



LABOR AND POPULATION

***Financial Literacy and Planning:  
Implications for Retirement Wellbeing***

**Annamaria Lusardi**

**Olivia Mitchell**

# *Financial Literacy*

- **2% Compound interest**
- **1% interest and 2% inflation**
- **Single company stock versus stock mutual fund:**
  - **33.7% DK**
  - **13.2% incorrect**
  - **52.3% correct**

**If we assume the 13.2% gambled, then probably only  $52.3 - 13.2 = 39.1\%$  really knew what they were talking about**

# *Planning*

- **Have you ever tried to figure out how much your household would need to save for retirement? (31.3%)**
- **Did you develop a plan for retirement saving? (58.4% of those who said yes to the previous question)**
- **How often were you able to stick to this plan: Would you say always, mostly, rarely, or never? (37.7% always)**

## *Planning tools*

- Did you talk to family and relatives?
- Did you talk to co-workers or friends?
- Did you attend a retirement seminar?
- Did you use calculators or worksheets that are computer or Internet-based?
- Did you consult a financial planner or advisor or an accountant?

**Yes to these answers between 20 and 50%.  
(How about: at least one of these?)**

# So?

- Respondents do not appear very financially literate... (bad)
- They don't seem to worry/plan much about/for retirement (not necessarily bad)
- Commitment is an issue
- Even if they are literate and if they plan, how do we know these plans are any good?

## *What now?*

- **Can we improve financial literacy?**
- **Whether lack of planning is bad depends on the underlying reason: “I know I have enough”, or “It’s such a mess, I don’t even want to think about it”, or “I don’t understand any of this”.**
- **Can we provide commitment devices if discipline is a problem?**
- **How should financial information be presented, so that people get keyed on the right features?**
- **We clearly need a lot of further experimentation, as in the RAND Roybal Center for Financial Decision Making**