

Financial Education Fact Sheet

Consumers lack adequate financial background or understanding.

- Financial literacy surveys in Korea (2003) and the United States (2000) find that high school students have failing scores—that is, they answered fewer than 60 percent of the questions correctly—on tests designed to measure students' ability to choose and manage a credit card, knowledge to save and invest for retirement, and awareness of risk and the importance of insuring against it.
- A Japanese survey (2000) finds that 71 per cent of adult respondents have no knowledge about investment in equities and bonds, 57 per cent have no knowledge of financial products in general, and 29 per cent have no knowledge about insurance, pensions, and tax.
- An Australian survey (2002) notes when asked to answer four questions about a sample bank statement, only 49 per cent of respondents could answer all four questions correctly. In the same survey, although 67 per cent of respondents indicate that they understand the concept of compound interest, only 28 per cent correctly answered a problem using this concept.

Financial education does affect consumer behaviour.

- Frequent retirement seminars offered at the workplace increase participation in voluntary savings plans by between 6 and 12 percentage points, as well as increasing contribution rates, according to one study.
- Firms which gave their employees general financial advice found that participation in defined contribution plans increased by 15 percentage points. Providing targeted information about defined contribution plans increased participation by 21 percentage points.
- Personal financial training programmes have helped consumers increase their savings and reduce their levels of debt. Of those participants who increased savings, half did so by more than \$1500. Of those who reduced their debt, half did so by more than \$2000.

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