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Business

NEW REPORT

Financial well-being and literacy in a high-inflation environment

The 2023 TIAA Institute-GFLEC
Personal Finance Index



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2023 P-FIN INDEX REPORT JUST RELEASED

Financial Well-Being and Literacy in a High-Inflation Environment

As inflation hit a 40-year high in 2022, 25% of American workers cut their retirement savings and 12% stopped saving entirely, according to the 7th annual *Personal Finance (P-Fin) Index*, a joint initiative of the TIAA Institute and GFLEC. Hispanic American workers have been impacted the most: 40% decreased the amount they are saving and 24% stopped saving for retirement in 2022 because of financial pressures created by inflation.

These findings are worrisome because interrupting retirement savings can have long-lasting consequences for retirement security. Employees not only get behind with their regular contributions but also miss out on investment earnings, which can substantially impact the total amount of wealth accumulated for retirement, especially for young workers

Inflation and retirement savings



25%
of workers decreased
their retirement savings
because of inflation



12%
stopped saving
completely

Source: TIAA Institute-GFLEC Personal Finance Index (2023).

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The new *P-Fin Index* data also reveals that financial literacy levels remain low. Over the seven years of the *P-Fin Index*, a consistent finding is that U.S. adults correctly answered only about half of the 28 financial literacy questions, on average. This low level of financial literacy is troubling since the *P-Fin Index* measures working knowledge related to financial situations encountered in everyday life. More effort is needed to provide financial education in schools, communities, and the workplace.

Over time U.S. adults have correctly answered approximately one-half of the *P-Fin Index* questions, on average



25%
CORRECTLY
ANSWER
FEWER THAN
1/4 QUESTIONS

Source: TIAA Institute-GFLEC Personal Finance Index (2017-2023).

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“Every year the *P-Fin Index* findings are troubling, but this year more than ever, we are seeing how low levels of financial literacy in a volatile economy can lead to problems. We must focus on helping people of all ages, especially those who are the most vulnerable.”

— **Annamaria Lusardi**

Founder and Academic Director of GFLEC
University Professor at GW

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