



GEORGETOWN UNIVERSITY
 McCourt School of Public Policy
 Center for Retirement Initiatives

FAST FACT SHEET #11

What Do We Know About Financial Literacy and School-Based Financial Education?

- ✓ Personal finance knowledge is modest among U.S. adults. Only 16 percent of those surveyed for the personal finance index (P-Fin Index) answered more than 75 percent of the questions correctly. Twenty (20) percent answered 25 percent or less of the questions correctly.
[“The TIAA Institute-GFLEC Personal Finance Index: A New Measure of Financial Literacy.”](#) TIAA Institute/GLFEC, March 2017, p. 3
- ✓ Of the 8 functional areas comprising the P-Fin Index, those surveyed performed below average (answering less than one-half of the functional area questions correctly) on the subjects of insuring, investing, earning, comprehending risk and go-to information sources. They scored above average on the functional areas of consuming and saving, and well above average on borrowing and debt management.
[“The TIAA Institute-GFLEC Personal Finance Index: A New Measure of Financial Literacy.”](#) TIAA Institute/GLFEC, March 2017, p. 5 & 6
- ✓ Personal finance knowledge is greater among those ages 45 and older than those under age 45. The age gap persists across all functional areas, which is important because many consequential financial decisions are made well *before age 45* from a limited base of knowledge and understanding.
[“The TIAA Institute-GFLEC Personal Finance Index: A New Measure of Financial Literacy.”](#) TIAA Institute/GLFEC, March 2017, p. 9 & 11
- ✓ Individuals who have participated in a financial education class or program – provided in high school or college, in the workplace, or by a community organization – answered more personal finance questions correctly than those who did not receive financial education.
[“The TIAA Institute-GFLEC Personal Finance Index: A New Measure of Financial Literacy.”](#) TIAA Institute/GLFEC, March 2017, p. 13
- ✓ As of 2016, only 17 states require students to take a high school course in personal finance, the same as 2014. Twenty states require a course in economics, two fewer than in 2014.
[“2016 Survey of the States.”](#) Council for Economic Education, January 2016, p. 1
- ✓ As of 2016, only 7 states include personal finance and only 16 states include economics in their standardized testing.
[“2016 Survey of the States.”](#) Council for Economic Education, January 2016, p. 6 & 8
- ✓ More than one in six students in the U.S. failed to reach the baseline level of proficiency in financial literacy. Overall, American students fall in the middle of the pack globally, performing on average just behind Latvia and just ahead of Russia.
[“2016 Survey of the States.”](#) Council for Economic Education, January 2016, p. 2
- ✓ In Georgia, Idaho and Texas, student credit scores are 8 to 17 points higher by age 22 after implementing mandatory financial education programs.
[“2016 Survey of the States.”](#) Council for Economic Education, January 2016, p. 4
- ✓ Exposure to the types of high school personal financial education established by more rigorous mandates, such as those implemented by Georgia, Idaho and Texas, improves credit scores and reduces delinquency rates for young adults. All three states utilize some form of standardized personal finance curriculum and have integrated personal finance instruction into a required economics course. In addition, Georgia and Texas require testing and Georgia requires teacher training.
[“State Financial Education Mandates: It’s All in the Implementation.”](#) FINRA, January 2015, p. 2 & 4
- ✓ Financial literacy depends heavily on students’ socioeconomic background, suggesting that young people from less privileged backgrounds are less likely to be financially literate, and, thus, less likely to do better financially than their parents. The intergenerational transmission of inequality, via education, remains a problem.
[“Enhancing Retirement Savings with School-Based Financial Education.”](#) GFLEC, July 2016, p. 14