



Financial Capability Assessment for Church Pension Group Members

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The Global Financial Literacy Excellence Center (GFLEC)

- Founded in 2011 at The George Washington University School of Business by Prof. Annamaria Lusardi
- GFLEC is one of the leading research centers in financial literacy globally.



Core Activities



- We focus on groundbreaking research to advance financial literacy, with particular emphasis on financial education in schools, in the workplace, and in the community.
- Through our research and expertise, we seek to inform policy as well as develop and promote financial literacy program around the world.

Some questions we all ask

How can I best prepare for emergency situations?

- Precautionary savings

What will my work be tomorrow?

- Investing in skills and education

Will my pension be enough?

- Saving for the future

How can I grow my saving?

- Investing and portfolio choice

How can I help others?

- Children and parents
- Caring for others and the environment

And much more...



Some questions we all ask

What will my work be tomorrow?

- Investing in skills and education

Will my pension be enough?

- Saving for the future

Are we prepared to make these decisions?

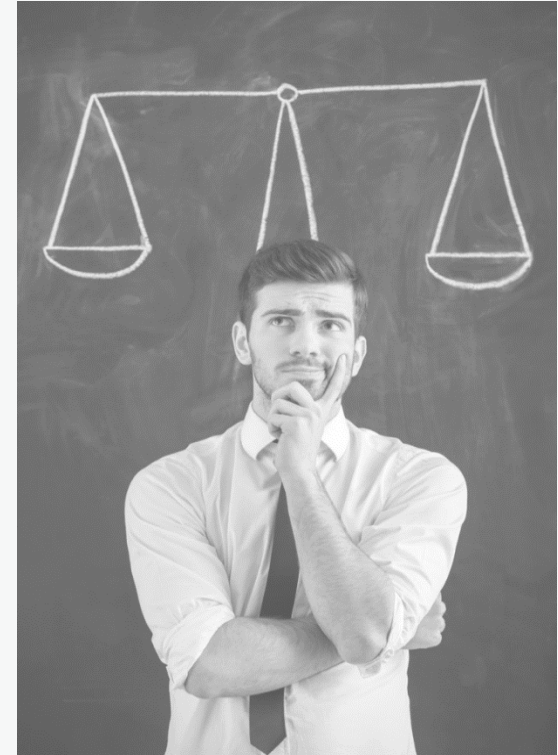
How can I grow my saving?

- Investing and portfolio choice

How can I help others?

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And much more...



Data Methodology

When was the data collected?

- Between November and December 2018

What was the size of the sample?

- The sample included 1,053 individuals

What was asked in the survey?

- 38 questions:
 - Financial Literacy
 - Financial Situation
 - Money-Management Behavior

Who was the comparison group?

- 2015 and 2018 National Financial Capability Study (NFCS)
- Comparison group characteristics: Those who are at least 25 years old, hold bachelor or post graduate degrees, and are employed full-time or part-time.

What do we do with these findings?

- Inform program direction
- Update CPG curriculum
- Research findings can help raise awareness

Part 1

Measuring Financial Literacy



Measuring the ABC of personal finance

What are the Big Three?

Three financial literacy question that test the knowledge of fundamental financial concepts.

- Interest Rate
- Inflation
- Risk Diversification

What are the main findings?

- Financial illiteracy is widespread in the population
- Basic knowledge cannot be taken for granted, even in advanced economies
- Risk diversification is most difficult concept to grasp
- Vulnerable groups are less likely to answer correctly
- Similar patterns across countries

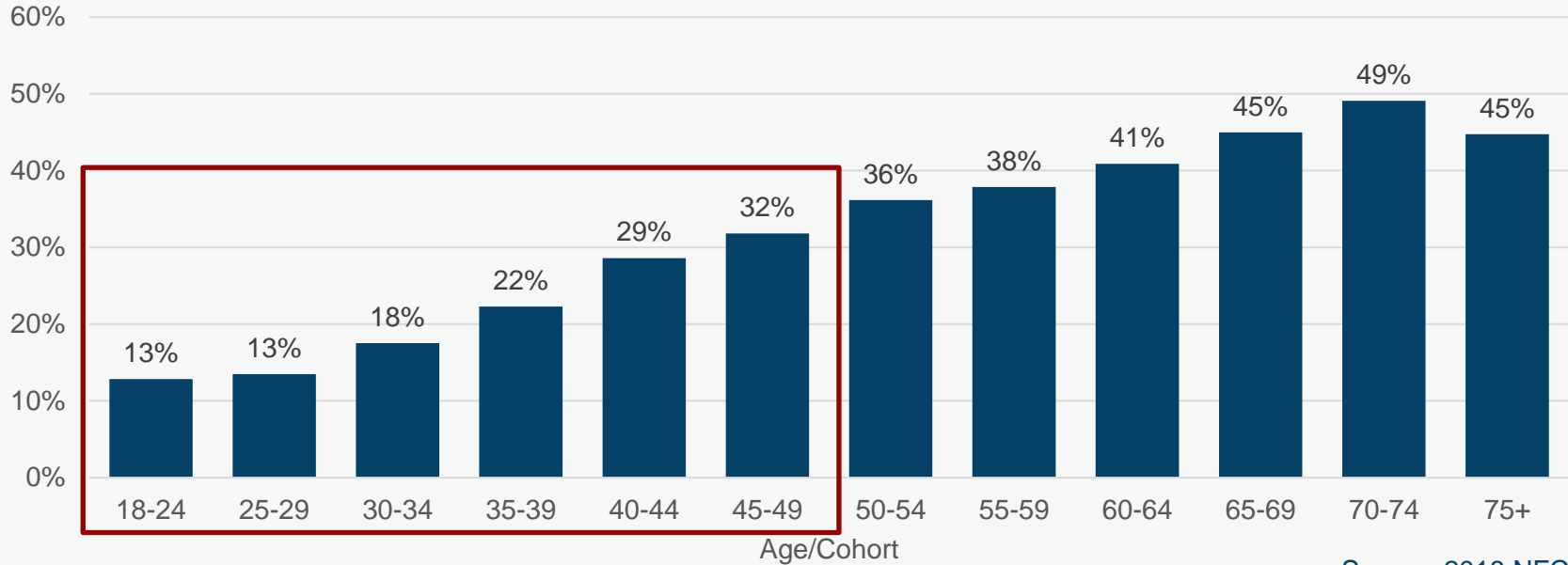


...of Americans could correctly answer the Big 3 in 2018

30%

Financial literacy across age

Percentage answering the Big 3 questions correctly



Source: 2018 NFCS

QUIZ

Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

- More than \$102
- Exactly \$102
- Less than \$102
- Don't know



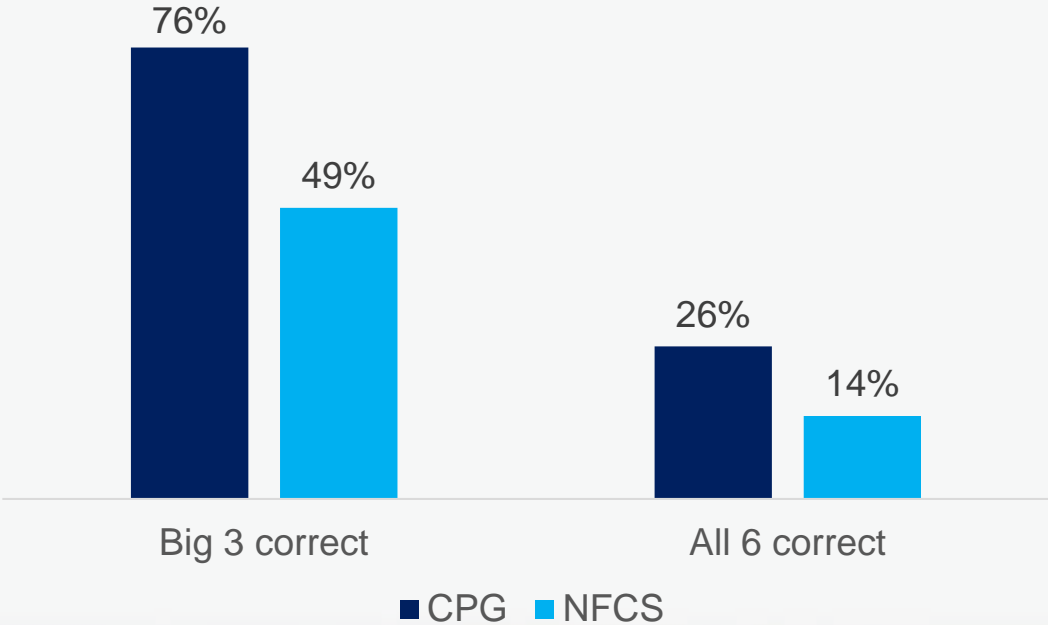
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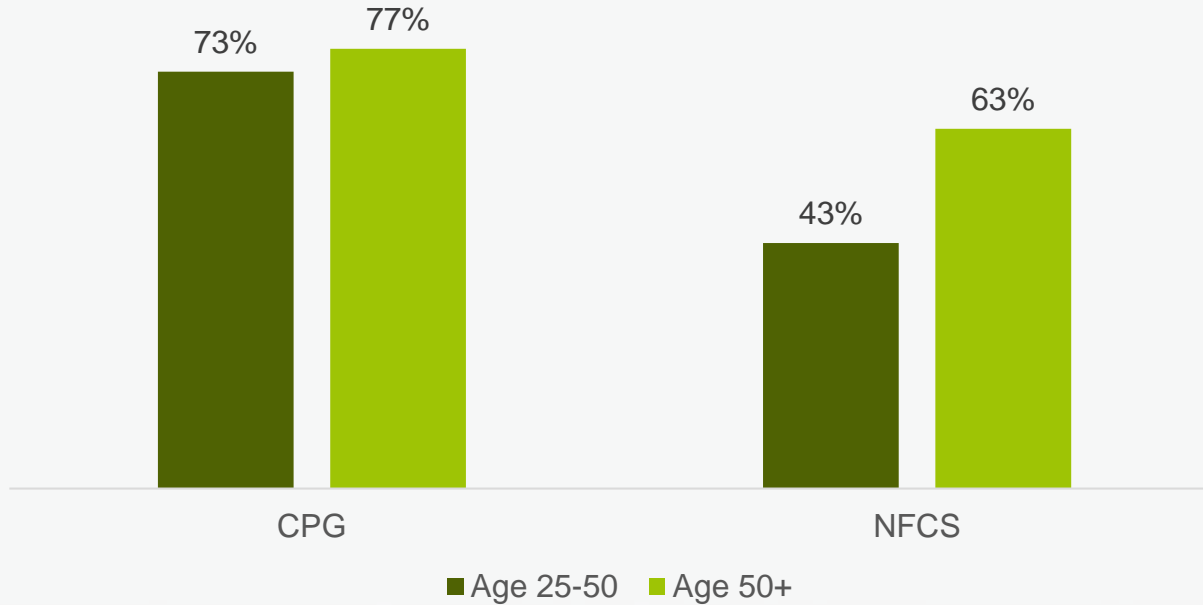
87%

Financial Literacy: CPG compared to the NFCS

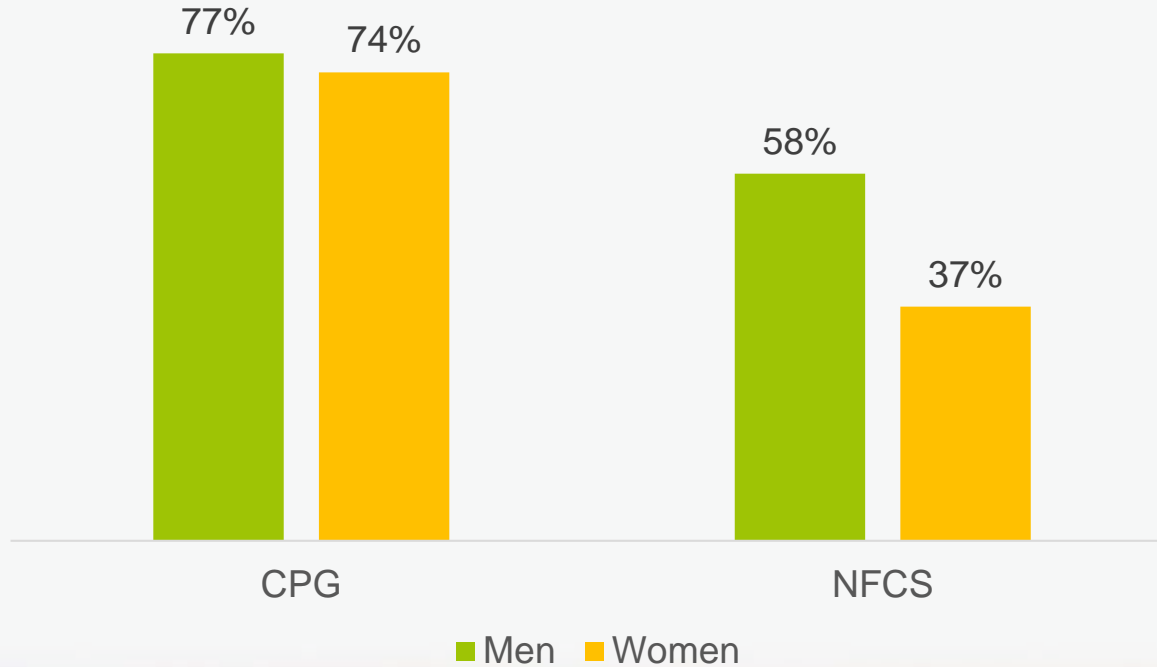


68% of the CPG members assess their overall financial knowledge as high or very high.

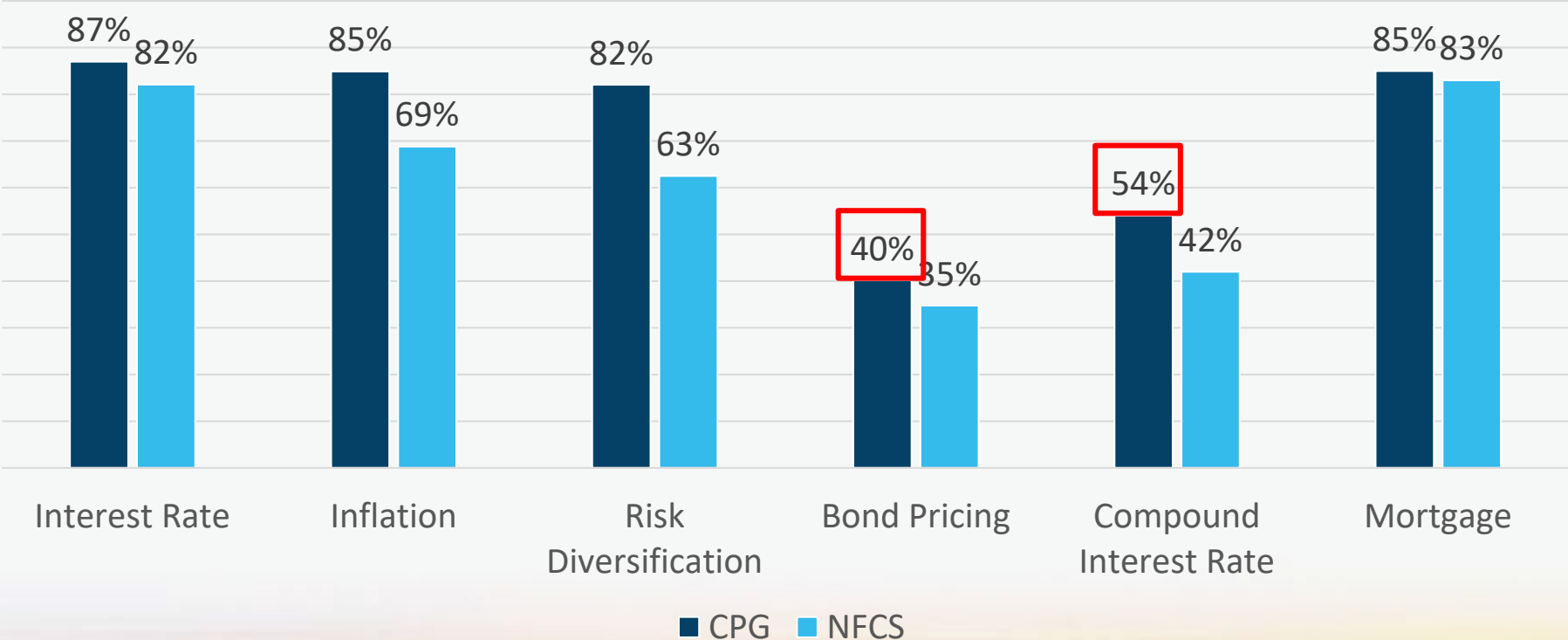
Big 3 correct: Younger vs. Older Clergy



Big 3 correct: Women versus Men



Single financial literacy questions answered correctly



QUIZ

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, with the money in this account, would you be able to buy...

- More than today
- Exactly the same as today
- Less than today
- Don't know



QUIZ

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, with the money in this account, would you be able to buy...

- More than today
- Exactly the same as today
- Less than today**
- Don't know

85%

Part 2

Financial Situation and Money Management



Financial fragility before the pandemic – 2020 P-Fin Index

33%

Having difficulty making ends meet

31%

Debt and debt payments prevent respondents from adequately addressing other financial priorities

27%

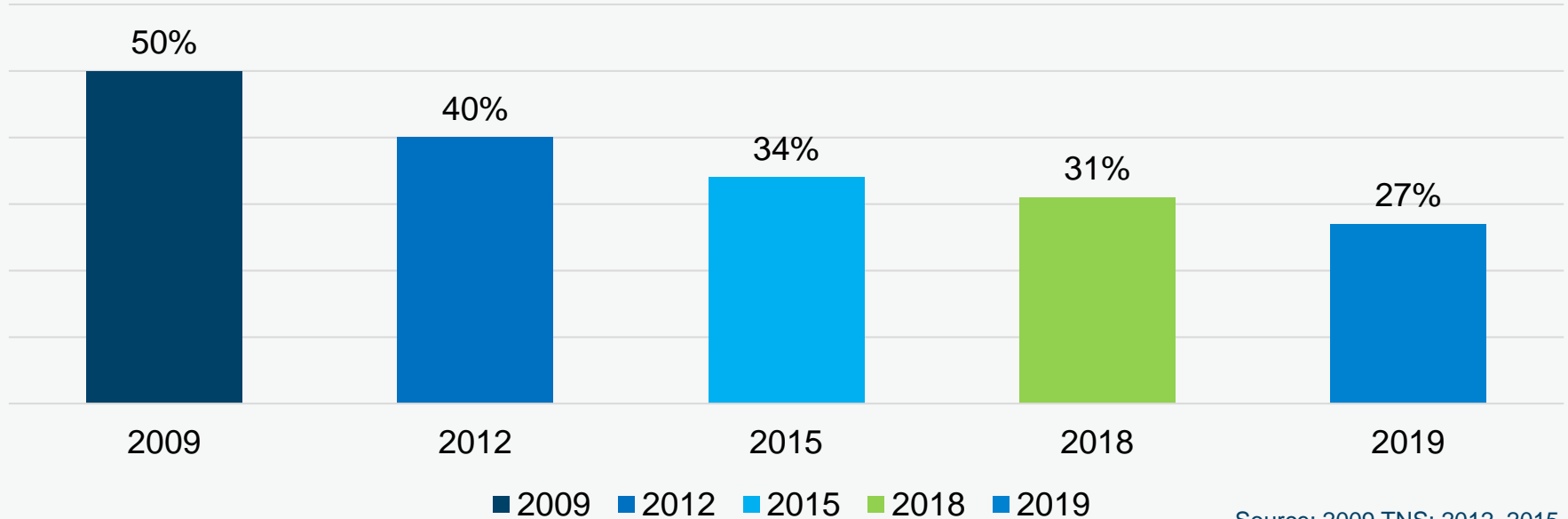
Could not come up with \$2,000 if an unexpected need arose within the next month

61%

Never tried to figure out how much they need to save for retirement



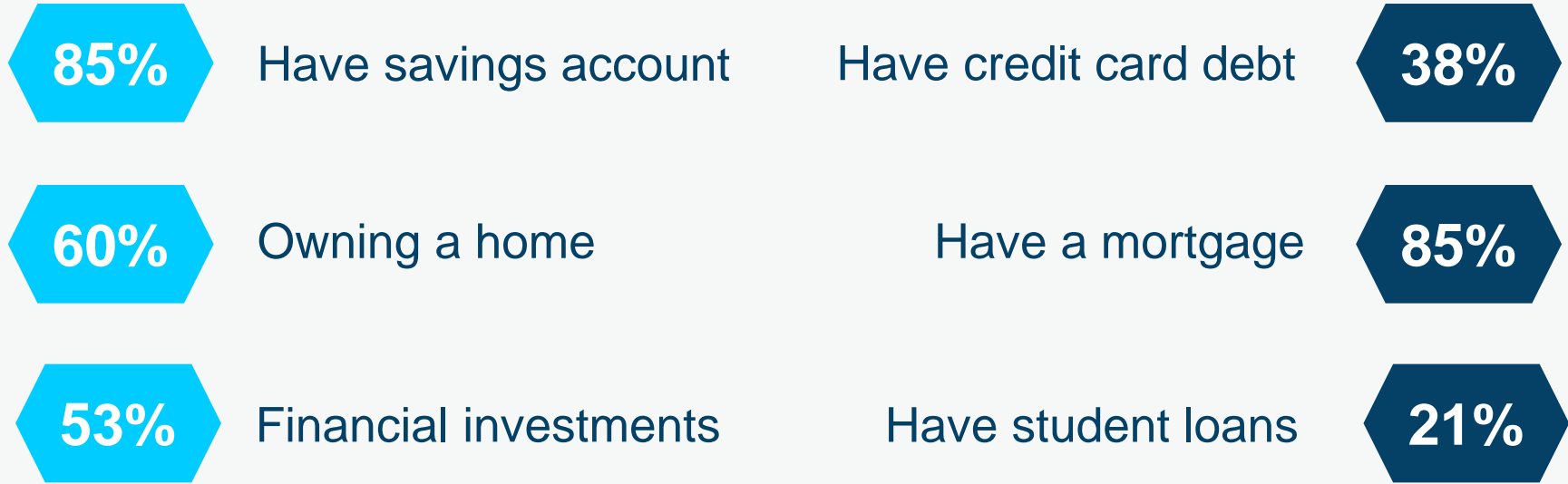
Financial fragility over time



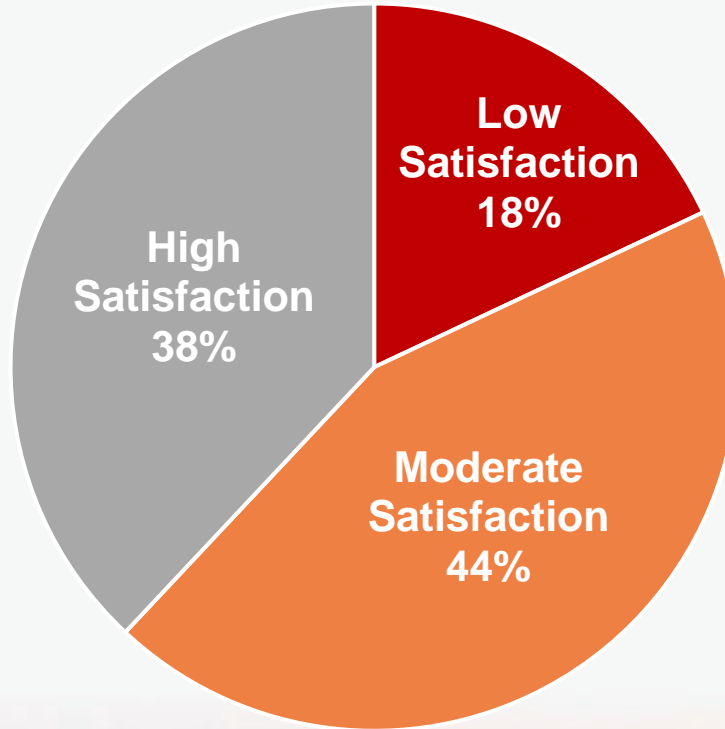
Source: 2009 TNS; 2012, 2015, & 2018 NFCS, 2019 P-Fin Index

Averages hide large differences in the population

Financial situation – Assets and Liabilities



Satisfaction of clergy with current personal financial condition

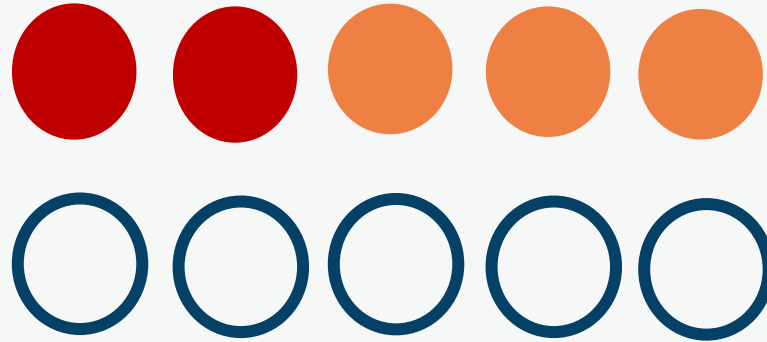


“Overall, thinking of assets, debt and savings, how satisfied are you with your current personal financial condition?”

Overburdened with debt

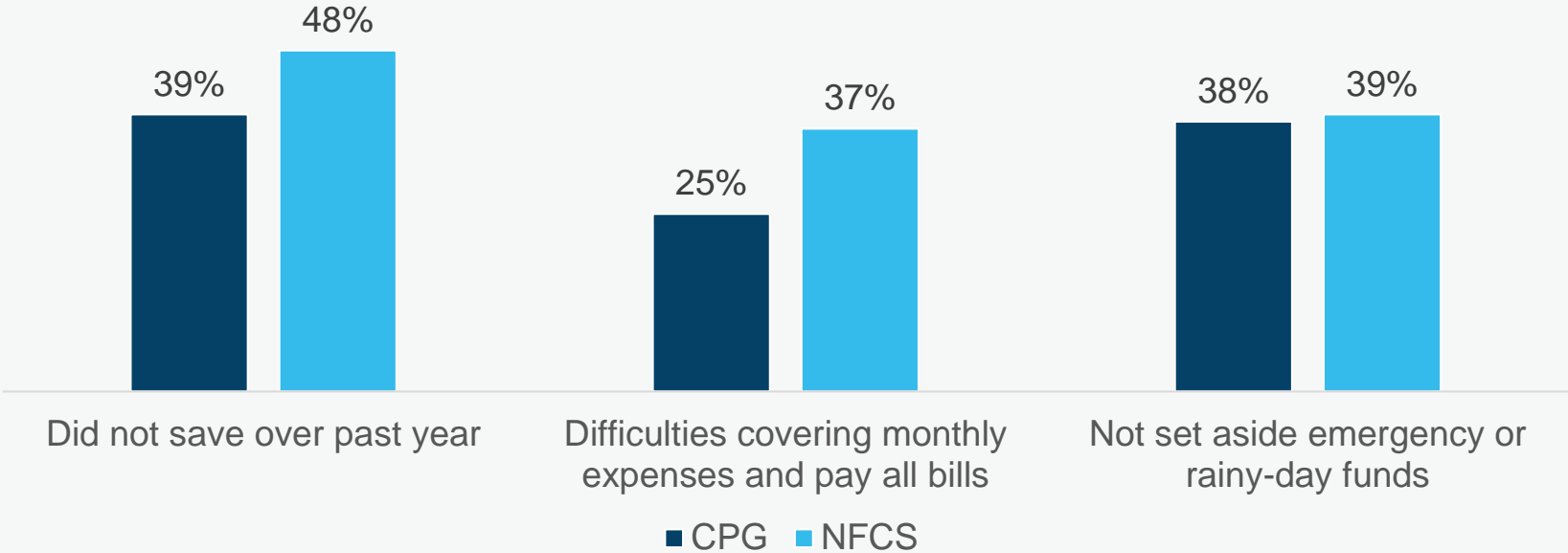
20% feel to have too much debt right now

30% neither agree nor disagree to have too much debt right now



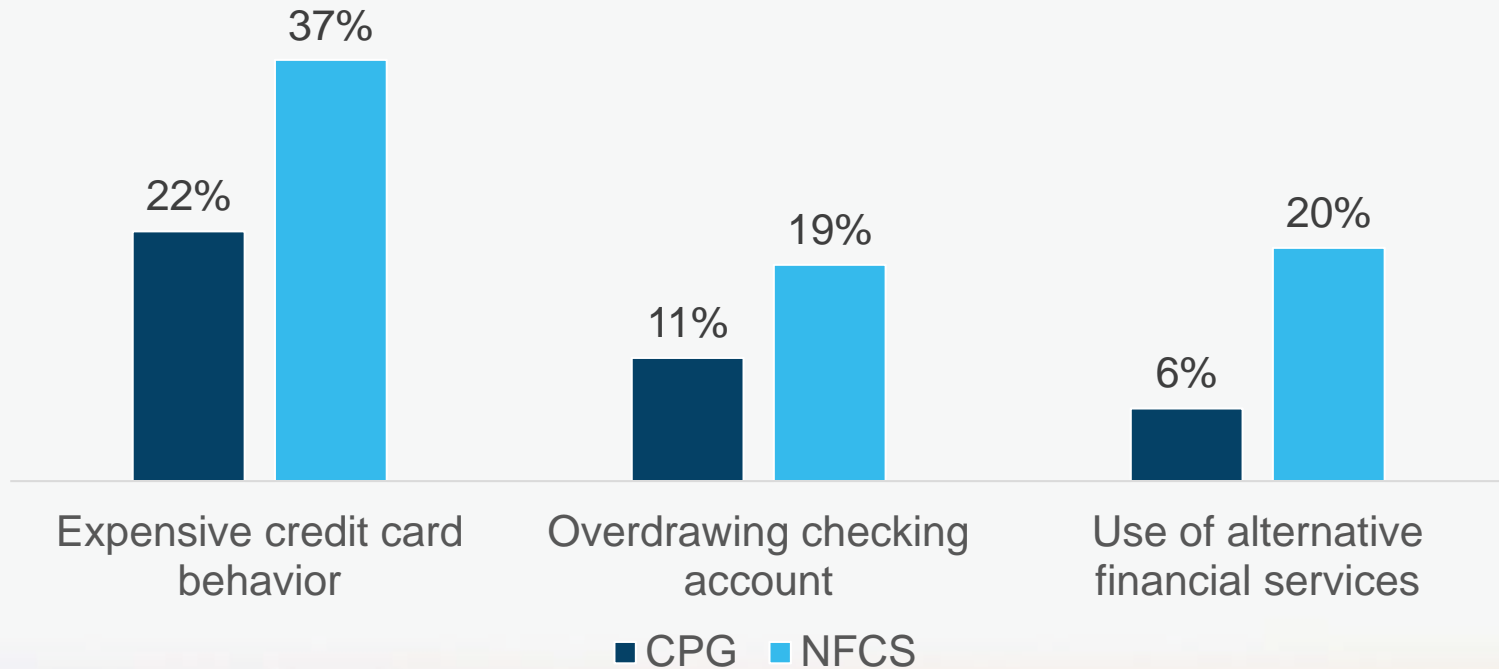
50% do not feel they have too much debt

Short-Term Money Management – Precautionary Savings

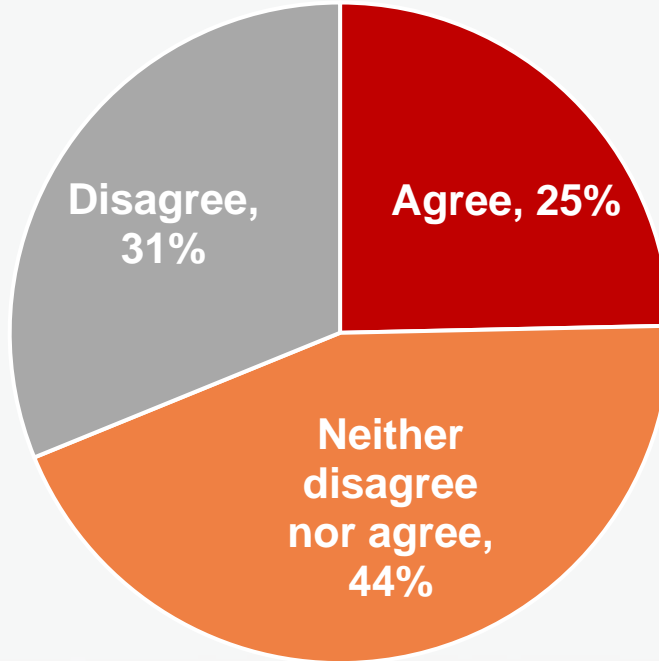


Clergy members are more prepared for emergencies and display better savings practices. However, there is still room for improvement.

Expensive Short-Term Money Management



Long-Term Money Management – Retirement Preparedness



“I worry about running out of money in retirement”

The link with financial literacy



Who is financially literate:

- is more likely to have precautionary savings
- is less likely to have too much debt
- is less likely to engage in expensive money management behavior
- Is more likely to plan and save for retirement

QUIZ

Do you think the following statement is true or false?

Buying a single company stock usually provides a safer return than a stock mutual fund.

- True
- False
- Don't know



QUIZ

Do you think the following statement is true or false?

Buying a single company stock usually provides a safer return than a stock mutual fund.

- True
- False**
- Don't know

82%

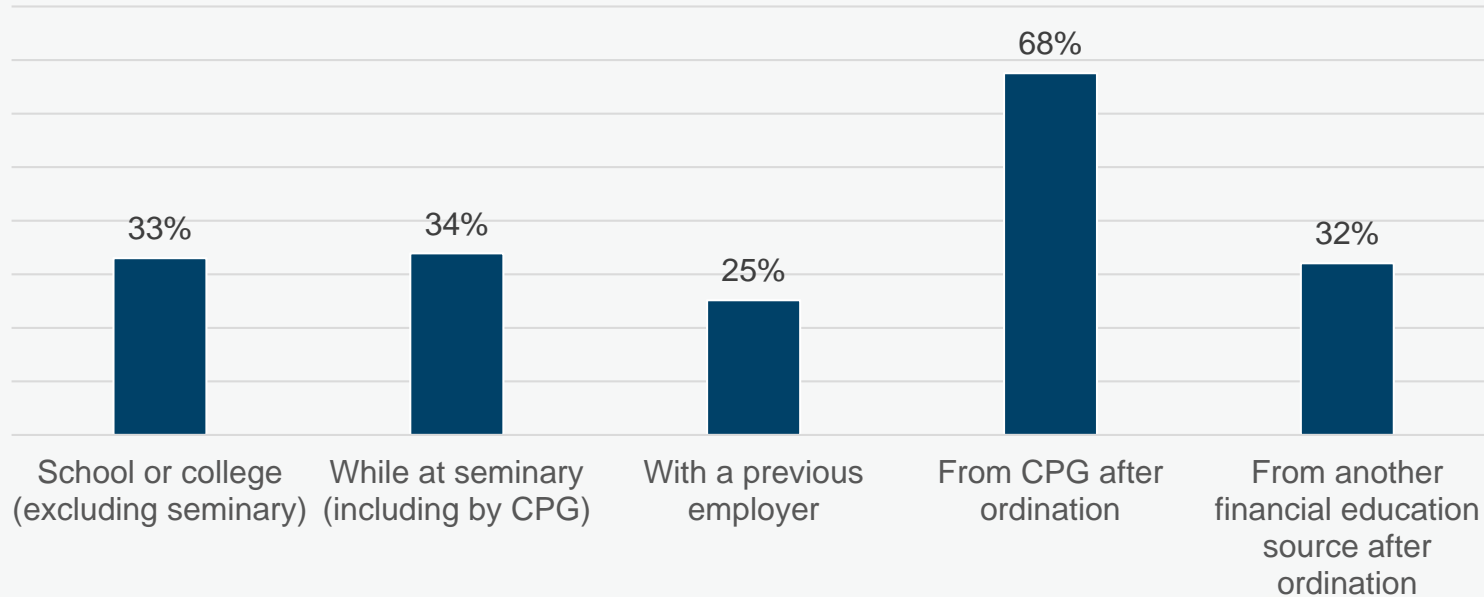
Part 3

Financial Education



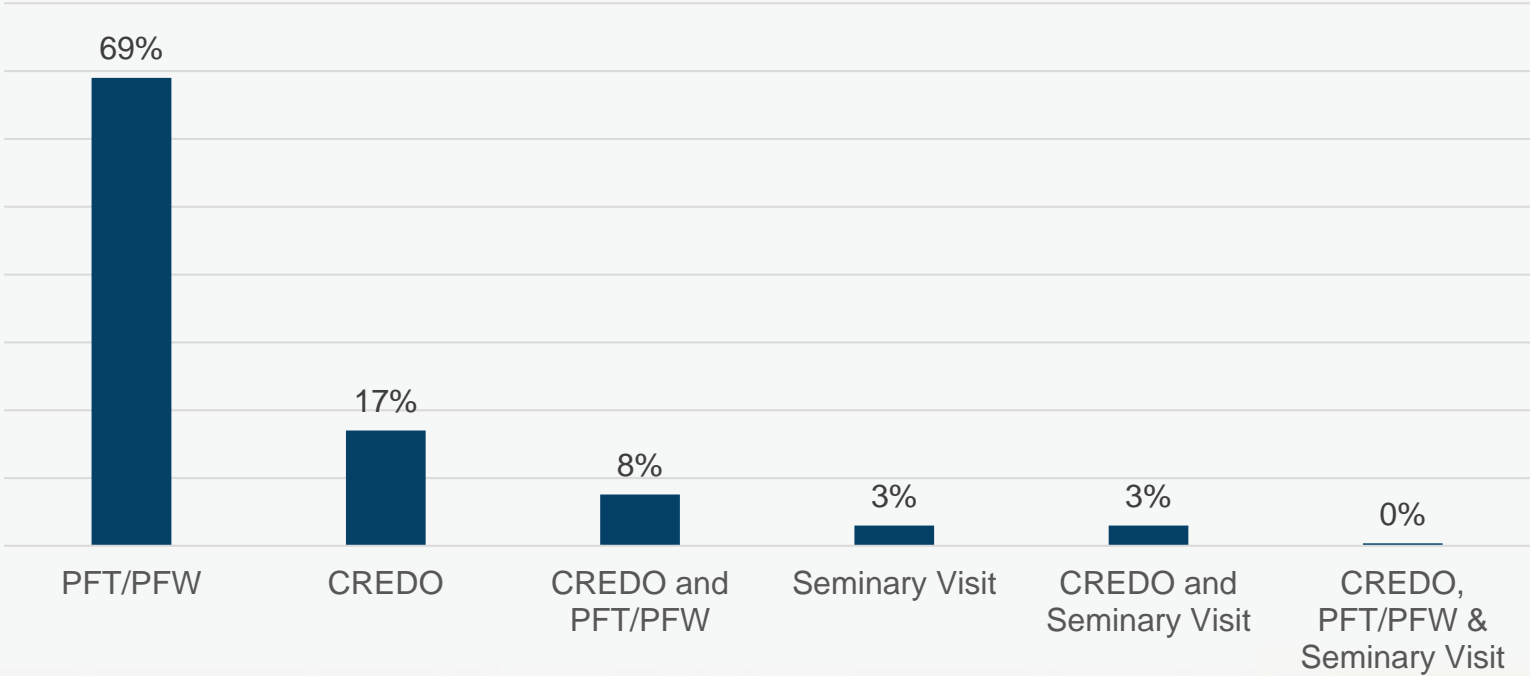
Financial Education

Financial Education Offer by Provider



Among the CPG members, 85% reported being offered financial education through various providers.

Financial Education offered by CPG



Thank you!

