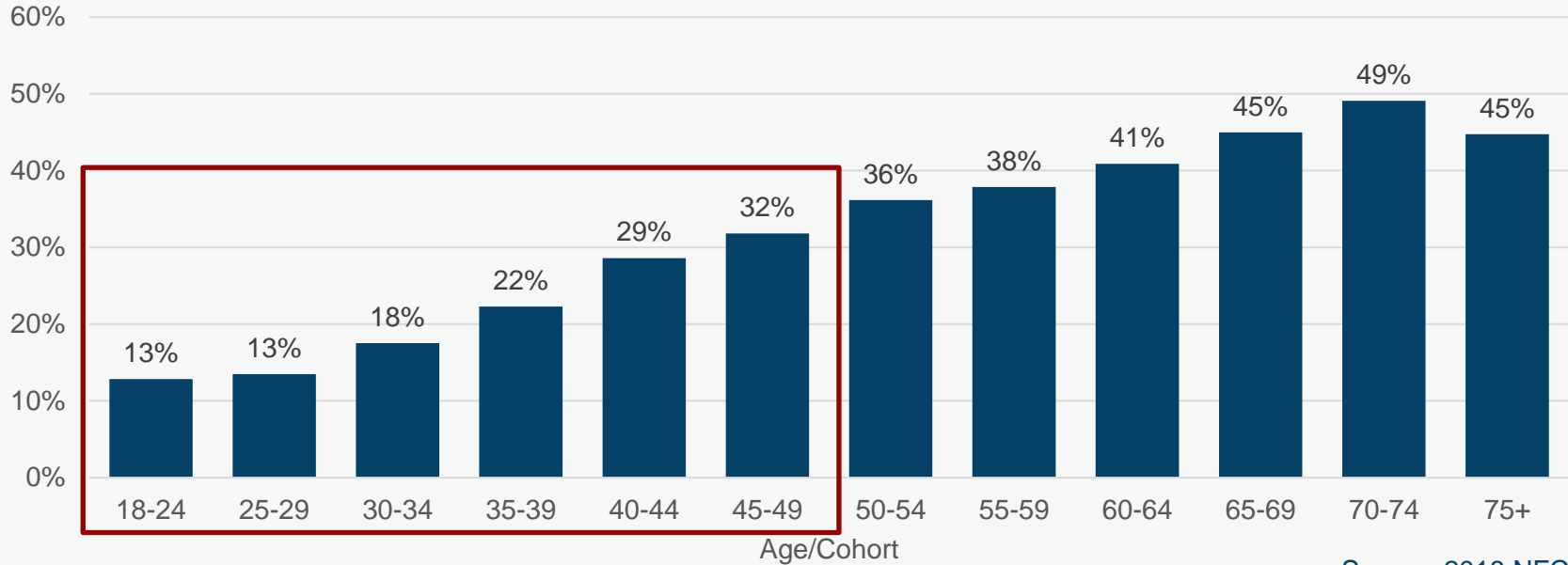
**...of Americans could correctly answer the Big 3 in 2018**

**30%**



# Financial literacy across age

Percentage answering the Big 3 questions correctly



Source: 2018 NFCS

## QUIZ

Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

- More than \$102
- Exactly \$102
- Less than \$102
- Don't know



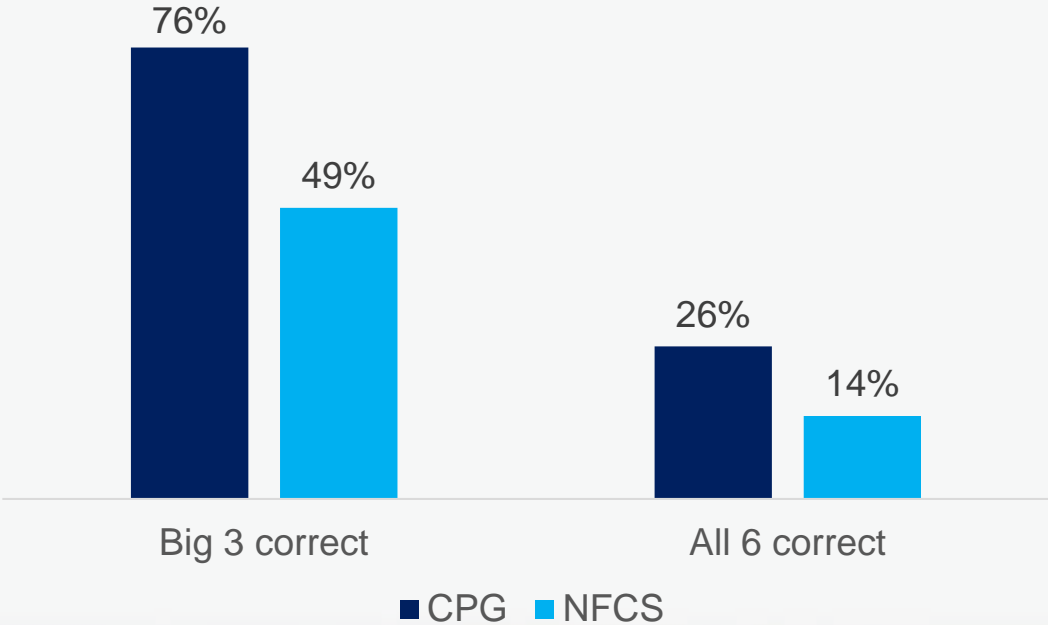
## QUIZ

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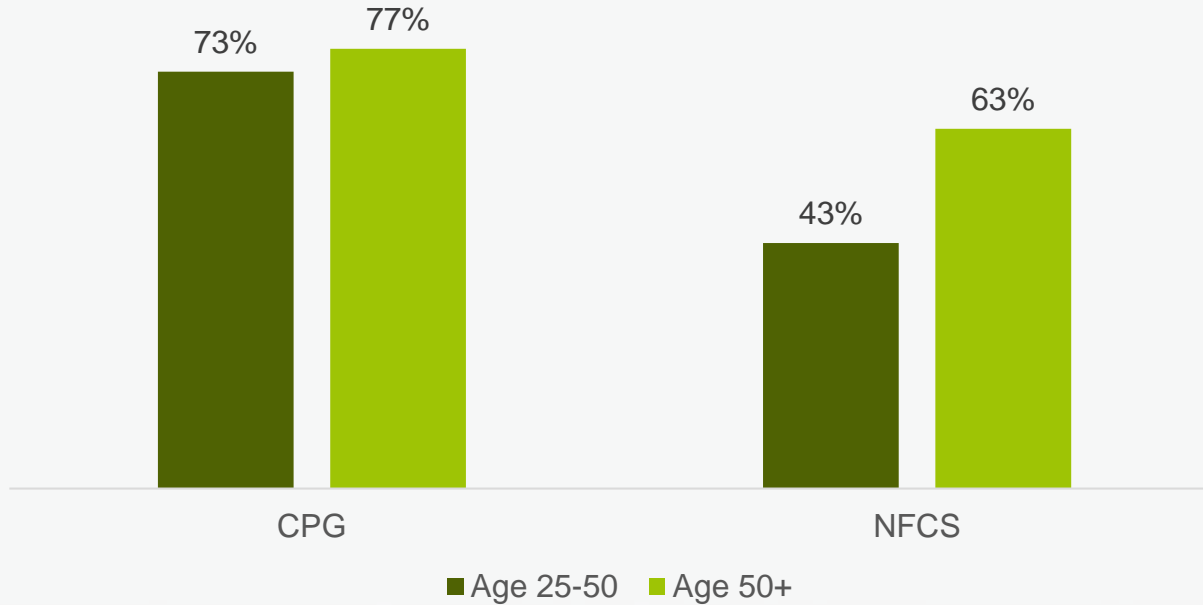
**87%**

# Financial Literacy: CPG compared to the NFCS

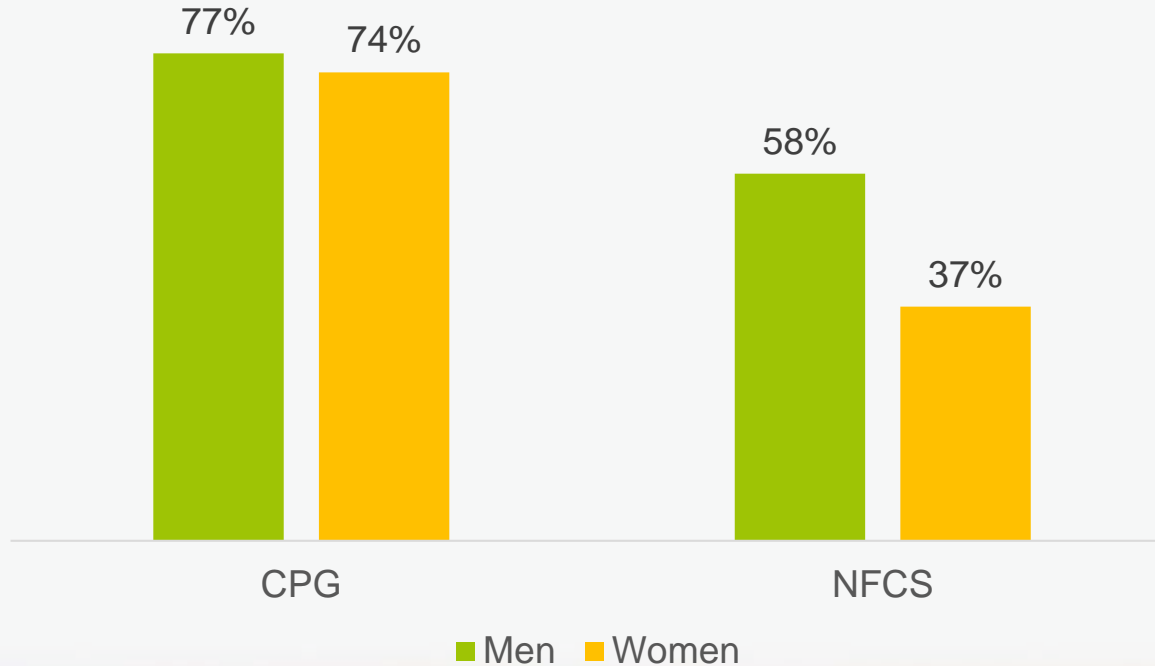


68% of the CPG members assess their overall financial knowledge as high or very high.

# Big 3 correct: Younger vs. Older Clergy

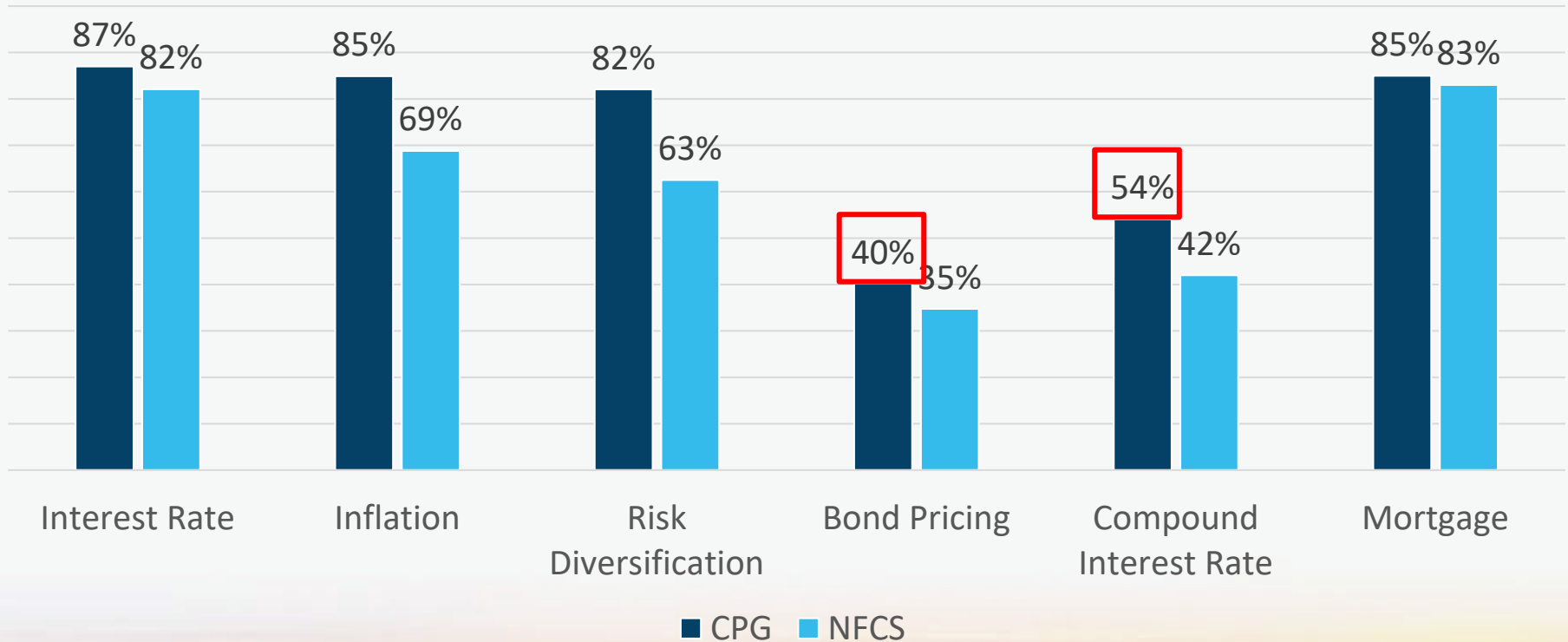


## Big 3 correct: Women versus Men





# Single financial literacy questions answered correctly



# QUIZ

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, with the money in this account, would you be able to buy...

- More than today
- Exactly the same as today
- Less than today
- Don't know



## QUIZ

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, with the money in this account, would you be able to buy...

- More than today
- Exactly the same as today
- Less than today**
- Don't know

**85%**

# Part 2

## Financial Situation and Money Management



# Financial fragility before the pandemic – 2020 P-Fin Index

33%

Having difficulty making ends meet

31%

Debt and debt payments prevent respondents from adequately addressing other financial priorities

27%

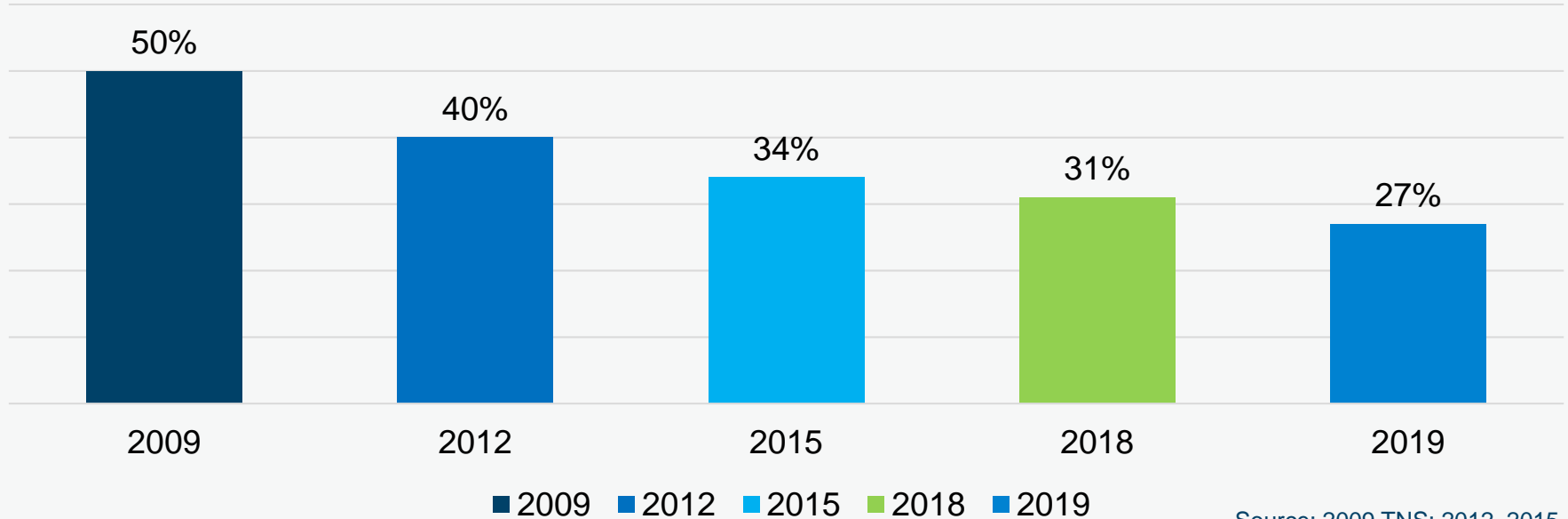
Could not come up with \$2,000 if an unexpected need arose within the next month

61%

Never tried to figure out how much they need to save for retirement



# Financial fragility over time

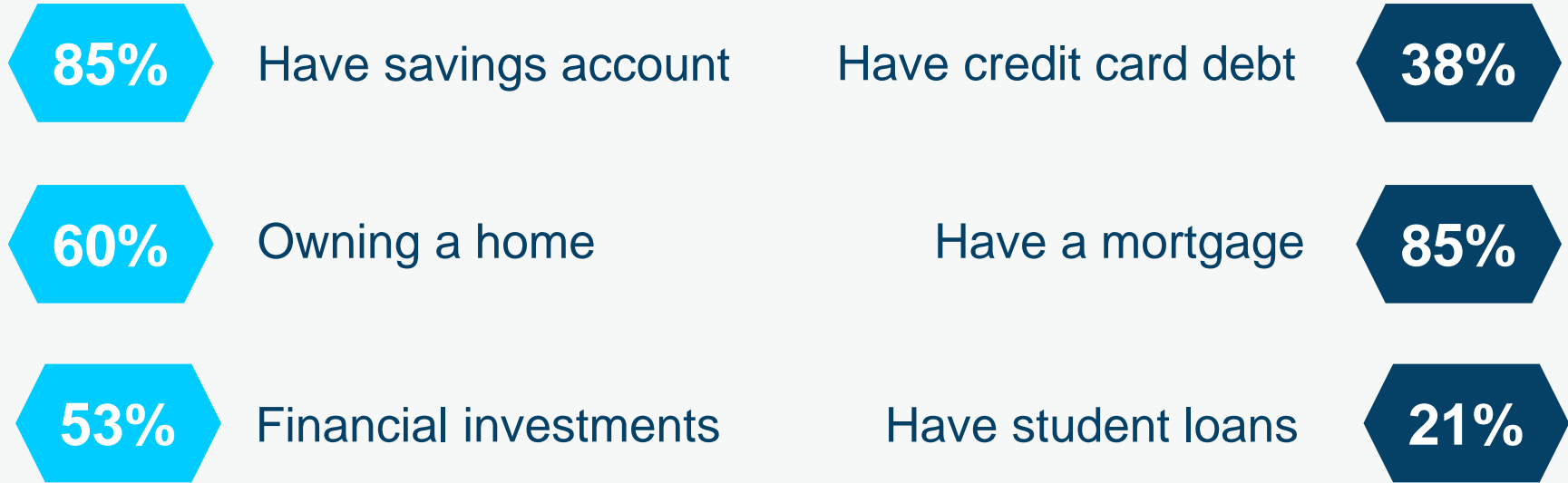


Source: 2009 TNS; 2012, 2015, & 2018 NFCS, 2019 P-Fin Index

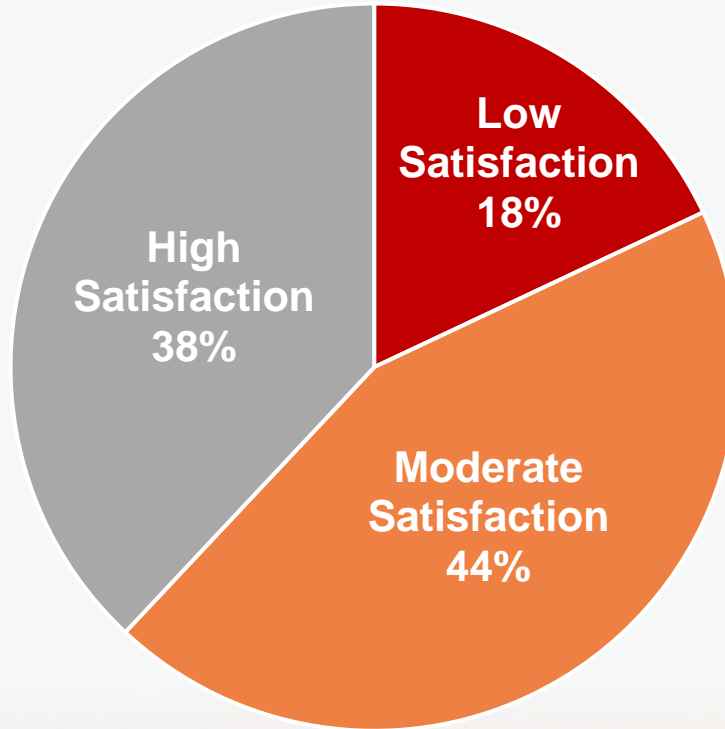
Averages hide large differences in the population



# Financial situation – Assets and Liabilities



# Satisfaction of clergy with current personal financial condition

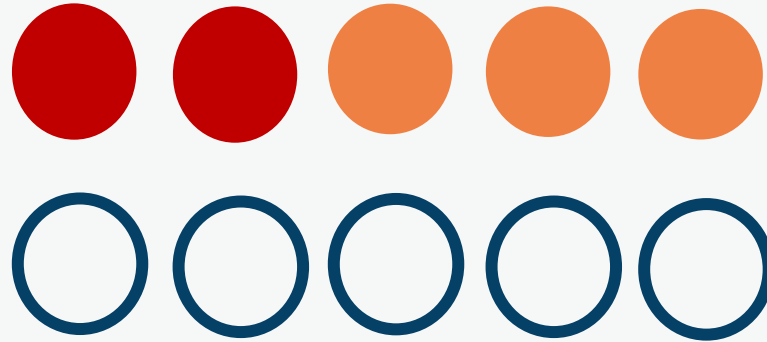


“Overall, thinking of assets, debt and savings, how satisfied are you with your current personal financial condition?”

# Overburdened with debt

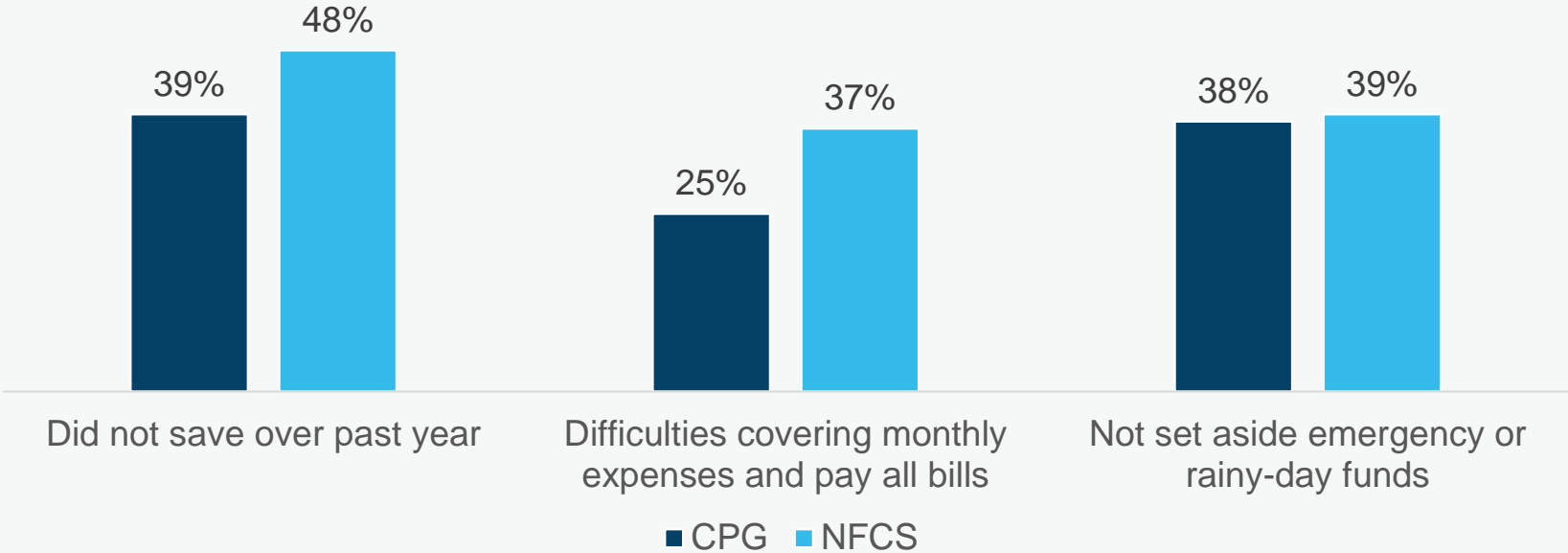
20% feel to have too much debt right now

30% neither agree nor disagree to have too much debt right now



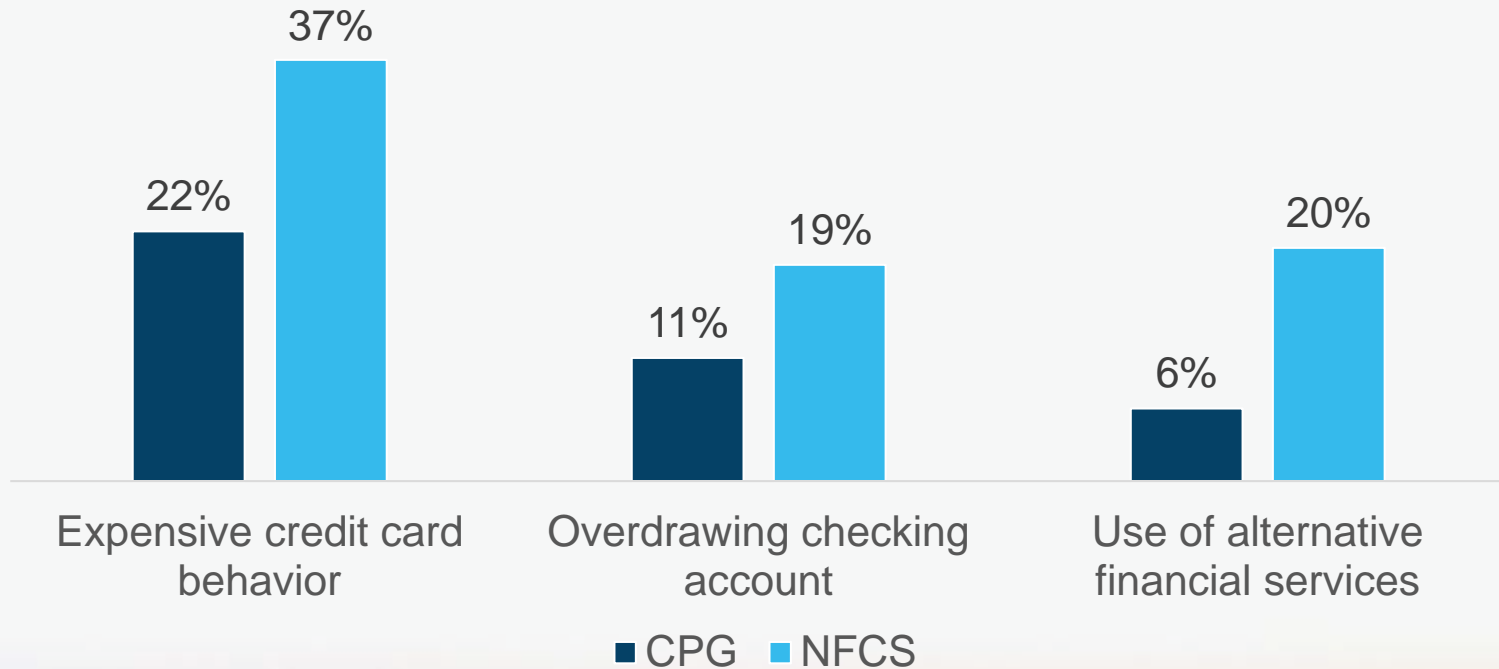
50% do not feel they have too much debt

# Short-Term Money Management – Precautionary Savings

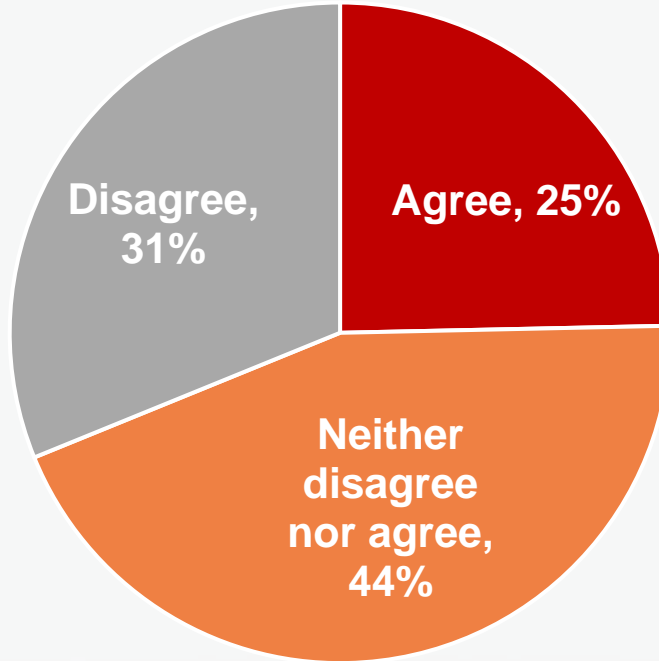


Clergy members are more prepared for emergencies and display better savings practices. However, there is still room for improvement.

# Expensive Short-Term Money Management



# Long-Term Money Management – Retirement Preparedness



“I worry about running out of money in retirement”



# The link with financial literacy



Who is financially literate:

- is more likely to have precautionary savings
- is less likely to have too much debt
- is less likely to engage in expensive money management behavior
- Is more likely to plan and save for retirement

## QUIZ

Do you think the following statement is true or false?

*Buying a single company stock usually provides a safer return than a stock mutual fund.*

- True
- False
- Don't know



## QUIZ

Do you think the following statement is true or false?

*Buying a single company stock usually provides a safer return than a stock mutual fund.*

- True
- False**
- Don't know

**82%**

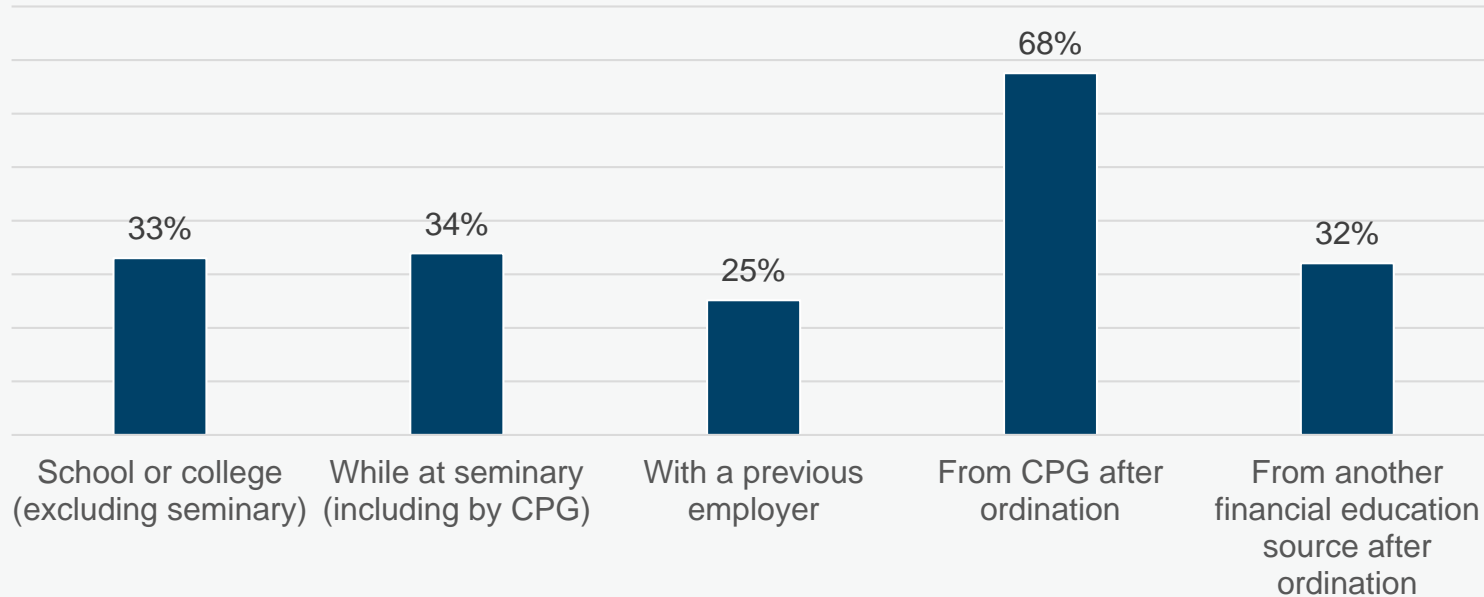
# Part 3

## Financial Education



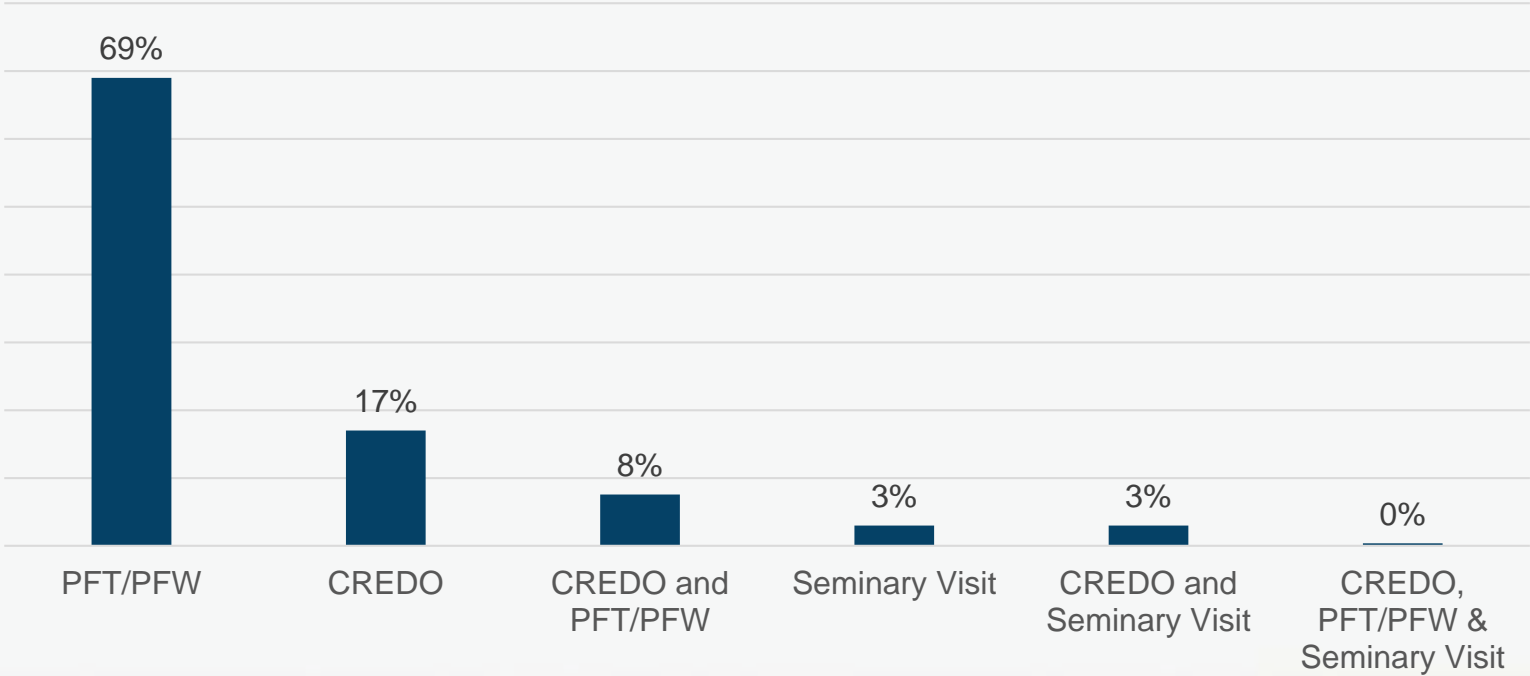
# Financial Education

Financial Education Offer by Provider



Among the CPG members, 85% reported being offered financial education through various providers.

# Financial Education offered by CPG



**Thank you!**

