Foreword

Basic financial literacy is an essential life skill. Individuals make financial decisions for themselves at all ages: from children deciding how to spend their pocket money to teenagers entering the world of work, from young adults purchasing their first home to older adults managing their retirement savings. Financial literacy helps individuals to navigate these decisions and strengthens their financial well-being. In this spirit, it also promotes inclusive growth and more resilient financial systems and economies.

For the second time, the latest edition of the OECD's Programme for International Student Assessment (PISA) – which serves as the world's premier yardstick for evaluating the quality, equity and efficiency of school systems – assessed the financial literacy of 15-year-old students. In particular, it examined their capacity to apply their financial knowledge and skills to real-life situations involving financial issues and decisions.

The results call for greater investments in financial literacy from a young age. Students performing at the highest levels of proficiency in financial literacy are more likely than lower-performing students to be oriented towards saving, to expect to complete a university education, and to work in a high-skilled occupation. This suggests that financially literate students may be better able to recognise the value of investing in their human and financial capital.

But PISA 2015 data show that far too many students around the world are failing to attain a baseline level of proficiency. Even in countries and economies that perform at or above the OECD average – including Australia, Italy, the Netherlands, Poland and the United States – at least one fifth of students perform below the baseline level of proficiency. This means that these students cannot even recognise the value of a simple budget or understand the relationship between how much a vehicle is used and the costs incurred.

There is thus an urgent need for all countries, regardless of their economic and financial development, to improve the financial literacy of their students. While we don't yet have all the answers, the *PISA 2015 Financial Literacy Assessment* shines the spotlight on a number of important policy considerations.

- First, parents have traditionally had – and will continue to have – a major role in transmitting financial values, habits and skills to their children. PISA 2015 data show that students who have the chance to talk to their parents about money and saving also tend to have higher financial literacy. But at the same time, the fact that students' financial literacy skills are strongly related to their socio-economic status (or whether they – or their parents – are foreign-born) means that not all students have the same opportunities to acquire financial literacy if they rely solely on what they can learn from their family.
- Second, having a solid foundation in mathematics and reading is crucial for navigating the financial environment, from computing percentages to reading a bank statement, but it is not all that matters. PISA 2015 data highlight many features unique to financial literacy, such as being aware that some deals really are too good to be true, understanding the role of income tax, or being vigilant for fraudulent e-mails. Students in top-performing countries and economies, such as the Flemish Community of Belgium, Beijing-Shanghai-Jiangsu-Guangdong (China), the participating Canadian provinces (British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island) and the Russian Federation, perform better in financial literacy than predicted by mathematics and reading.

- Third, while access to financial services at a young age provides students with great opportunities to learn by experience, it also creates new challenges. As recognised by G20 members, digital technologies can make financial services accessible to previously excluded segments of the population and young people, but can also give rise to new types of fraud, can expose customers to data insecurity, and can facilitate access to short-term credit and questionable digital offers. It is vital that young people have not only the knowledge and skills to start experimenting with the financial marketplace and begin to know its risks and traps, but also that financial products and services – especially those targeted to minors – are safe and regulated.

The policy agenda to tackle low performance in financial literacy is complex and encompasses a range of stakeholders, including parents, teachers, public authorities in education and finance, as well as the financial industry and civil society. The OECD stands ready to guide and support these efforts.

Angel Gurría
OECD Secretary-General

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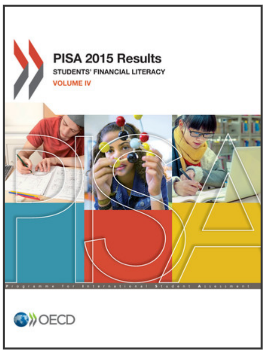

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