



# The importance of financial literacy: Evidence and recommendations

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**November 30, 2020**



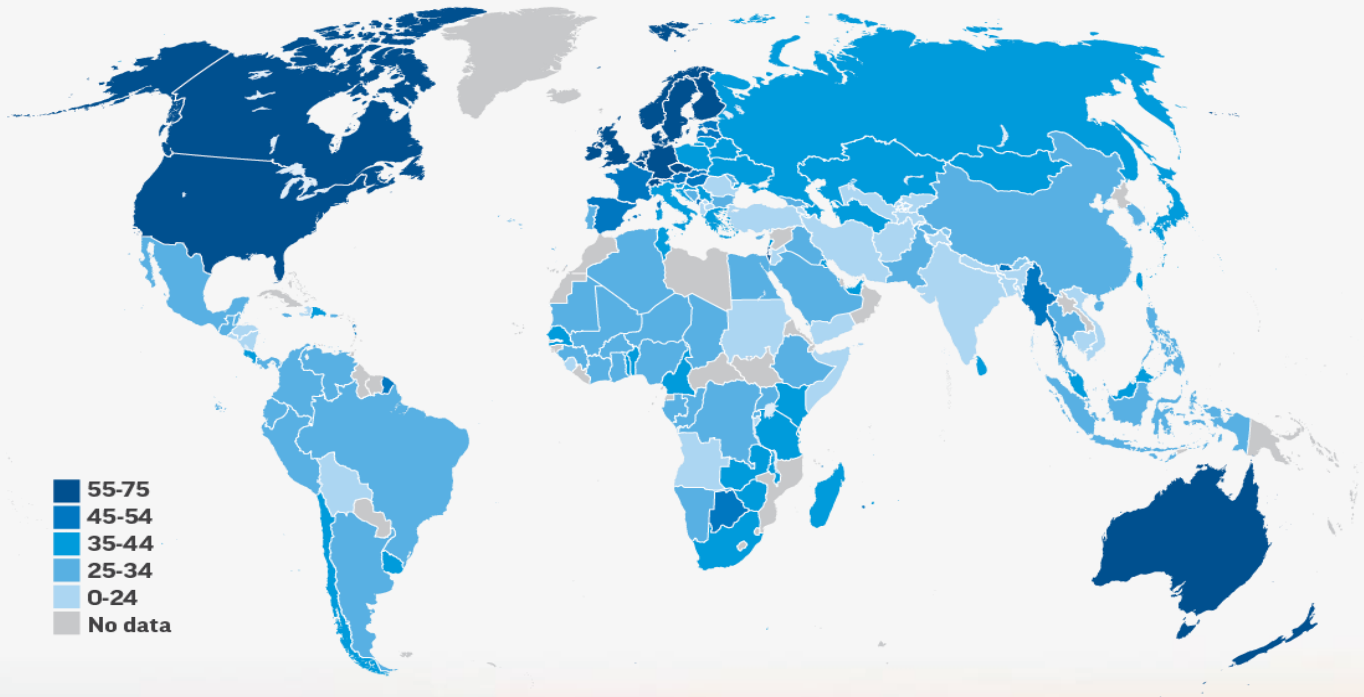
# Three main considerations

- The level of financial and risk literacy is very low
- Disaggregating the evidence: large differences across countries and demographic groups
- Large initiatives and programs are urgently needed



# Financial literacy across the globe (S&P Global Finlit Survey, 2014)

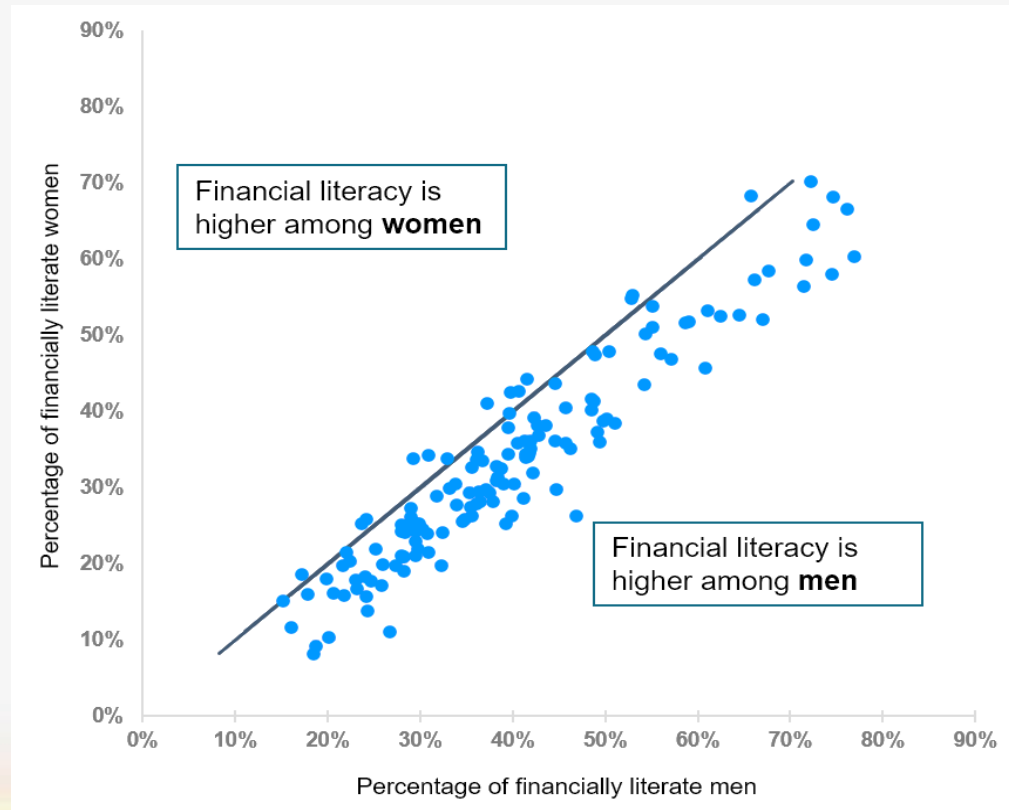
% of financially literate adults



Only 1 in 3 adults worldwide have basic financial literacy

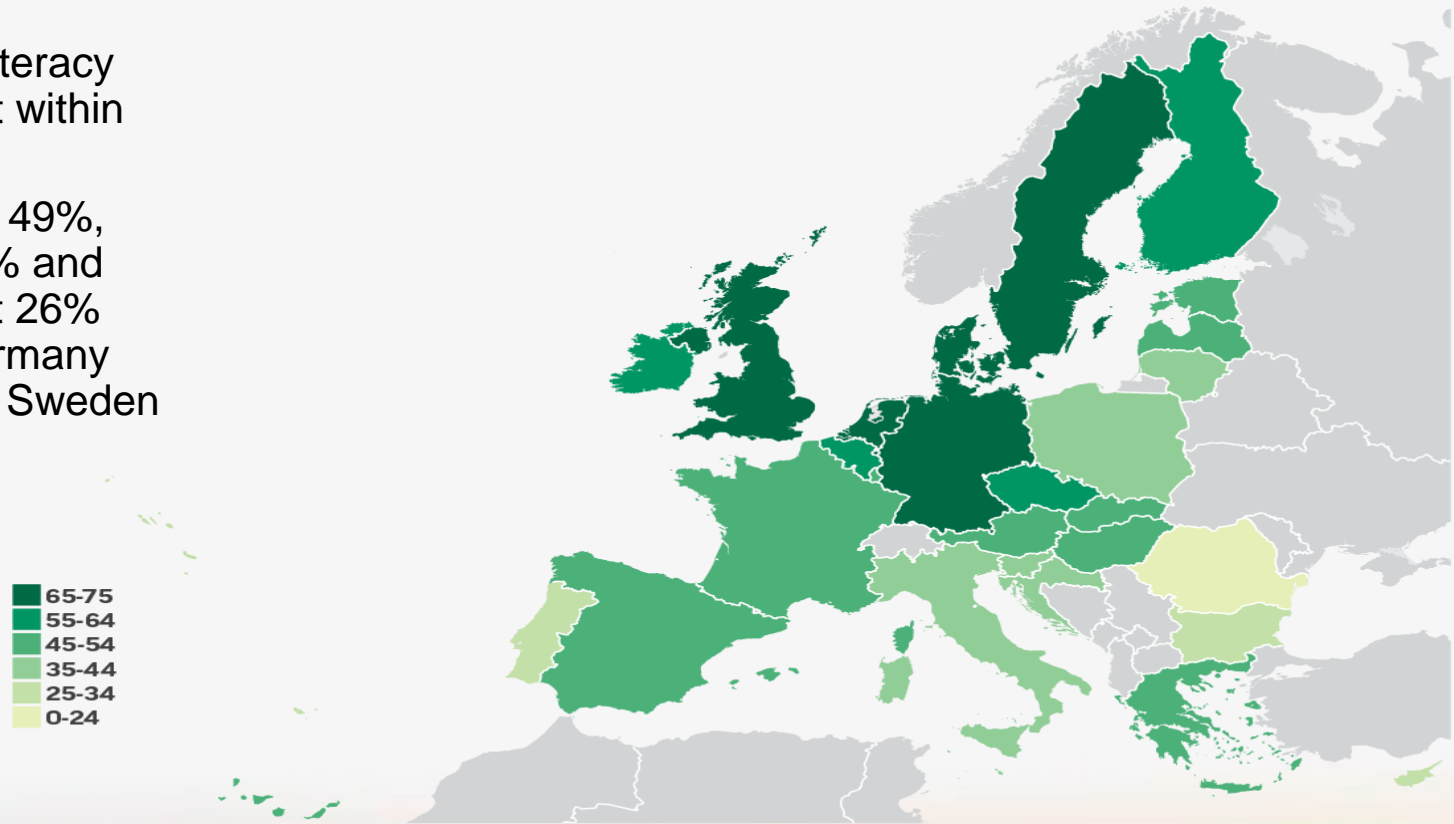
# Gender differences in financial literacy around the world

In most economies around the world, men have higher financial literacy than women

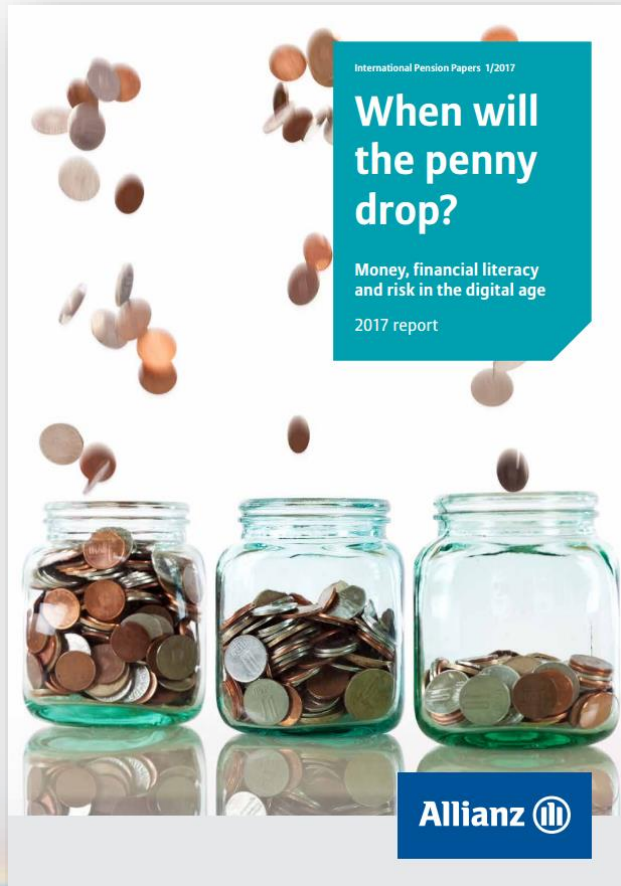


# Financial literacy in selected countries in Europe (S&P Global Finlit Survey, 2014)

- Financial literacy varies a lot within Europe
- Spain is at 49%, Italy at 37% and Portugal at 26% versus Germany (66%) and Sweden (71%)

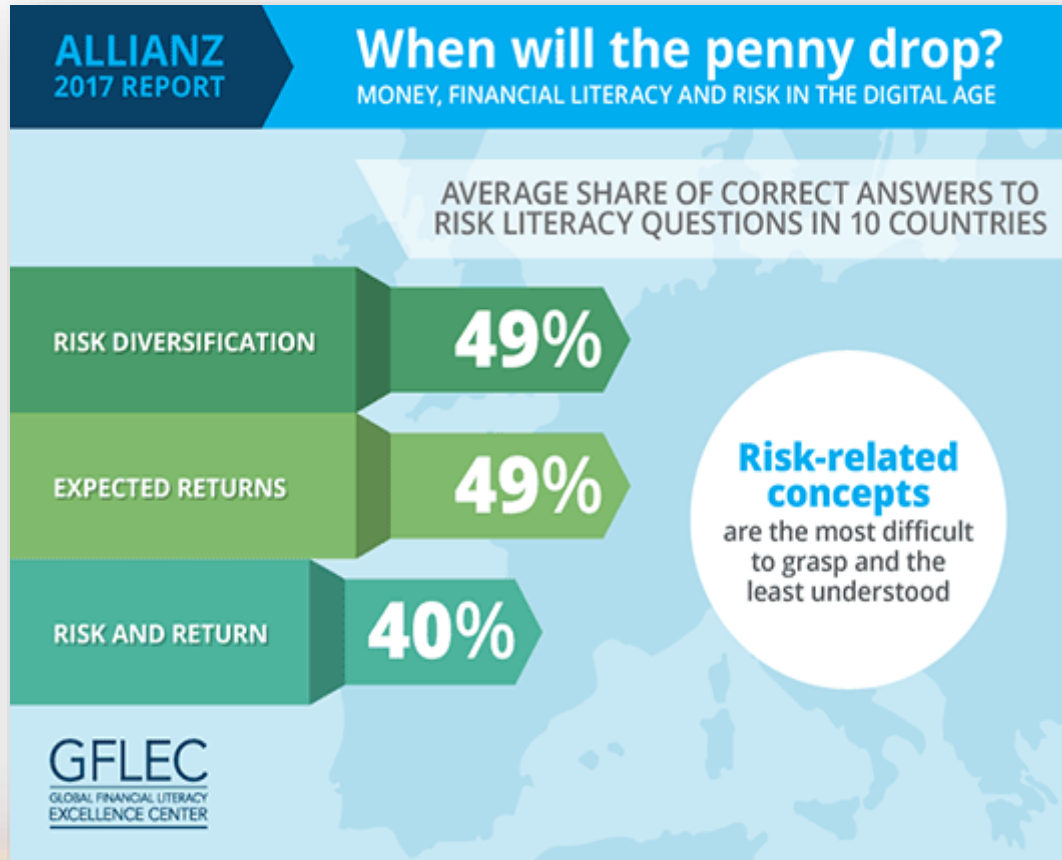


# More recent evidence (2017 and 2020)

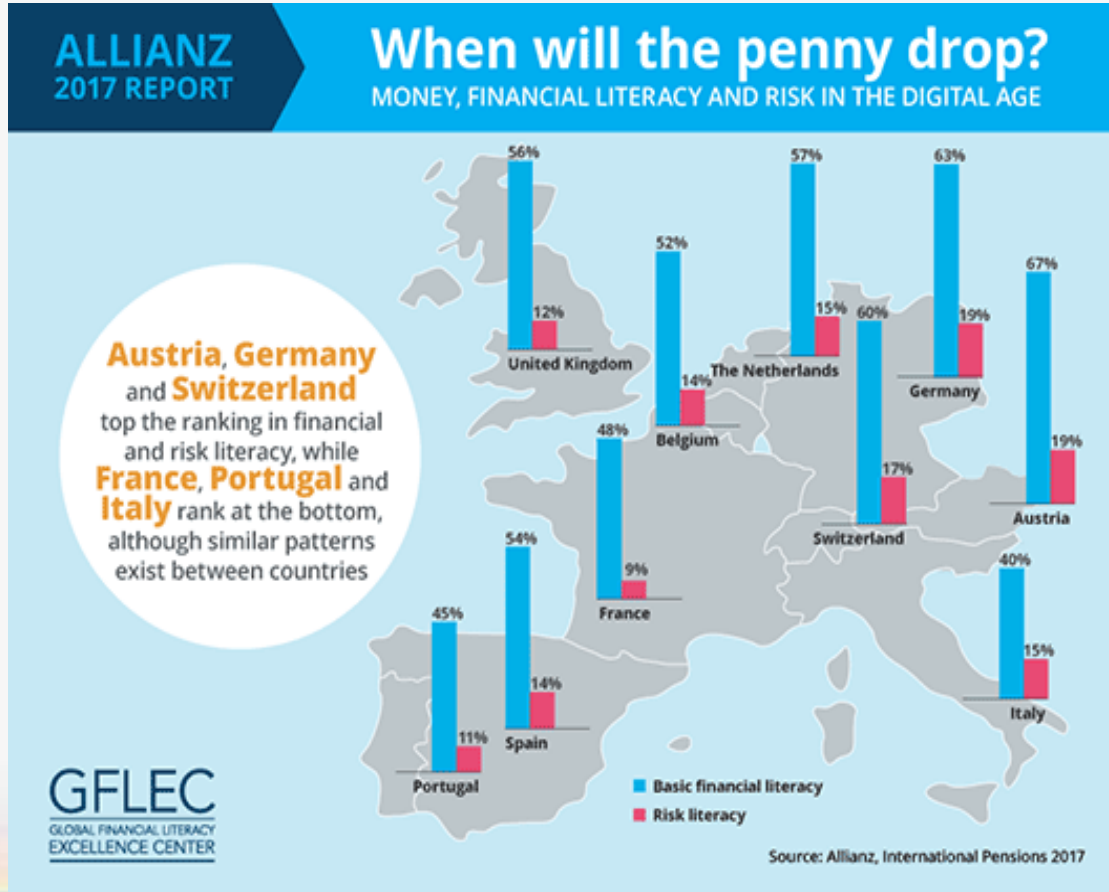




# Risk literacy is particularly low

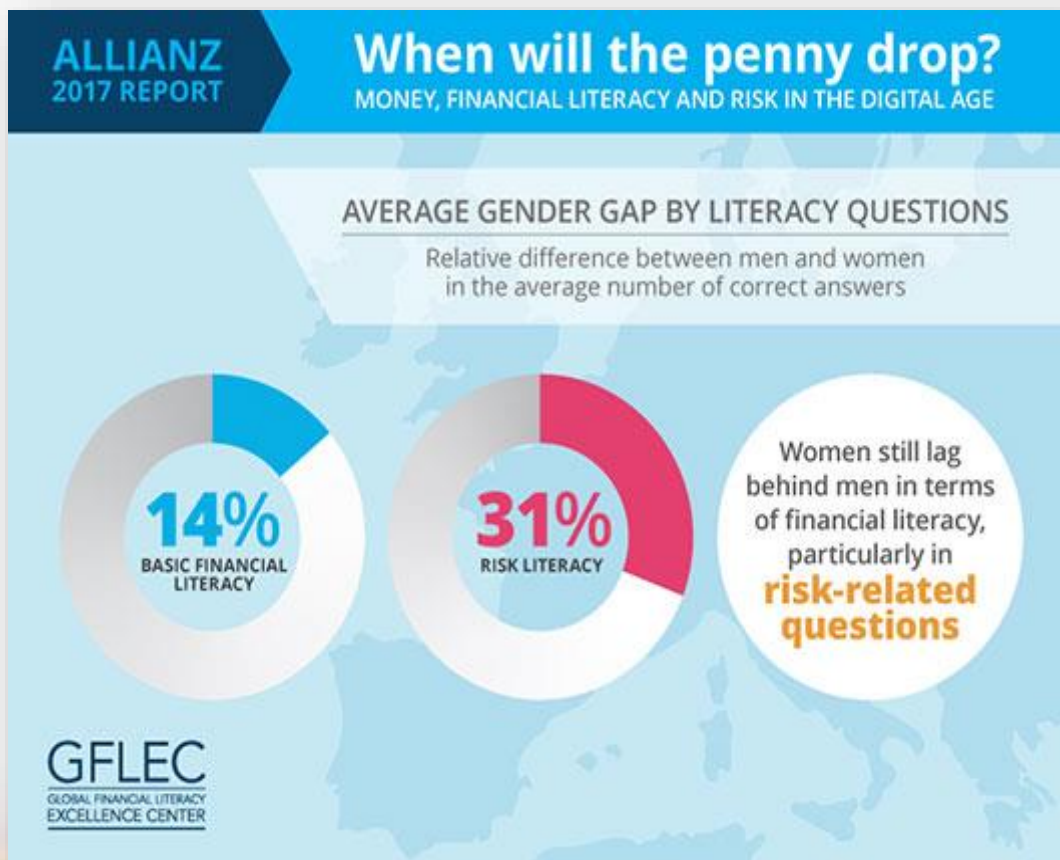


# Risk literacy is low everywhere in Europe

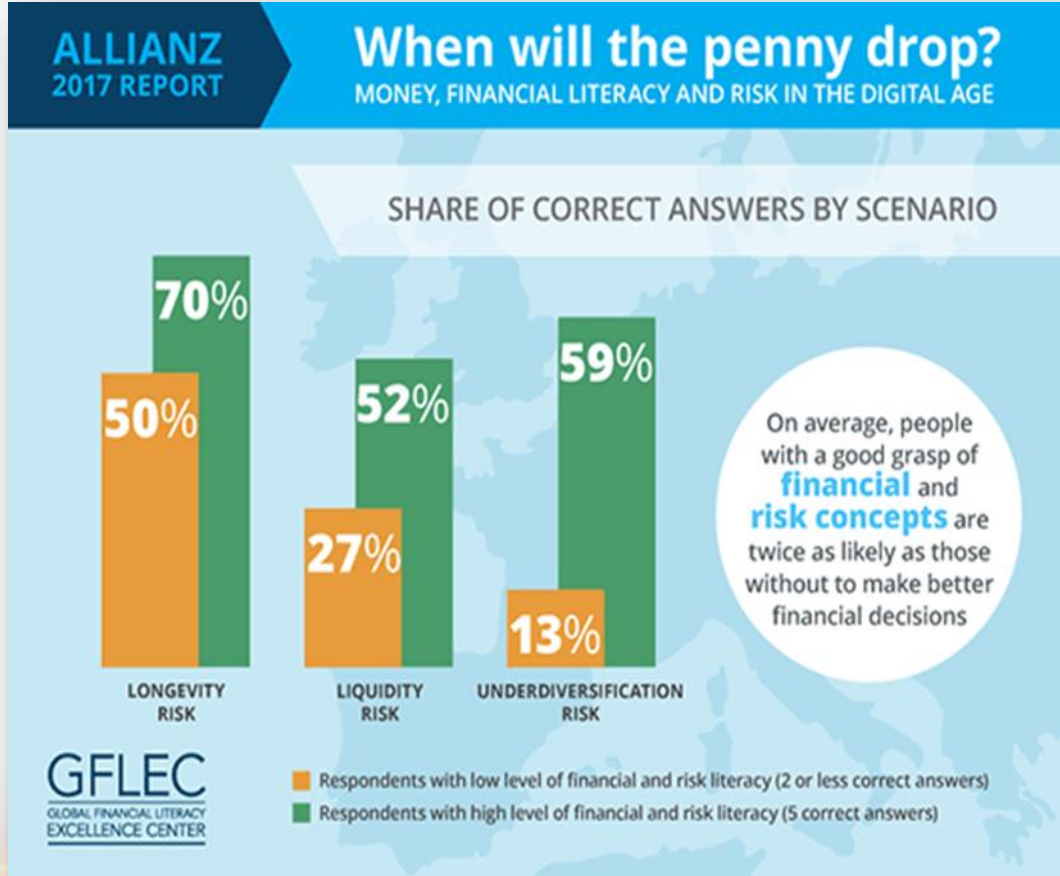




# Gender differences in risk literacy are particularly large



# Financial literacy can be linked to financial behaviors



# Financial fragility in Europe: Bruegel's Policy Contribution

Policy Contribution  
Issue n°15 | July 2020

## The financial fragility of European households in the time of COVID-19

Maria Demertzis, Marta Domínguez-Jiménez  
and Annamaria Lusardi

### Executive summary

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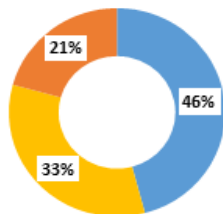
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- **THE CONCEPT OF** household financial fragility emerged in the United States after the 2007-2008 financial crisis. It grew out of the need to understand whether households' lack of capacity to face shocks could itself become a source of financial instability, in addition to risks to the stability of banks and the greater financial system. The concept goes beyond assessing the level of assets and encompasses the state of household balance sheets, including indebtedness. It relies also on individual perceptions of the ability to rely on families and friends and other methods to deal with shocks, though such aspects are less easy to measure and rely frequently on self-assessments.
- **IN THE WAKE OF** COVID-19, we ask how well-prepared households were in the European Union (including the United Kingdom) to handle an unexpected expense. Two years before the pandemic hit, a substantial share of EU households reported that they would be unable to handle unexpected expenses. In some EU countries, many households had savings equivalent to just a few weeks of basic consumption.
- **WE FIND THAT** one in three EU households is unable to meet an unexpected shock during regular times, let alone during a pandemic. COVID-19-related support measures put in place across the EU are intended to provide economic help to those households where members have lost jobs or face a severe reduction in income. However, in a number of countries where one in two households was already fragile - typically countries that are already economically weaker - state help is likely to be smaller and shorter-lived. Policies that increase financial resilience in structural ways will become necessary in the future.

# According to 2020 Italian data, financial literacy is a shield against shocks

Grafico 5 - Hai mai sentito prima d'ora di:

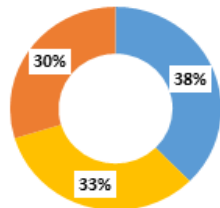
Tasso di interesse semplice



- Sì e so di cosa si parla
- Sì, ma solo per sentito dire
- No, mai sentito prima d'ora

Grafico 6 - Hai mai sentito prima d'ora di:

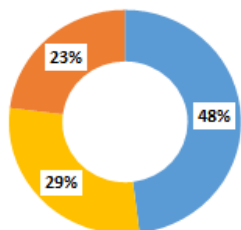
Tasso di interesse composto



- Sì e so di cosa si parla
- Sì, ma solo per sentito dire
- No, mai sentito prima d'ora

Grafico 7 - Hai mai sentito prima d'ora di:

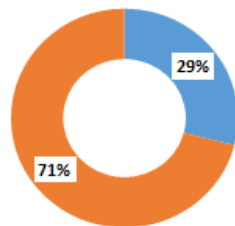
Relazione rischio-rendimento



- Sì e so di cosa si parla
- Sì, ma solo per sentito dire
- No, mai sentito prima d'ora

Grafico 8 - Conoscenza dei 3 concetti:

Conoscenza dei 3 concetti



- Conoscono i 3 concetti
- Non conoscono tutti i concetti



# Implications for policy and programs

- **Financial illiteracy is widespread**
  - ◆ We need large and scalable programs
- **Limited financial education programs are not going to be effective**
  - ◆ Widespread financial illiteracy requires robust interventions
- **One size does not fit all**
  - ◆ Need for more targeted programs, particularly for vulnerable groups



# Looking forward



- **Financial education to recover from the crisis**
  - ◆ Invest in knowledge
- **Addressing inequality**
  - ◆ Differences in financial literacy conducive to differences in savings and investment
- **Toward a unified capital market**
  - ◆ Critically important to have financially literate investors



# Some initiatives from Italy

- **Financial literacy month (October)**
  - ◆ It is also breast cancer awareness month (prevention is better than the cure)
- **Financial literacy in the theater, movies and literature**
  - ◆ Financial literacy is about life
- **Initiatives at the local level**
  - ◆ Work with mayors to promote financial education. Bottom-up approach to better understand the needs of people
- **Initiatives for women**
  - ◆ Women are interested in financial education programs and have a multiplier effect.

# More than ever, women need to be fearless



**Thank you!**