NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION

Partnering for Financial Well-Being

Quick Takeaways

Enhancing Retirement Savings with School-Based Financial Education
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Primary Purpose: To analyze findings from the Organization for Economic Cooperation and Development (OECD)'s 2012 Program for International Student Assessment (PISA) financial literacy data and their implications for the development of sustainable retirement systems.
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Key Findings

- Fifteen-year-old Americans do not have an adequate level of financial literacy for the United States to maintain a retirement system that relies heavily on individual decision making.
- The average American student earned a score of 492 on the financial literacy assessment, just below the OECD average of 500.
- Retirement system generosity – or how close to 100 percent of their working income people can expect to receive from their country's pension system – is linked to students' PISA financial literacy assessment scores for both women and men.
- Countries with lower income replacement rates tend to perform better in financial literacy, while students in countries with higher income replacement rates score lower in financial literacy. There is one exception: The United States has comparatively low retirement replacement rates among the participating countries and economies, but students do not demonstrate above-average proficiency in financial literacy. The impact of this mediocre performance likely is greater on Americans, who have more individual responsibility to augment Social Security with personal savings.
- Not even one in ten students in the United States (9.4 percent) performs at the highest level of proficiency, while almost 18 percent perform below the baseline level.
- GDP per capita only explains 16 percent of country-level variations in financial literacy, indicating that living in a developed country or being exposed to well-developed financial markets alone does not improve financial literacy.
- High performance in the financial literacy assessment among Americans is associated with variables such as high socioeconomic status, parental involvement in a child's school, high parental expectations for children's scholastic achievement, high functionality of the school, and teacher competence and classroom control.

For more information and to read the executive summary and final report, visit www.nefe.org.