

# Money and the Young: Why we need financial education in school

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# Financial literacy: The 21st century skill



*Financial literacy is like reading and writing*

As it was not possible in the past to participate in society without being able to read and write, so it is not possible to thrive in today's society without being financially literate.

# Why financial literacy is more important than ever

- Digital technologies have made financial services and products more accessible, but also more complex.
- Young people shoulder greater responsibility for retirement planning and other financial responsibilities than previous generations.
- Today's youth are exposed to financial risks spawned by longer life expectancy, a decrease in welfare and occupational benefits, and uncertain economic and job prospects.
- The pandemic, inflation, and the war add new risks.

# The most recent data for 15-year-old students on financial literacy (2018 PISA)

	Mean score in PISA 2018	"Share of low achievers (below Level 2)"	"Share of top performers (Level 5)"	Relative score <sup>1</sup> after accounting for performance in mathematics and reading
	Mean score	%	%	Mean score
<b>OECD average</b>	505	14.7	10.5	2
Estonia	547	5.3	19.0	16
Finland	537	9.9	19.9	14
Canadian provinces	532	8.8	16.7	4
Poland	520	9.5	11.8	-3
Australia	511	15.6	14.1	4
United States	506	16.0	12.4	5
Portugal	505	14.0	8.3	1
Latvia	501	10.6	6.1	1
Lithuania	498	14.2	7.7	7
Russia	495	14.4	6.3	-1
Spain	492	15.0	5.7	m
Slovak Republic	481	21.2	7.2	-9
Italy	476	20.9	4.5	-17
Chile	451	30.2	3.0	5
Serbia	444	33.2	2.5	-15
Bulgaria	432	38.5	2.4	-10
Brazil	420	43.6	1.9	12
Peru	411	46.4	1.4	-3
Georgia	403	49.8	0.7	-3
Indonesia	388	57.4	0.3	-3

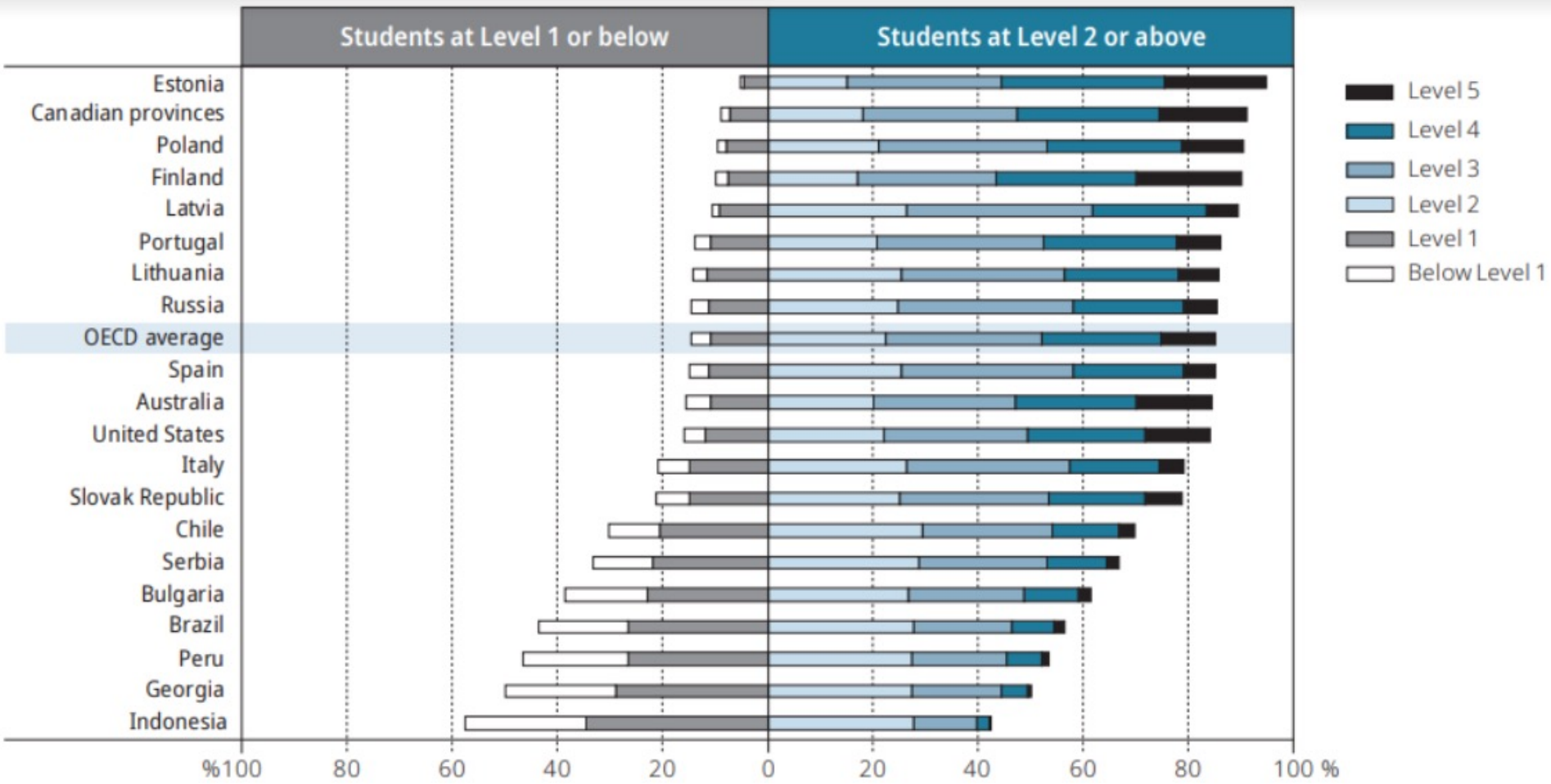
	Above the OECD Average
	In line with the OECD Average
	Below the OECD Average

Many European countries show levels of financial literacy below the OECD Average.

On average across OECD countries and economies, 15% of students performed below Level 2 in financial literacy, classified as low achievers.

Source: PISA 2018

# Low and high performers in financial literacy



Countries and economies are ranked in descending order of the percentage of students who performed at or above Level 2.

# Who knows the least across countries

Financial literacy is particularly low among:

- **disadvantaged** students (low socio-economic background families)
- **immigrant** background
- **girls** (in some countries)





# Financial education works: Our world-wide meta-analysis of financial education programs



Journal of Financial Economics

Available online 3 October 2021

In Press, Corrected Proof



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## Financial education affects financial knowledge and downstream behaviors

Tim Kaiser <sup>a</sup>, Annamaria Lusardi <sup>b</sup>, Lukas Menkhoff <sup>c</sup>, Carly Urban <sup>d</sup>

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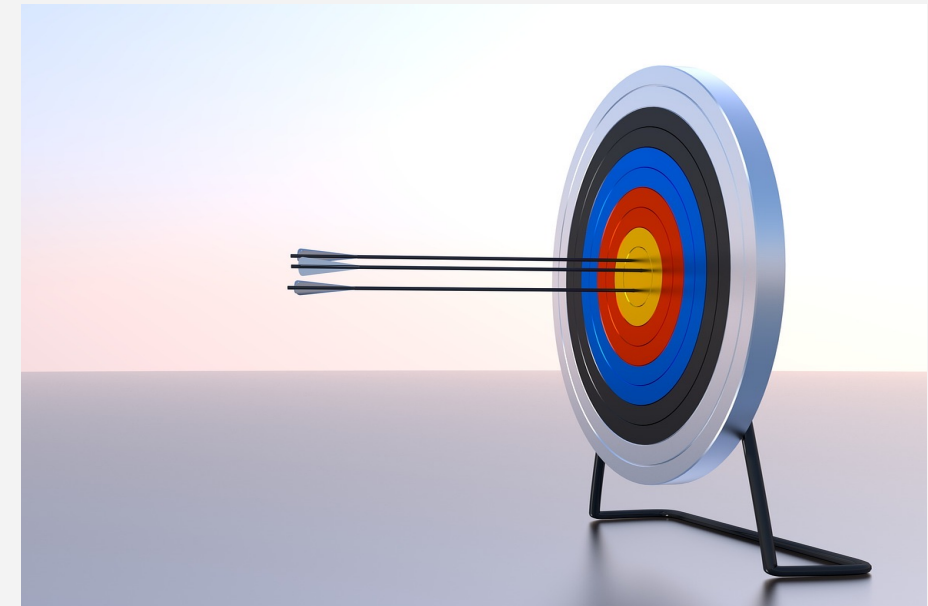
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### Abstract

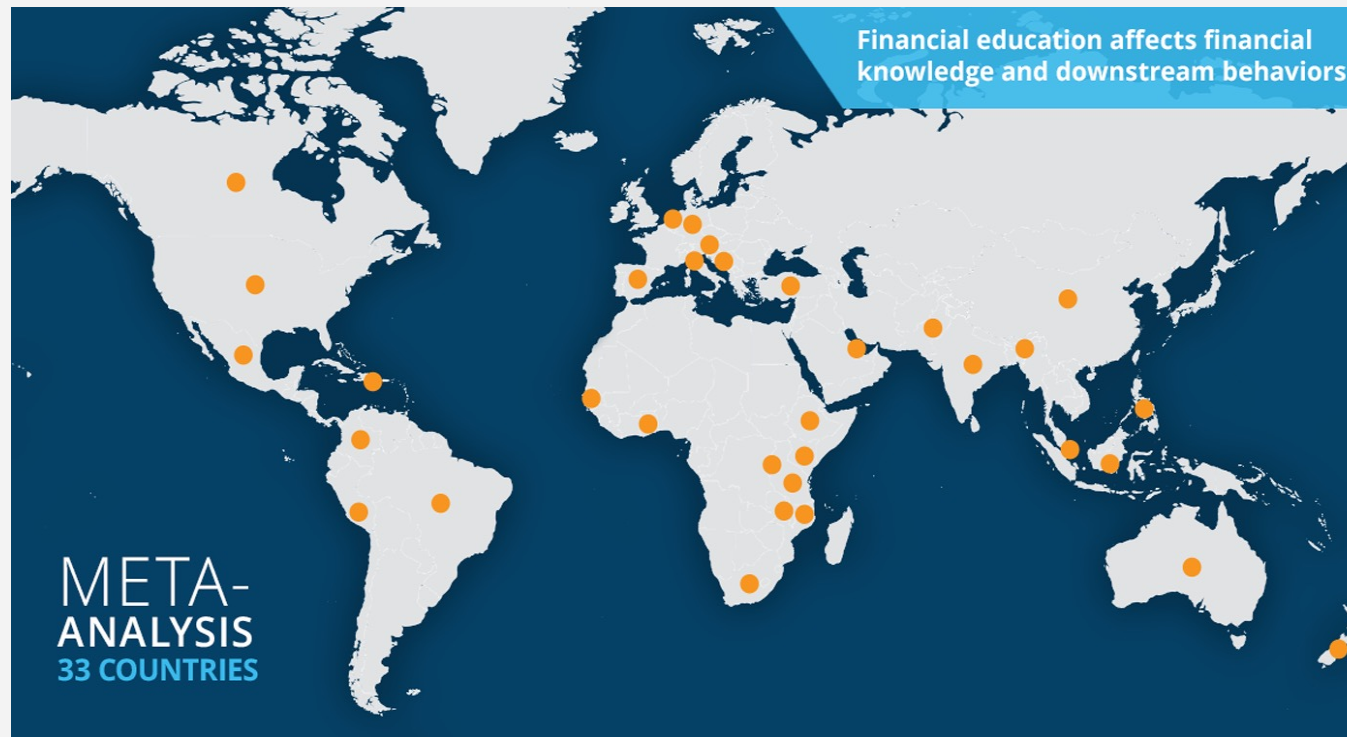
We study the rapidly growing literature on the causal effects of financial education programs in a meta-analysis of 76 randomized experiments with a total sample size of over 160,000 individuals. Many of these experiments are published in top economics and finance journals. The evidence shows that financial education programs have, on average, positive causal treatment effects on financial knowledge and downstream financial behaviors. Treatment effects are economically meaningful in size, similar to those realized by educational interventions in other domains, and robust to accounting for publication bias in the literature. We also discuss the cost-effectiveness of financial education interventions.



<https://gflec.org/metaanalysis/>

# More on the meta-analysis

Our study includes 76 randomized controlled trials from 33 countries with over 160,000 individuals across the lifespan.



Financial education works in both developed and developing countries. It is also **cost-effective**.



# Financial education in school is critically important

We need financial education in school to change the statistics



1. Rigorous education
2. Access to every student
3. Cost-effective

**A case for making financial education mandatory**

# Where to start



- **Policy makers must invest in young people!**
- The OECD provides guidelines to develop effective financial education programs for students aged 15-18.
- It is not mission impossible. For example, Portugal made financial education mandatory in schools in 2018.

# Financial literacy: a shield to protect against shocks

*“Financial knowledge not only enables us to cope with crises but, in a fast-changing world, it allows us to better plan for tomorrow.”*

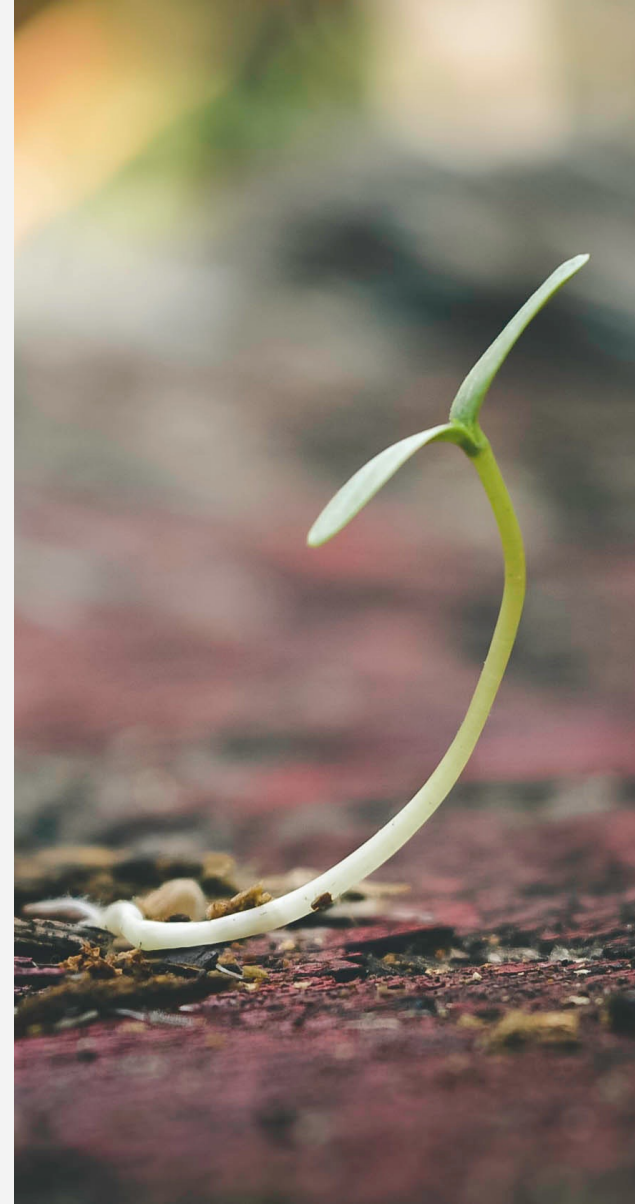


At the event “Why Should Young Europeans Care about Finance and Taxation?” organized by European Parliament’s Committee on Economic and Monetary Affairs (Econ) and Subcommittee on Tax Matters (Fisc). October, 2022. [https://www.europarl.europa.eu/cmsdata/255907/1b.%20Statement\\_Lusardi.pdf](https://www.europarl.europa.eu/cmsdata/255907/1b.%20Statement_Lusardi.pdf)

# Financial literacy is like water in an ecosystem

Financial literacy is an essential component. It is the foundation (like water). Without financial literacy, the ecosystem does not flourish.

**Plan your money,  
plant your future!**





# Thank you!

**For more info visit [www.gflec.org](http://www.gflec.org).**

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**If you have any questions, please send them to [alusardi@gwu.edu](mailto:alusardi@gwu.edu).**