

Chapter 24

Addressing Financial Risks and Uncertainties Through Financial Literacy Education: Recommendations, Resources, and Results

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ABSTRACT

The world is full of financial risks and uncertainties even for those who have financial literacy. There are many factors to consider when planning financially: the stock market, hyperinflation, and climate change all play roles and are unpredictable. This chapter will focus on the actions that are being taken to establish financial literacy across the world and the impact these actions have on individual financial stability. Although financial literacy certainly cannot eliminate the risks and uncertainties that accompany unforeseen events, it is one way to prepare for these events. Even in times of normalcy, lack of financial literacy can put individuals at an increased risk of financial instability. This chapter presents a variety of recommendations and resources for financial literacy education as well as the risks and uncertainties that accompany their use.

INTRODUCTION

Despite the increase in access to financial information, people all over the world struggle to make educated financial decisions. The purpose of the present chapter is to highlight the current need for financial literacy education, resources available for the same, and contemporary research on the impact of such education. There are national and international organizations that provide information on financial literacy education. This chapter concentrates on information provided by the Organisation for Economic Cooperation and Development (OECD), International Network on Financial Education (INFE), the Consumer Financial Protection Bureau (CFPB) of the United States, and the Ontario Securities Commis-

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sion (OSC) of Canada. There are a variety of resources and curriculums available for financial literacy education. Many of these resources are free and can be incorporated into courses or used independently. Using these resources could be the first step to financial risk mitigation.

People all over the world of all ages are underprepared for financial planning. Many people lack the financial literacy to make decisions for saving, investing, making major purchases, and retirement plans. Organizations and governments have acted to impart financial literacy, but research is lacking in effective practices. Studies show that people around the world lack financial literacy (Lusardi & Mitchell, 2011). The United States Department of Labor National Longitudinal Survey of Youth revealed that financial literacy was low among adolescents ages 12 to 16 from a nationally representative survey sample of 9,000 adolescents. Less than one-third of young adults in the United States had basic knowledge of interest rates, inflation, and risk diversification (Lusardi, Mitchell, & Curto, 2010).

Many programs and resources have been developed to increase financial literacy and there is a push to teach financial literacy in schools. In 2015, the Financial Industry Regulatory Authority (FINRA), a private corporation in the United States, found that teaching financial skills prior to college is critical for adulthood with respect to financial security and success (Engard, 2016). Schools focus on teaching reading, writing, and math, but often fail to teach financial literacy. They strive to prepare students for adulthood, yet many adults struggle with financial knowledge and planning. While math is a major component of high school curriculums, the required courses are typically based on Algebra and Geometry and lack foundational financial education. However, there are many resources available to incorporate financial education into courses.

Based on available literature, this chapter will focus on data and resources for financial education collected from the Organisation for Economic Cooperation and Development (OECD), International Network on Financial Education (INFE), the Consumer Financial Protection Bureau (CFPB), and the Ontario Securities Commission (OSC). These sources provide elaborate data and recommendations relating to financial literacy. Throughout the chapter, this data will be correlated to other resources, programs, research, results, and recommendations. Lastly, this information will be used to establish how future research can include financial capabilities to account for variations in the economy.

The objectives of this chapter include:

1. **Need for Financial Literacy Education:** Providing data supporting the need for financial literacy education from OECD, CFPB, and OSC;
2. **Recommendations for Financial Literacy Education:** Providing recommendations for financial literacy education from OECD and CFPB;
3. **Resources for Financial Literacy Education:** Providing resources for financial literacy education from CFPB, OSC, and other additional resources;
4. **Results of Financial Literacy Education:** Providing data related to the effects of financial literacy education from CFPB and other research studies;

BACKGROUND: NEED FOR FINANCIAL LITERACY EDUCATION

Financial literacy has the potential to create stability in times of financial risk and uncertainty. “Starting Early for Financial Success” was a special issue of *The Journal of Consumer Affairs* that focused on financial education, financial inclusion, and financial well-being. The journal identified three main

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