



Are Americans financially resilient to weather COVID-19?

Financial literacy is knowledge and understanding that enable sound financial decision making and effective management of personal finances.

Financial wellness depends, at least in part, on such knowledge, as demonstrated by four years of findings from the *TIAA Institute/GFLEC Personal Finance Index (P-Fin Index)*.¹ In times that are anything but normal—times like today with the COVID-19 pandemic and its severe economic consequences—the ability to make appropriate financial decisions matters greatly.

Unfortunately, many Americans are functioning in today’s environment with a poor level of financial literacy. On average, U.S. adults correctly answered 52% of the *P-Fin Index* questions when the 2020 survey was fielded in January. Forty-seven percent answered one-half or less of the questions correctly, with 17% answering one-quarter or less correctly. It should be emphasized that the index is a barometer of working knowledge related to common financial situations encountered in the normal course of life.

Perhaps more significant in today’s environment is the finding that financial literacy is lowest in the area of comprehending and understanding risk and uncertainty. On average, U.S. adults correctly answered 37% of the index questions related to risk and uncertainty. This means that individuals are particularly ill positioned to make decisions in a time when uncertainty and volatility dominate economic and financial life.

Beyond low financial literacy, the personal finances of many U.S. adults surveyed in early 2020 were in a precarious state. See Table 1 for indicators drawn from the *P-Fin Index* survey. The situation was worse among those with the lowest levels of financial literacy. The combination of precarious personal finances and low financial literacy results in poor financial resiliency. Poor financial resiliency in the face of COVID-19’s economic consequences only amplifies the challenge of weathering what would have been very difficult financial circumstances in any case.



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Table 1. Pre-pandemic personal finances among U.S. adults (January 2020)

	All adults	Those with lowest financial literacy levels ^a
Found it difficult to make ends meet in a typical month	33%	53%
Could likely not come up with \$2,000 if an unexpected need arose within the next month	27%	52%
Did not typically make loan payments, including credit card payments, in full and on time each month	13%	22%
Had no financial savings aside from retirement savings (January 2019)	42%	66%

^a Adults who correctly answered 25% or less of the *P-Fin Index* questions.
 Sources: Yakoboski, Paul, Annamaria Lusardi and Andrea Hasler. “The 2020 TIAA Institute-GFLEC Personal Finance Index: Many Do Not Know What They Do and Do Not Know,” TIAA Institute and the Global Financial Literacy Excellence Center *Special Report* (April 2020) and Yakoboski, Paul, Annamaria Lusardi and Andrea Hasler. “Financial Literacy in the United States and Its Link to Financial Wellness: The 2019 TIAA Institute-GFLEC P-Fin Index,” TIAA Institute and the Global Financial Literacy Excellence Center *Special Report* (April 2019).

¹ For results of the 2020 P-Fin Index, see Yakoboski, Paul, Annamaria Lusardi and Andrea Hasler. “The 2020 TIAA Institute-GFLEC Personal Finance Index: Many Do Not Know What They Do and Do Not Know,” TIAA Institute and the Global Financial Literacy Excellence Center *Special Report* (April 2020).

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These findings highlight points on which to focus as the United States eventually moves forward from the pandemic and its economic consequences. A heightened focus on improving financial literacy, both in school and in the workplace, should emphasize understanding and managing risk and uncertainty. Additionally, accumulating non-retirement savings that can be tapped for future financial emergencies, both big and small, should be better understood as a financial priority for individuals to pursue. These are important steps that will increase Americans' financial resiliency in the future.

Post-pandemic, a heightened focus on improving financial literacy should emphasize understanding and managing risk and uncertainty.

Read more:

Paul Yakoboski, Annamaria Lusardi and Andrea Hasler (April 2020). [The 2020 TIAA Institute-GFLEC Personal Finance Index: Many Do Not Know What They Do and Do Not Know](#)

Paul Yakoboski and Jacqueline Bichsel (October 2019). [Financial Well-being and Retirement Readiness in the Higher Education Workforce](#)

Paul Yakoboski, Annamaria Lusardi and Andrea Hasler (April 2019). [Financial Literacy in the United States and Its Link to Financial Wellness: The 2019 TIAA Institute-GFLEC P-Fin Index](#)

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