Workplace Financial Education: Lessons from ten years of experience

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Topics I will cover

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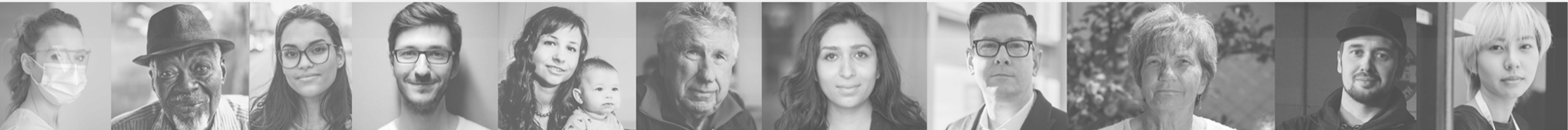
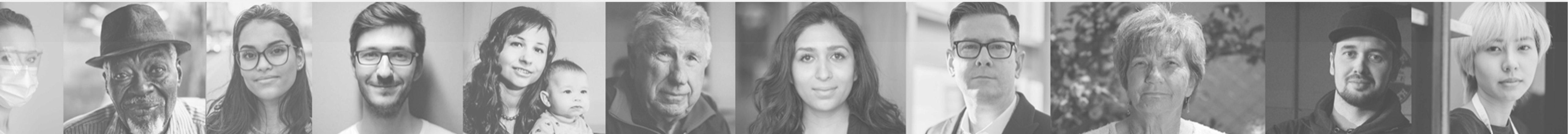
1. The need for workplace financial education
2. Some initiatives
3. Looking ahead



The TIAA Institute – GFLEC Personal Finance Index

- The **TIAA-Institute-GFLEC Personal Finance Index** (**P-Fin Index**) is an annual barometer of knowledge and understanding which enable sound financial decision-making and effective management of personal finances among U.S. adults.
- The P-Fin Index relates to common financial situations that individuals encounter and can be viewed as a gauge of "working knowledge."
- We measure personal finance knowledge using 28 questions
- Data is collected on a representative sample of Americans (age 18+).
- Data collection started at the end of 2016.



Six years of P-Fin Index data (2017-2022)

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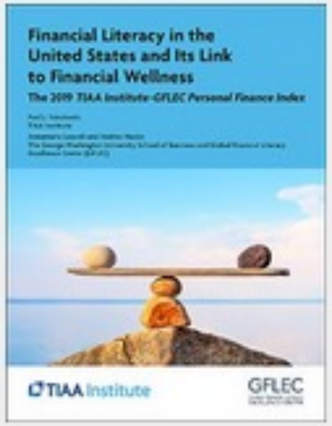
2022

2021

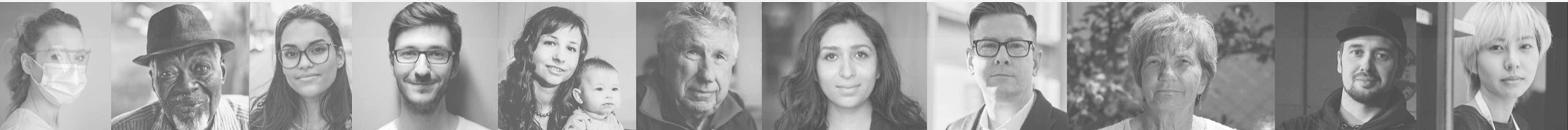
2020

2019



2018

2017



Zooming in into specific sub-groups

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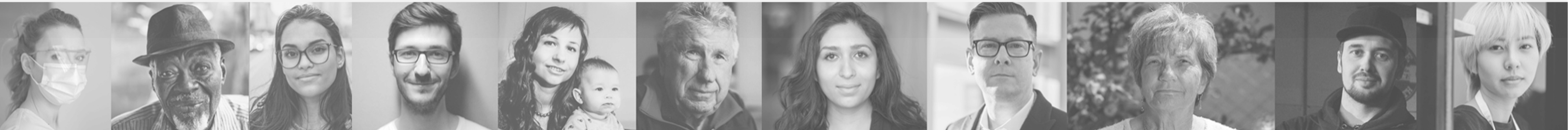
Each year, a specific demographic group is oversampled so we can provide a more detailed analysis of their financial literacy and wellness.

2017: Hispanics
2018: Millennials
2019: African Americans
2020: Women
2021: Age/Generations
2022: Asian Americans



Some initial statistics

22%	Find it difficult to make ends meet in a typical month.
22%	Cannot pay all bills, including loan payments and credit cards, in full and on time in a typical month.
40%	Lack emergency savings equal to one month of living expenses if needed.
30%	Could not cope with a mid-sized financial shock of $2,000 if an unexpected need arose within the next month.
31%	Debt and debt payments prevent them from adequately addressing other financial priorities.

Source: TIAA Institute-GFLEC Personal Finance Index (2021).

Financial literacy: A failing grade

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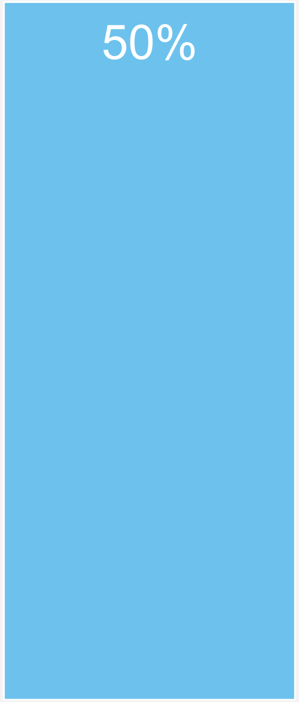
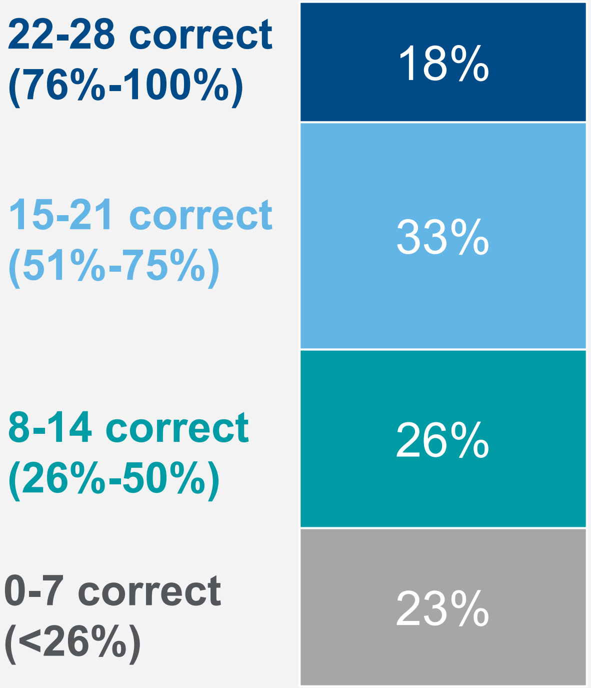
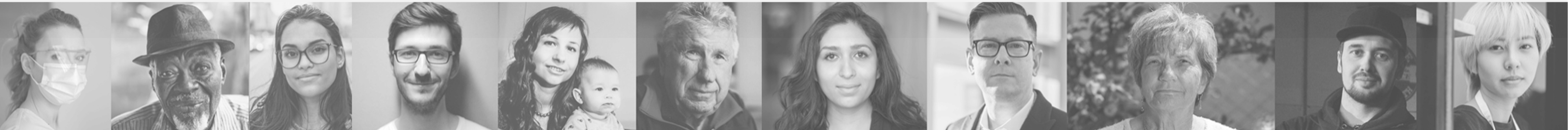
% of P-Fin Index questions answered correctly



Distribution of correct answers to P-Fin Index questions



Source: TIAA Institute-GFLEC Personal Finance Index (2022).



Financial (il)literacy is holding steady: 2017-2022

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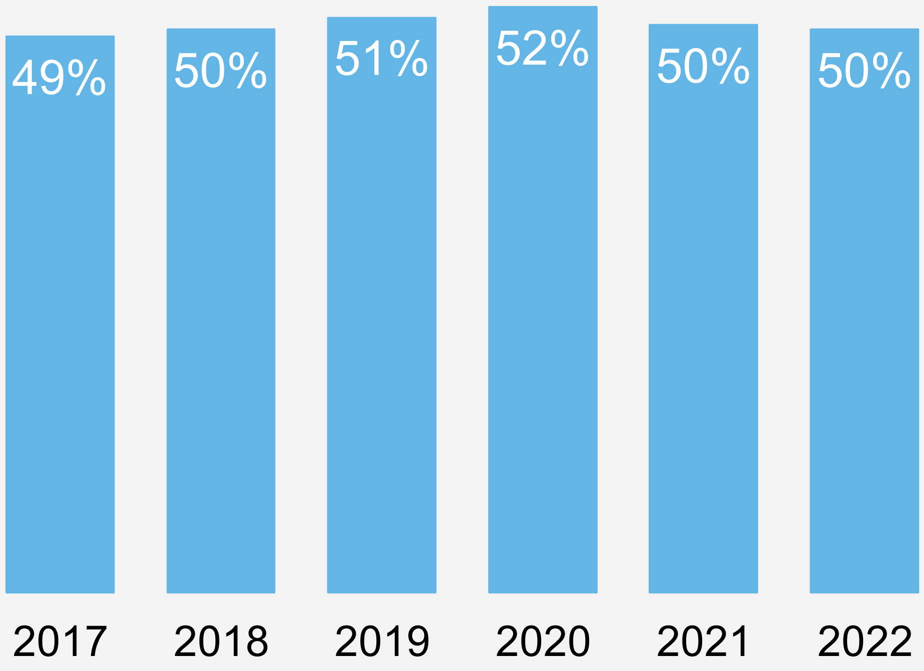
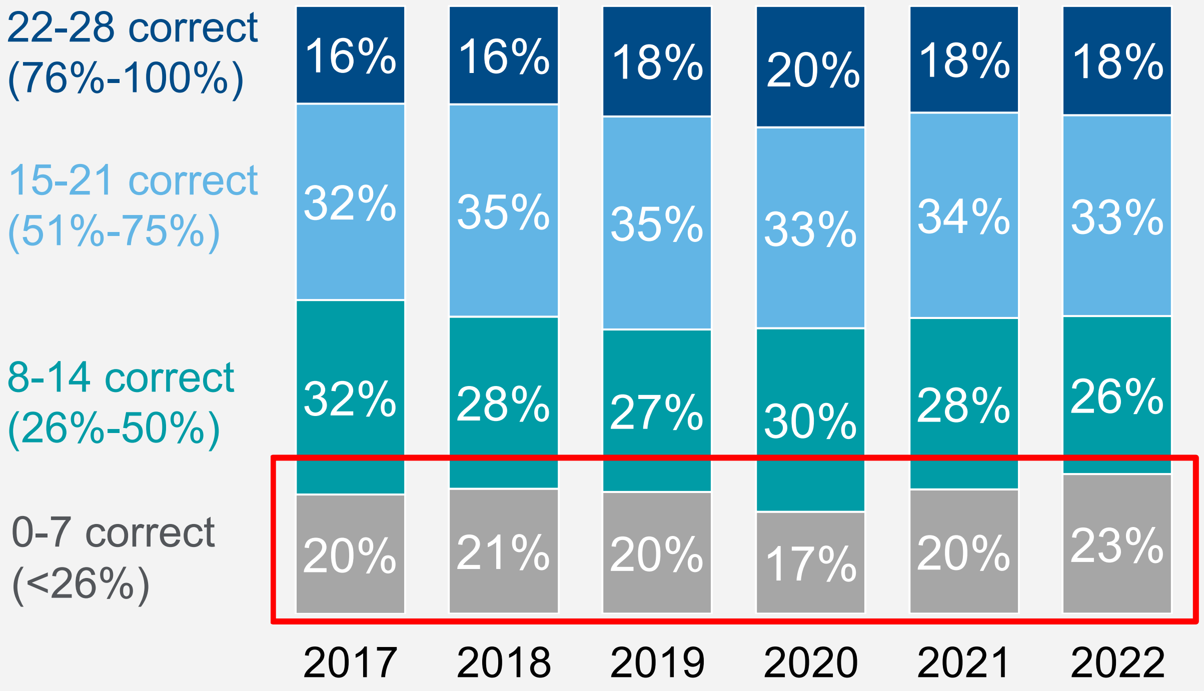
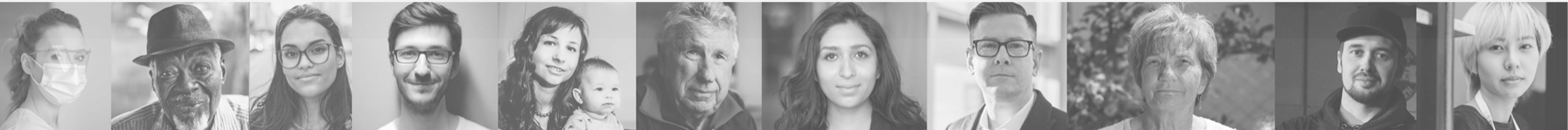
% of P-Fin Index questions answered correctly



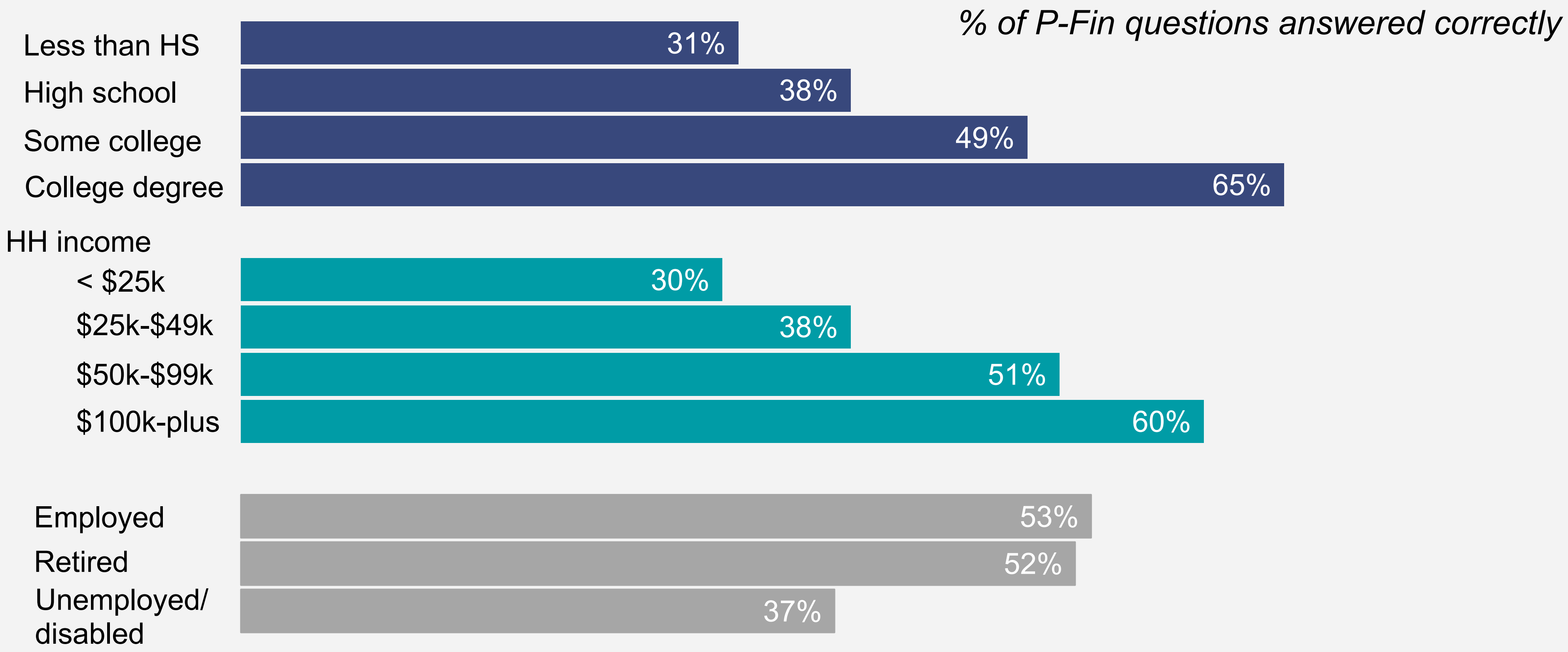
Distribution of correct answers to P-Fin questions



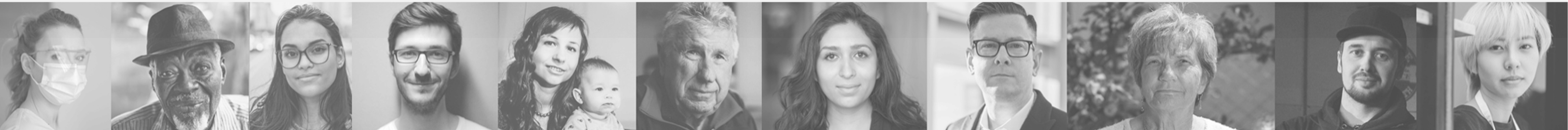
Source: TIAA Institute-GFLEC Personal Finance Index (2017-2022).



Financial literacy is low among those with low educ & income

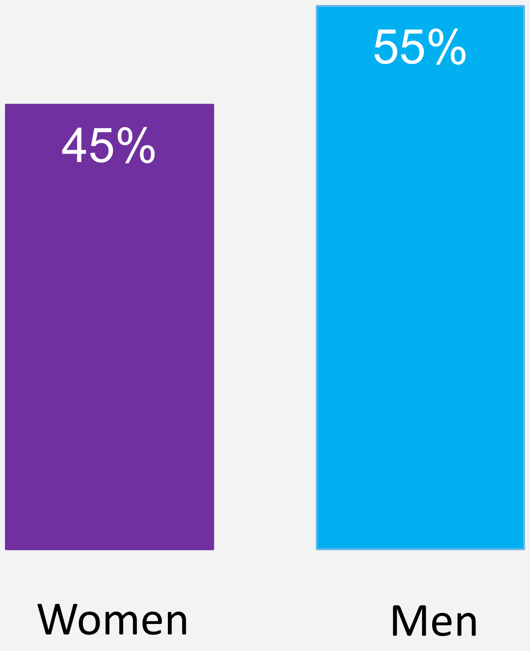


Source: TIAA Institute-GFLEC Personal Finance Index (2022).

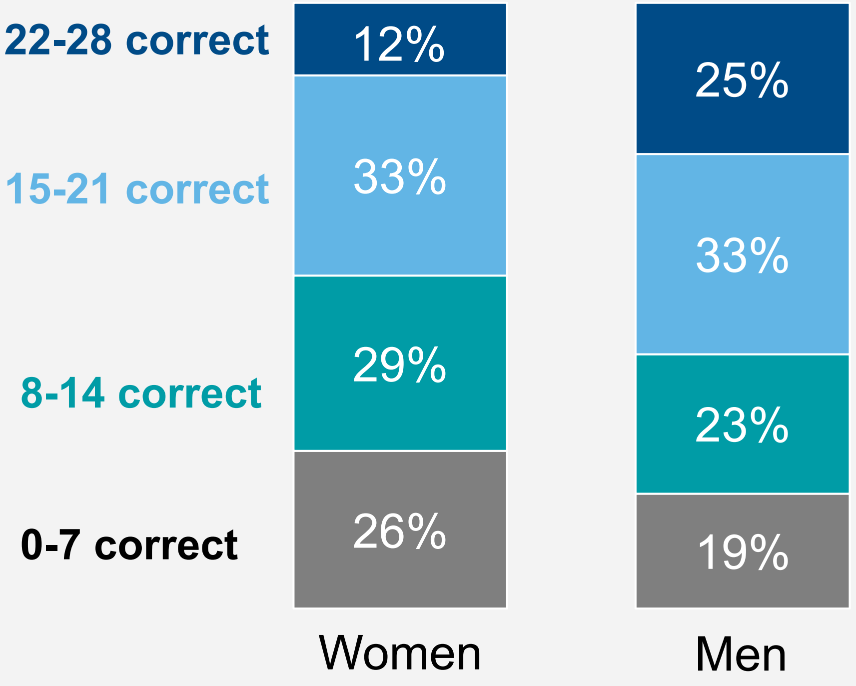


Gender differences continue to be present

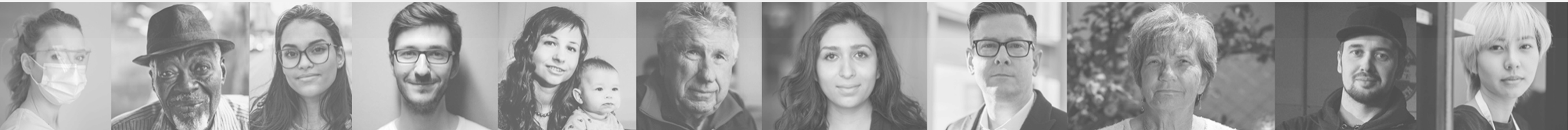
% of P-Fin questions answered correctly



Distribution of correct answers to P-Fin questions



Source: TIAA Institute-GFLEC Personal Finance Index (2022).



Where changes happened over time: Toward an unequal path

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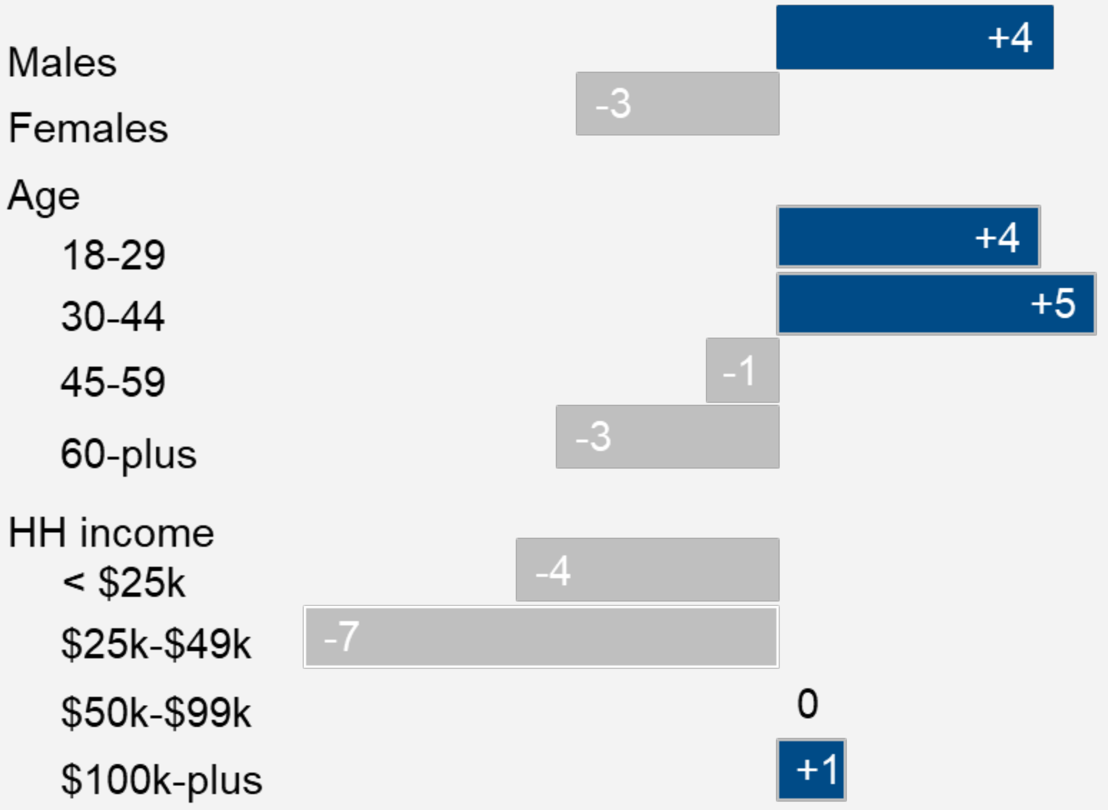
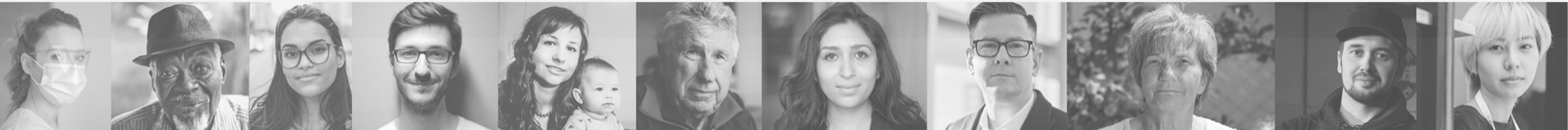
% point change in P-Fin questions answered correctly, 2017 to 2022



Source: TIAA Institute-GFLEC Personal Finance Index (2017, 2022).



Financial well-being in 2022 is linked to finlit

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Compared to individuals with very high financial literacy levels, those with very low levels are

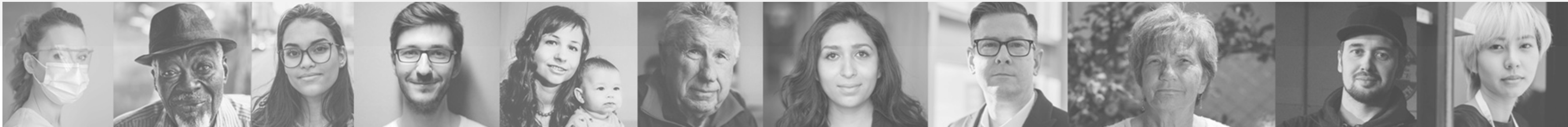
6x more likely to have trouble making ends meet

3x more likely to be debt constrained

3x less likely to cope with a $2,000 financial shock

4x more likely to spend 10+ hours per week thinking about personal finances

Source: TIAA Institute-GFLEC Personal Finance Index (2022).



A simple measure of the cost of financial illiteracy

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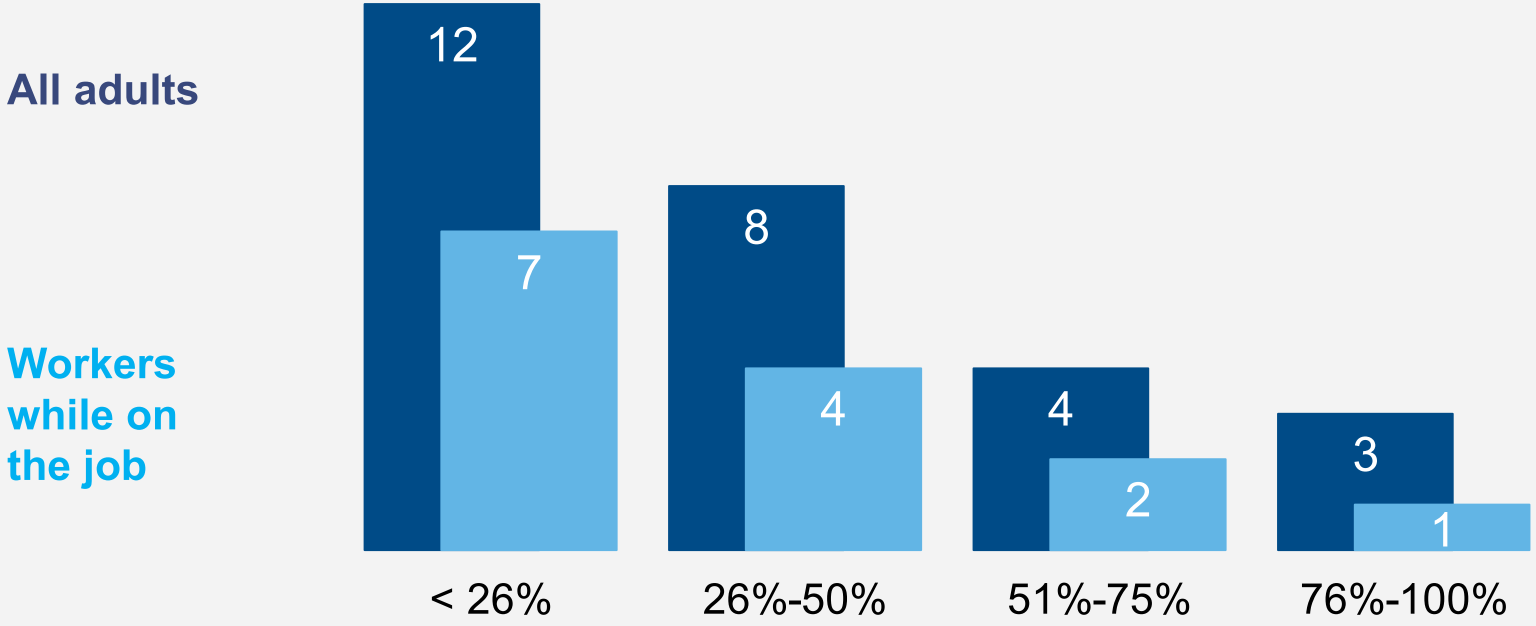
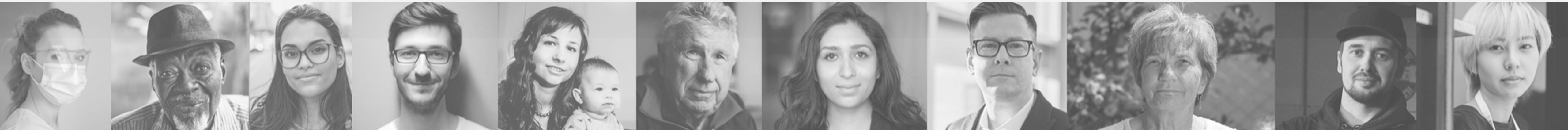
Average hours per week spent thinking about and dealing with issues and problems related to personal finances



% of *P-Fin* questions answered correctly

People spend an average of 7h per week thinking about and dealing with financial issues and problems. An average of 3h per week occur at work.

Source: TIAA Institute-GFLEC Personal Finance Index (2022).



Building financial resilience among U.S. adults

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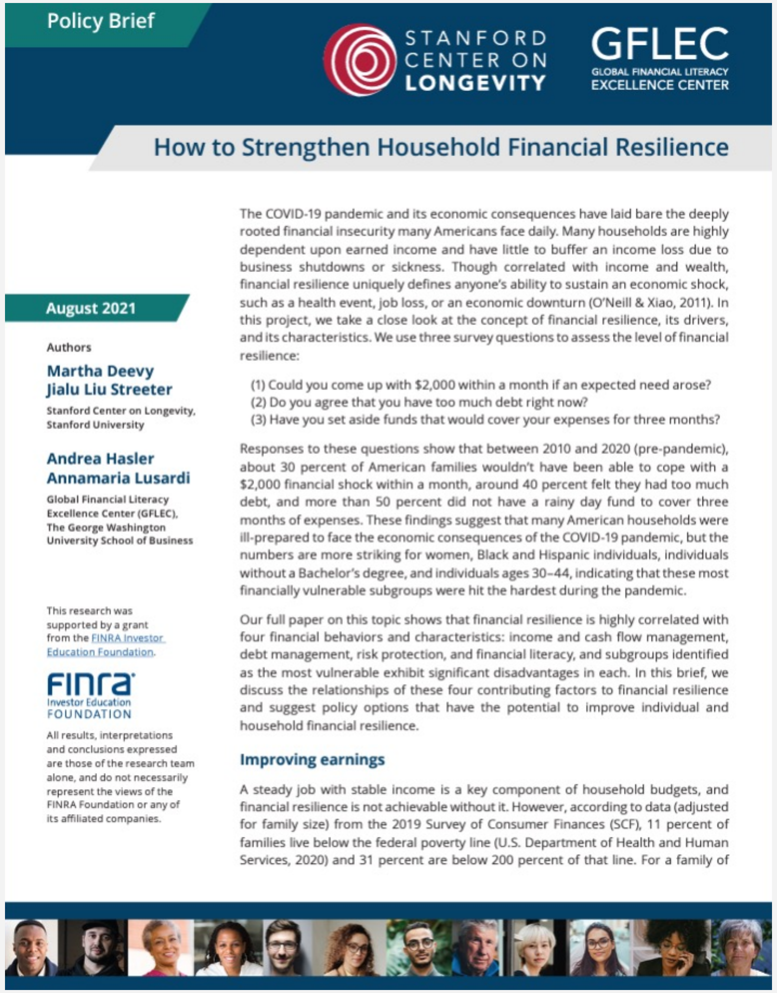
Policy Brief

STANFORD CENTER ON LONGEVITY

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How to Strengthen Household Financial Resilience

August 2021

Authors

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This research was supported by a grant from the FINRA Investor Education Foundation.

FINRA Investor Education FOUNDATION

The COVID-19 pandemic and its economic consequences have laid bare the deeply rooted financial insecurity many Americans face daily. Many households are highly dependent upon earned income and have little to buffer an income loss due to business shutdowns or sickness. Though correlated with income and wealth, financial resilience uniquely defines anyone's ability to sustain an economic shock, such as a health event, job loss, or an economic downturn (O'Neill & Xiao, 2011). In this project, we take a close look at the concept of financial resilience, its drivers, and its characteristics. We use three survey questions to assess the level of financial resilience:

(1) Could you come up with $2,000 within a month if an expected need arose?
(2) Do you agree that you have too much debt right now?
(3) Have you set aside funds that would cover your expenses for three months?

Responses to these questions show that between 2010 and 2020 (pre-pandemic), about 30 percent of American families wouldn't have been able to cope with a $2,000 financial shock within a month, around 40 percent felt they had too much debt, and more than 50 percent did not have a rainy day fund to cover three months of expenses. These findings suggest that many American households were ill-prepared to face the economic consequences of the COVID-19 pandemic, but the numbers are more striking for women, Black and Hispanic individuals, individuals without a Bachelor's degree, and individuals ages 30–44, indicating that these most financially vulnerable subgroups were hit the hardest during the pandemic.

Our full paper on this topic shows that financial resilience is highly correlated with four financial behaviors and characteristics: income and cash flow management, debt management, risk protection, and financial literacy, and subgroups identified as the most vulnerable exhibit significant disadvantages in each. In this brief, we discuss the relationships of these four contributing factors to financial resilience and suggest policy options that have the potential to improve individual and household financial resilience.

Improving earnings

A steady job with stable income is a key component of household budgets, and financial resilience is not achievable without it. However, according to data (adjusted for family size) from the 2019 Survey of Consumer Finances (SCF), 11 percent of families live below the federal poverty line (U.S. Department of Health and Human Services, 2020) and 31 percent are below 200 percent of that line. For a family of


Report

STANFORD CENTER ON LONGEVITY

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Financial Resilience in America

August 2021

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This research was supported by a grant from the FINRA Investor Education Foundation.

https://www.gflec.org/research

Research–based workplace financial education programs

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Our workplace financial wellness webpage describes the financial wellness programs we have designed based on our research

http://www.gflec.org/initiatives/workplace-financial-wellness

GFLEC 10-year experience in workplace financial education

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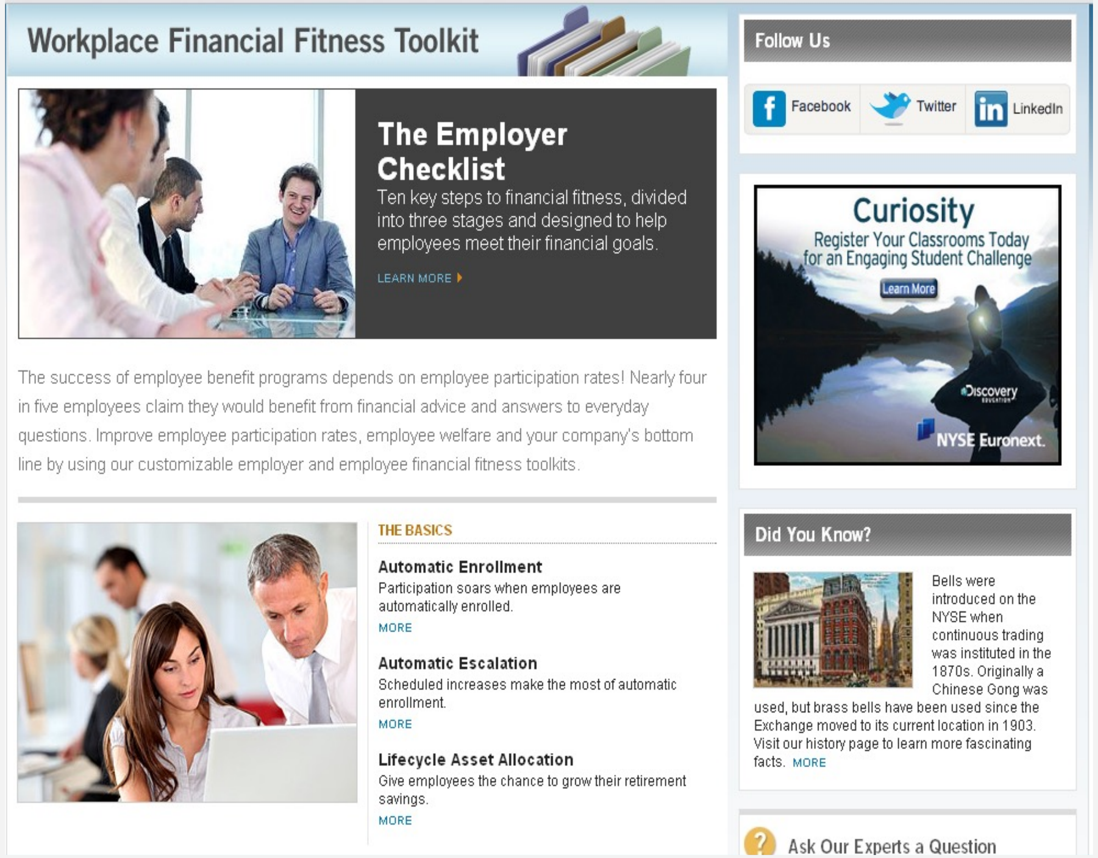
We built a toolkit for NYSE to promote financial wellness in the workplace



Example of a low cost workplace education program

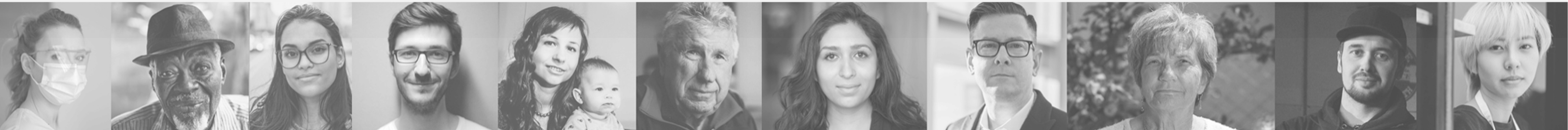
- Design of a low-cost, easily-replicable financial education program called «Five Steps to Planning Success»
- Covering five basic financial planning concepts that relate to retirement
- Kept the message free of economic/ finance jargon
- Targeted to young workers

Field Experiment:

- After being exposed to videos, the performance on financial literacy questions improved
- 25-33% of the knowledge gain is still observable 8 months after program
- The program affected all participants, not only the young

Heinberg, Aileen, Angela Hung, Arie Kapteyn, Annamaria Lusardi, Anya Savikhin Samek, Joanne Yoong, 2014, [Five steps to planning success: experimental evidence from US households.]

[Short video] about risk: don't put all your eggs in one basket



Ongoing Initiative with a Fortune 25 Company

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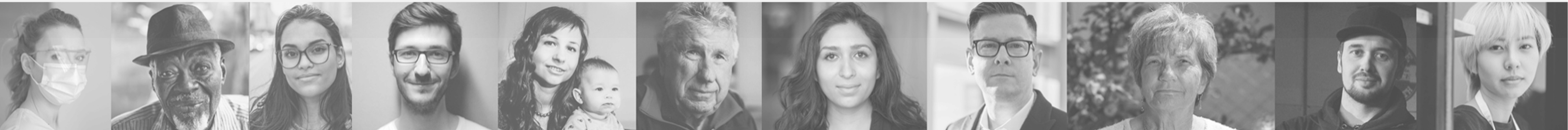
- GFLEC and Edelman Financial Engines partnered to launch and study an innovative financial counseling and education program called **Fast Track to Financial Wellbeing.**

- Program is being deployed to nearly **30,000 employees** at a Fortune 25 company.

- **Goal**: gain key insights into the financial wellbeing of employees and provide them with financial counseling and tailored resources to address critical needs.

- Was launched in April 2022 and is structured as a **six-week program**.

- Key findings of the research and program are expected to be released later this year.



Ongoing Initiative with a Fortune 25 Company (cont.)

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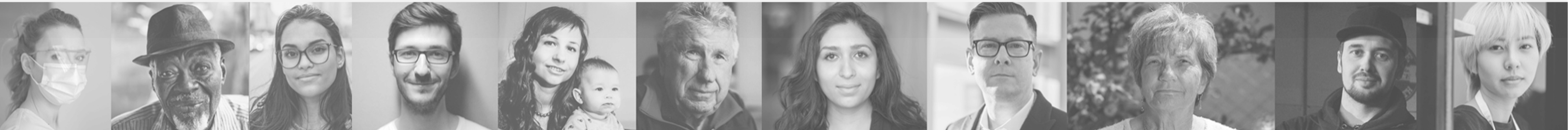
Fast Track to Financial Wellbeing Program consists of three essential steps that

1. take employees through an initial assessment to generate a baseline financial wellbeing score;
2. provide personalized counseling and access to educational resources (a variety of resources) based on that score; participation is incentivized;
3. assess the impact of this intervention with a focus on both short-term effects and future changes in financial decision-making.



Connecting to Reimagine Webinar

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Boosting Financial Wellness: The Role of Small and Medium-Sized Employers

https://www.gflec.org/webinar-videos

Meta-Analysis: “Financial education affects financial knowledge and downstream behaviors”

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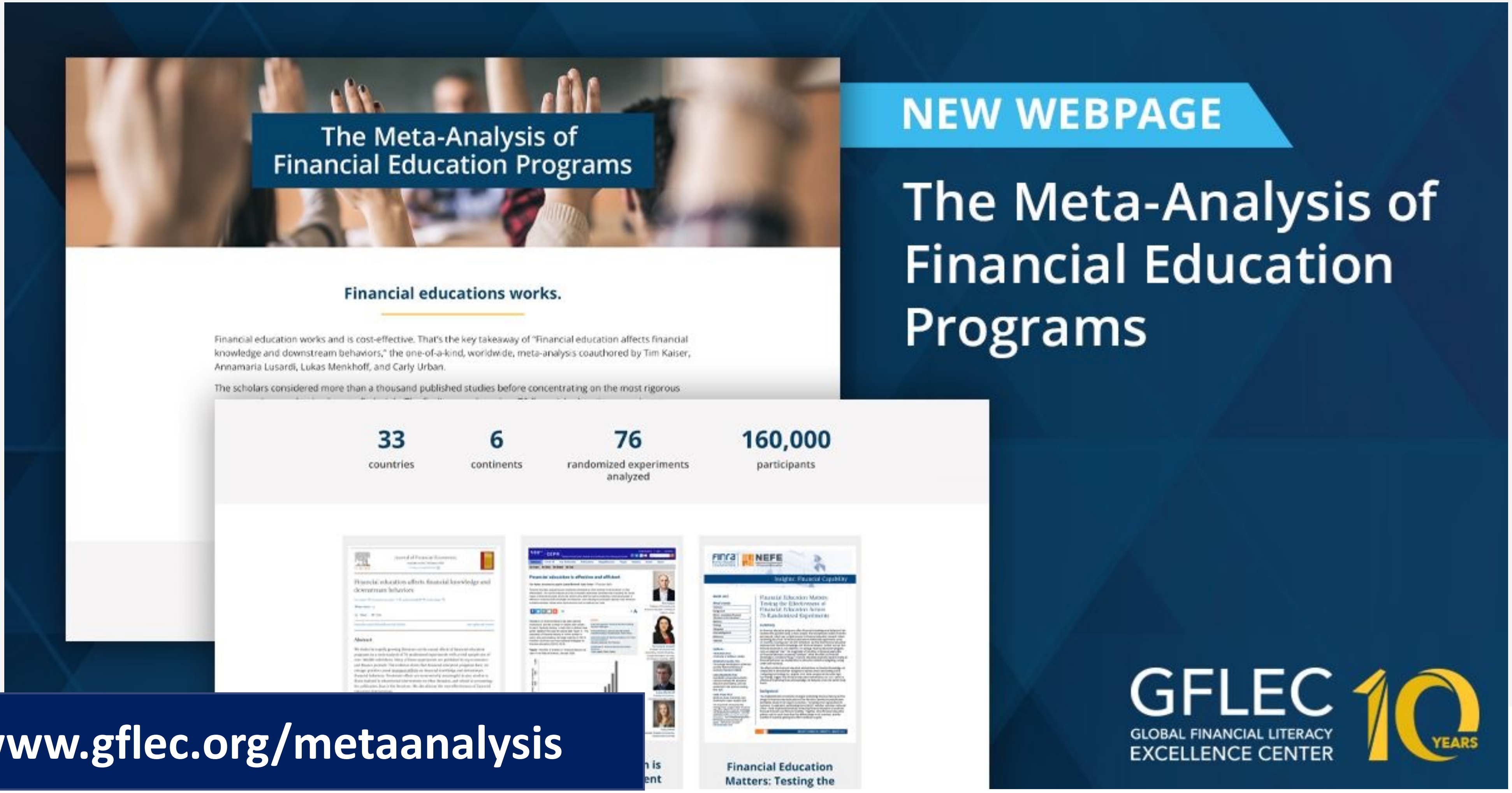

https://www.gflec.org/metaanalysis

The work of the Financial Education Committee in Italy

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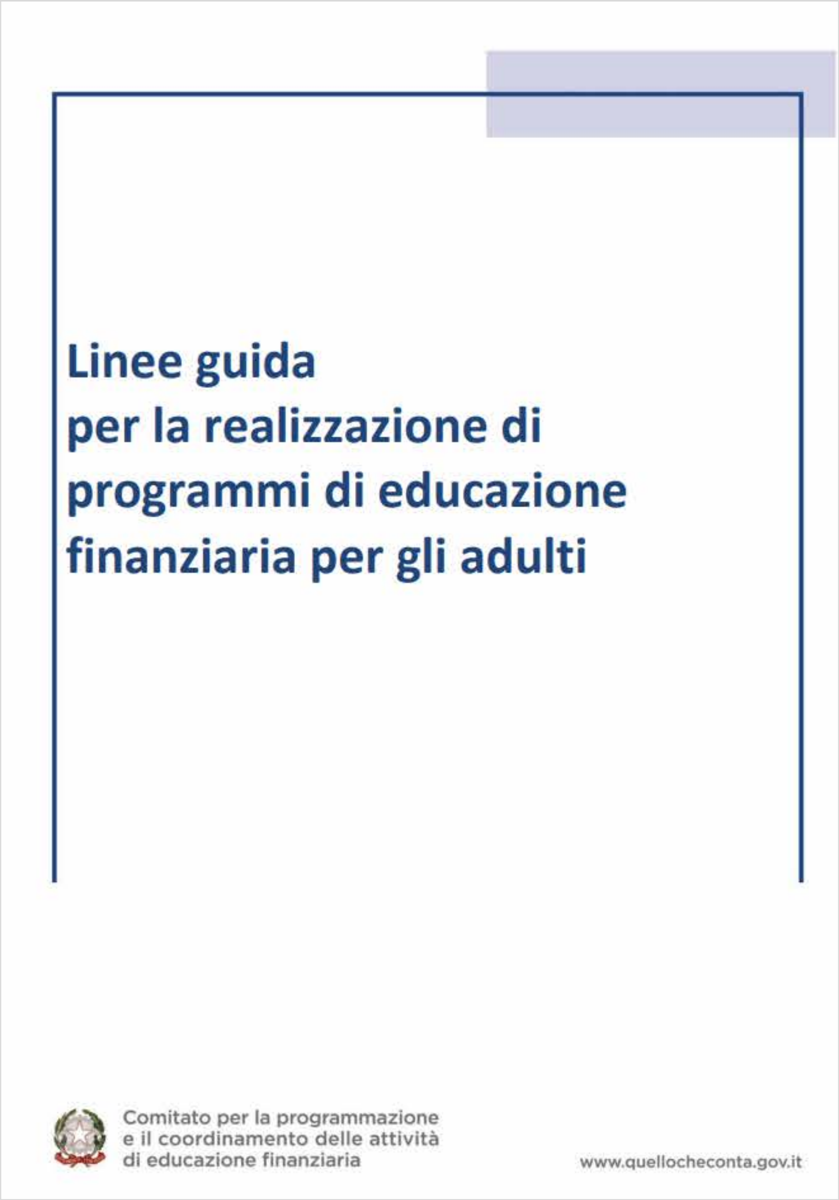
“Guidelines for the Financial Education of Adults”


Linee guida per la realizzazione di programmi di educazione finanziaria per gli adulti

Comitato per la programmazione e il coordinamento delle attività di educazione finanziaria

www.quellocheconta.gov.it

http://www.quellocheconta.gov.it

Living well

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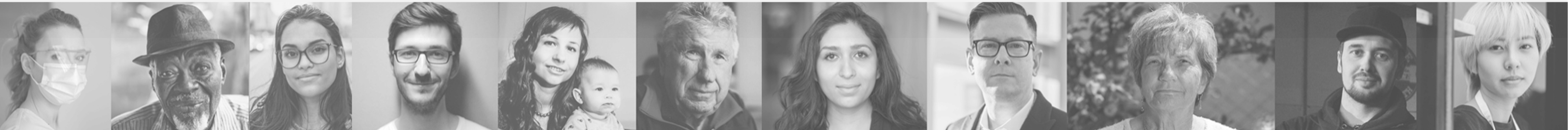
Financial literacy is like water in an eco-system. Just as we ensure access to clean water to protect quality of life, we must provide people with the resources and skills they need to become financially literate so they can be **more financially resilient** and **less worried about their future**.



Looking ahead

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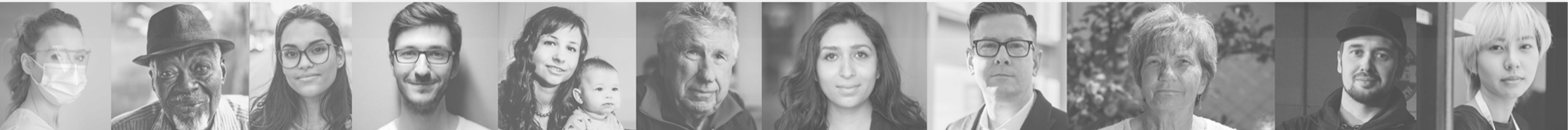
- Financial education in the workplace is important to reach the adult population
- Important to pay attention to vulnerable groups
- We need an holistic approach (it is not only about retirement savings)
- Everyone has a role to play (CEO/CFO, HR, communication, supervisors, etc.)
- Research is also critical (evidence-based programs and assessment)



Thank You!

More info at www.gflec.org