

Over the past few decades, financial literacy has emerged as a crucial issue—particularly in the US, where individuals are largely responsible for ensuring their own financial security.

Unfortunately, and despite the increased attention, financial literacy remains a controversial topic. There is still a fair amount of confusion surrounding its scope and definition, the appropriate approach to assess its current levels, and the most effective means to improve it.

In “[Financial Literacy in the United States](#),” we bring clarity to the debate on this crucial topic. We review and analyze existing studies, surveys, and indicators to provide a comprehensive overview of the financial literacy landscape in the US.

### WHAT DO WE FIND?

Our analysis paints a worrisome picture of the current state of financial literacy in the US.

First, many individuals—both young and old—lack the basic knowledge and skills required to successfully navigate today’s complex financial world (see fig. 1). This situation significantly threatens their prosperity and financial well-being.

Second, financial literacy varies substantially across groups. We identify wide gaps in financial literacy along racial, socioeconomic, and gender lines. If left unattended, these gaps will amplify existing inequalities across the population.

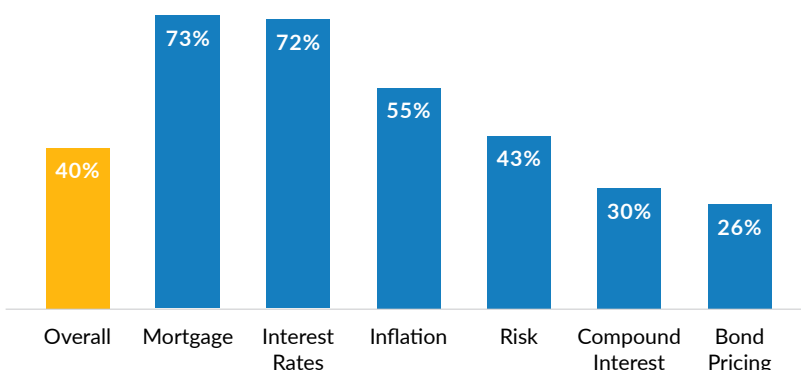
Third, despite numerous initiatives by the US government, nonprofit organizations, and for-profit enterprises, financial literacy levels have not improved over the past decade.

### POLICY IMPLICATIONS

Our research identifies three necessary steps that will help improve financial literacy in the US.

- 1. A common and updated definition.** We need to agree on what financial literacy means and how to measure it in today’s society. In this respect, it is crucial to go beyond knowledge and skills, recognizing that attitudes and behavioral factors are equally critical for individuals to engage successfully in sound financial decision-making.
- 2. Better assessments and evaluations.** We need more rigorous and systematic evaluations of financial literacy strategies in the US. Well-executed evaluations will provide critical insights on what does and does not work to improve financial literacy. This information can then be used to identify best practices and prioritize areas in which financial education resources can best be spent.
- 3. Technology to help tailor efforts to target specific audiences.** New financial technologies complement and leverage traditional financial education approaches. They are particularly useful to reach vulnerable and younger populations.

**Figure 1. Financial Knowledge: Overall and by Topic Area**



Note: The overall rate is the fraction of respondents who correctly answered at least four out of the six questions included in the survey.

Source: National Financial Capability Study (2018)

For questions or comments, please email us at [research@milkeninstitute.org](mailto:research@milkeninstitute.org).

To view the full report, visit <https://milkeninstitute.org/report/financial-literacy-united-states>.

