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EDITORIAL

# The importance of financial literacy and its impact on financial wellbeing

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## Abstract

In this editorial, we provided an overview of the papers in the inaugural issue of the *Journal of Financial Literacy and Wellbeing.* They cover topics that are at the center of academic research, from the effects of financial education in school and the workplace to the importance of financial literacy for the macro-economy. They also cover financial inclusion and how financial literacy can promote the use of basic financial instruments, such as bank accounts. Moreover, they cover financial decision making in the context of complex instruments, such as mortgages, reverse mortgages, and crypto assets. The papers all share similar findings: financial literacy is low and often inadequate for making the types of financial decisions that are required today. Moreover, financial literacy is particularly low among already vulnerable groups. Importantly, financial literacy matters: it helps people make savvy financial decisions, including being less influenced by framing, better understand information that is provided to them, better understand the workings of insurance, and being more comfortable using basic financial instruments. In a nutshell, financial literacy improves financial wellbeing.

**Keywords:** financial literacy; financial wellbeing; financial resilience

## Introduction

Financial literacy is an essential skill for making savvy financial decisions, understanding the world around us, and being a good citizen. Changes in the pension system, the increasing complexity of financial instruments (including new instruments such as crypto assets), inflation, and increased risks (from the war in Ukraine to climate change) are some of the reasons behind the increasingly urgent need for individuals to have the knowledge and skills that will increase their financial resilience and wellbeing. The OECD Recommendation on Financial Literacy, adopted in 2020, recognized financial wellbeing as the ultimate goal of financial literacy.[1]

Despite this urgency, levels of financial literacy are remarkably low, even in countries with well-developed financial markets and in which individuals actively participate in financial markets. According to the latest OECD adult financial literacy survey, financial literacy is low in many of the countries belonging to the G7 and G20 bloc. This aligns with findings from a global survey on financial literacy that showed that only a handful of

[1] See OECD (2020a).

countries rank high on very basic measures of financial literacy.[2,3] Not only is financial illiteracy widespread in the population, but it is particularly acute in some demographic sub-groups that are already financially vulnerable, such as women and those with low-income and low-educational attainment.[4]

Financial literacy is also low among high school students, indicating that the next generation of adults is ill equipped to face the challenges and changes that are ahead of them. According to the latest wave of the OECD Programme for International Student Assessment (PISA), in some G7 countries, such as Italy, about 20 percent of students do not have basic proficiency in financial literacy. In other countries, such as Peru or Brazil, that proportion is higher than 40 percent.[5]

Much research has been done so far, from measuring financial literacy to assessing the effectiveness of financial education programs to evaluating the link between financial literacy and behavior and the impact of financial literacy on individuals as well as the macro-economy. The number of papers on financial literacy has increased exponentially over the past decade.[6] Financial literacy has become an official field of study, with its own *Journal of Economic Literature* code (G53). For all of these reasons, it was time to have an academic journal dedicated to financial literacy. Its mission is to provide the most rigorous research to advance knowledge and to inform policy and programs.

The inaugural issue of the *Journal of Financial Literacy and Wellbeing* covers topics that are at the center of academic research, from the effects of financial education in school and the workplace to the importance of financial literacy for the macro-economy. It also covers financial inclusion and how financial literacy can promote the use of basic financial instruments, such as bank accounts. Moreover, it covers financial decision making in the context of complex instruments, such as mortgages, reverse mortgages, and crypto assets.

Because the authors of the papers in this inaugural issue have done a vast amount of work on the topics under consideration, we have asked them, when possible, to provide an overview of their work so to gain a perspective of what we have learned so far and what are the most fruitful directions for future research.

There are three principles that bring all of these papers and topics together. First, financial literacy's relevance at the global level: it affects all countries and economies, irrespective of levels of economic development. The papers in this issue cover experiences from Peru, the United States, Canada, Australia, India, and Sub-Saharan African countries, among many others. When it comes to financial literacy, we can learn from many countries around the world, and the issues discussed in these papers are strikingly similar. Second, whether we are considering the use of basic financial instruments such as bank accounts, or complex ones such as crypto assets, skills are needed if they are to be used to minimize risk and maximize benefits. Third, improving the effectiveness of financial education requires effort as well as ingenuity, and one of the things we can learn from many of these works is how policy and programs can be improved with the help of research. For example, given that financial education in school can affect parents in addition to children, it might make sense to involve parents more directly in financial education programs in school. And because people require support to use financial instruments, attention should be paid to how the use of technology can be improved or can be better complemented with financial education.

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[2] See OECD (2020b) and Klapper and Lusardi (2020).

[3] The OECD will release the results of a new data collection in 2023 from developed and developing countries, which will look not only at financial literacy but also at the financial resilience and financial wellbeing of consumers around the world in an internationally comparable way (OECD 2022a).

[4] See Lusardi and Mitchell (2014) for a discussion and review of the empirical evidence on financial literacy.

[5] See OECD (2020c). The next PISA financial literacy assessment will be released in 2024.

[6] See Kaiser et al. (2022).

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In the following sections, we provide a brief description of the papers that are part of the inaugural issue and what we can learn from them.

## The overarching value of financial literacy

The benefits of financial education can be far reaching. For example, there has been a push around the world, and significantly in the G20 countries, for promoting financial inclusion.[7] A high proportion of people in many emerging economies do not have easy access to even basic assets such as bank accounts, let alone access to financial markets, including the stock market. If finance can be important for growth, so is financial literacy, as it can promote participation in financial markets and savvy use of financial instruments. And as financial markets become more sophisticated, the ability to take advantage of new investment opportunities can help reduce inequality (Lo Prete 2013).

But there is another important and under-explored avenue related to the impact of financial literacy, which is whether and how much policy makers can be successful in implementing economic reforms. Like individual financial decisions, many reforms involve a trade-off between a sacrifice today for a benefit in the future. However, if people have low financial literacy, they may fail to appreciate future benefits or may not be fully aware of the workings of government budgets and of institutions such as Social Security and the pension system. Overall, attempts to reform pension systems have been met with sharp opposition, even in the face of increasing longevity, decreasing birth rates, and other changes that put existing systems on potentially unsustainable paths. Can financial literacy help with the implementation of those reforms, thus improving the performance of an economy in the long term? And how important is knowledge of pensions?

These are some of the questions pursued by Fornero and Lo Prete (2023). The authors have not just done pioneering work in this area, but Professor Fornero implemented a sweeping reform of the Italian pension system when she served as the Minister of Labour, Social Policy and Gender Equality in Italy from November 2011 to April 2013. They first make the case that it is very important to improve pension literacy, both because there have been many changes to pension systems and because there are a lot of complexities in those systems. Better pension literacy can, for example, help people plan better for their own retirement. This can be particularly important for women, who live longer than men, have lower labor market attachment due to childbearing and other household responsibilities, and have lower wages. As the authors argue, the level of pension literacy is still very low and is particularly low among women, both of which are factors that can jeopardize retirement security.

Most importantly, the authors investigate whether financial literacy helps in the implementation of pension reforms. They report promising evidence that populations with a higher average level of financial literacy are less likely to punish governments for implementing reforms. And financial literacy can help individuals be better citizens (and more educated voters) and less likely to suffer from fiscal illusion, i.e., voters' failure to estimate the (net) cost of a tax reduction (in terms of higher debt and/or the lower provision of public goods and services). According to their paper, financial literacy can also impact electoral participation, which is another good outcome for the workings of democracies.

It may be useful to note that the countries that started financial literacy programs or were the first to create national strategies for financial literacy did so because of their focus on the pension system and changes in pensions. The focus has now expanded to other topics, but pensions remain an important area of interest. And more than

[7] See the G20 High-Level Principles for Digital Financial Inclusion (2016).

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80 countries have or are implementing national strategies for financial literacy, i.e., policy makers as well have acknowledged the importance of financial literacy at the national level.

Continuing on the topic of the global economy and pioneering work, if we want to have a good understanding of how finance and the use of financial instruments can be important for the wellbeing of individuals and the economy at large, we need to turn to the World Bank Global Findex. It is the most comprehensive database on financial inclusion; the data, which are collected directly from users of financial services, provide unique information on how adults save, borrow, make payments, and manage financial risks. Findings are sobering. The paper by Ansar et al. (2023) reminds us that, as of 2021, as many as 1.4 billion adults – or 24 percent of adults – worldwide are without even the most basic asset, i.e., a financial account, or are *unbanked*. Interestingly, the characteristics of those without an account are very similar to those with low financial literacy: women, poor adults, less educated adults, young adults, and those living in rural areas.

We can learn a lot from looking at the reasons why people do not have an accounts, which speaks to the importance of collecting these types of data. Specifically, the data show that a sizable number of respondents cite lack of help or being uncomfortable using an account as a reason for being unbanked. In developing countries, 64 percent of unbanked adults said they could not use an account at a financial institution without help, a proportion that becomes higher among women and other vulnerable groups. This finding is further evidence that we cannot underestimate the difficulties in using financial instruments. And even those who have an account do not always make good use of it. For example, in India – where every adult with an Aadhaar biometric ID was de facto given a no-minimum-balance, no-fee accounts account as part of the government's Jan Dhan Yojana program – it was found that many accounts were dormant or had little or no activity. Inactive account holders in India often cite their discomfort level with financial services among the top barriers to account usage. Specifically, about 30 percent of inactive account holders do not use their account because they do not feel comfortable doing so by themselves. And looking at a subsample of 25 Sub-Saharan African countries, where mobile money accounts are widespread, the paper reports that 31 percent of mobile money account holders cannot use their account without help.

These data point to an opportunity for financial education. Strengthening financial literacy can result in more efficient and effective use of basic financial instruments.

## Using financial instruments: From mortgages to crypto assets

Given that the use and good management of basic financial instruments, such as bank accounts, presents difficulty for many people, more complex financial instruments pose an even greater challenge, especially in the context of accelerated digitalization of financial services, which brings new risks for consumers (OECD 2018).

We were particularly interested in behavior related to mortgages because the home is the most important asset for most families. Choosing a suitable mortgage is therefore critical to financial wellbeing and, if the financial crisis of 2007/2008 is any indicator, a poor mortgage choice can be a major source of financial distress.

The paper by Torp et al. (2023) helps us to shed light on decisions related to mortgages. In a series of randomly assigned tasks, the authors assessed participants' subjective comfort with a range of home loan amounts, framed as lump sum debts or equivalent repayment streams. Does framing matter when it comes to decisions about mortgages and does financial literacy and broker advice help? It is not easy to translate stocks into a flow of payments, but often individuals must do so when making financial decisions. As mentioned earlier, high levels of financial literacy cannot be taken for granted, even among the G20 countries. Like other papers in this issue, the authors measure financial literacy using the Big Three financial literacy questions, which assess knowledge of basic financial concepts related to interest rates, inflation, and risk diversification, which are essential elements of financial decisions, including mortgage choice. Less than half of the participants in their sample, i.e., people age 25–64 who have bought or are interested in buying a house, are able to answer these questions.

Similar to findings in other contexts, for example, pension wealth, the authors found that borrowers are less comfortable when loans are framed as lump sum debts rather than equivalent repayment streams. Borrowers are also less adept at translating repayment streams into equivalent lump sums. Interestingly, financial literacy tends to make borrowers more cautious and less comfortable with debt in general and less sensitive to framing. Also, financially literate borrowers can match liabilities with servicing burdens, a key component of sound mortgage management.

Turning to the people who have consulted mortgage brokers, they report higher levels of comfort with debt in general and less discomfort with lump sums compared to repayment streams. Brokers also seem to help clients better grasp the link between loan amounts and repayments. After accounting for potential endogeneity, the authors' found that, while brokers increase people's confidence and probably improve their understanding of home loans, they also appear to influence clients' comfort with debt.

This paper sheds light on the potential effects of financial education: when it comes to household mortgage decisions, financial education can reduce mortgage stress by inducing caution in borrowers and reducing susceptibility to framing. It may also help in using the services of brokers to the household's advantage.

And given that the house is such a major asset in a household's balance sheet, what to do with it (including after retirement) is also an important decision. Specifically, do people understand reverse mortgages and does financial literacy help in dealing with these products, which can be even more complex than standard mortgages?

The paper by Choinière-Crèvecoeur and Michaud (2023) aims to understand the interplay between financial literacy and the valuation of reverse mortgage products. As explained in the paper, a reverse mortgage is a financial product that allows a homeowner to convert a portion of the current equity of their principal residence into cash. Unlike many other mortgage products, the borrower is not obligated to make payments before moving out, selling, or dying. In addition, the borrower is insured against the risk that the loan will be worth more than the house when it is sold. This is called the no-negative equity guarantee (NNEG) of the reverse mortgage. This feature means that the borrower's longevity risk, as well as the risk of a decline in house prices, is transferred to the lender.

As the definition of the product makes clear, the valuation of reverse mortgages is complex. Specifically, the insurance value of the NNEG is likely to be quite difficult to grasp and compute. It involves projecting house prices in the future, survival risk, and other considerations, such as when one expects to sell the house. Consumers with limited financial literacy may have a harder time making sense of the price and value of the products offered.

To understand how consumers value reverse mortgages, the authors conducted an experiment in which respondents were offered different reverse mortgage products and had to evaluate them by giving their probability of buying each product within the next year. The authors investigate how financial literacy as well as prior knowledge of reverse mortgages shapes the evaluation of reverse mortgage products, in particular the actuarial value of the NNEG and the interest rate charged.

In their sample of 55- to 75-year-old respondents living in the provinces of Quebec, Ontario, and British Columbia, the authors find that more than half of eligible Canadians

(55.5%) lack a basic knowledge of reverse mortgages. Moreover, only a little more than half of the respondents in the sample (54.1%) could correctly answer the Big Three questions, indicating that financial literacy is low even among older respondents, who have presumably made many financial decisions.

The findings from this paper show that the effect of financial literacy goes beyond simply increasing or decreasing the likelihood of purchasing a product. In some instances, such as with reverse mortgages, financial literacy enables respondents to better evaluate and assess the value of financial products. Consistent with many other papers, the empirical work in this paper also makes clear that insurance is a hard concept for households to understand, particularly when it involves complex risk calculations. More research should be devoted to understanding how financial education may help households better grasp concepts related to risk and insurance.

Crypto assets are another complex product, and one that is likely to be at least as hard to understand as insurance. Ownership of crypto assets is increasingly rapidly across countries, particularly among the young, which is why we are particularly interested in learning more about decisions related to new and risky products.

A very interesting hypothesis often mentioned in the general media, and pursued in the paper by Gerrans et al. (2023), is that given the rapid increase in the price of crypto over time, people have fear of missing out, or FoMO, on the earnings that can result from crypto ownership. The field of behavioral finance has documented that emotions, attitudes, and behavioral biases can play an important role in financial decisions and the authors build on that field and the literature examining differences in psychological status and personality between investors and non-investors.

The analysis is carried out on data from a survey of undergraduate students at the University of Western Australia as part of a program examining the financial literacy of young adults, including students who enroll in an elective personal finance unit. The survey was conducted in the last week of July 2021, when crypto and stock prices had risen substantially in the 12 months prior to the survey. The relevance of FoMO is considered in addition to financial literacy and important preference parameters, such as risk tolerance. The authors look at both the direct effect of FoMo and the indirect effect of financial literacy and risk tolerance.

Estimates from a simple investment model identify a significant role for FoMO, along with financial literacy and risk tolerance, in current and future investment intentions related to both stocks and crypto. Interestingly, FoMO effects are largest for crypto and future investment intentions and smallest for current stock investment. While risk tolerance and financial literacy have positive effects for current crypto investment, these effects are small and smaller than the effects of FoMO. Financial literacy retains a significant small effect for future stock investment but not for crypto. Risk tolerance and financial literacy have larger effects than FoMO on current ownership of stocks. Thus, factors beyond those traditionally considered in investment models can play a role when looking at new and complex assets.

In addition to direct effects, financial literacy has an indirect effect on investment via FoMO, suggesting that FoMO has some basis in knowledge, though this is a small effect and only robust for stocks. Financial literacy is a significant predictor of FoMO for stocks but only weakly for crypto. Moreover, FoMO is a significant positive predictor of risk tolerance, though the estimated effect is not economically meaningful. Interestingly, FoMO explains only a small amount of gender difference in current crypto ownership, and it does not significantly explain observed gender difference for stock ownership.

As discussed at the end of the paper, the authors are agnostic on whether FoMO is good or bad. To the extent that non-participation in stock markets is a mistake, FoMO may serve a positive role. Given positive associations (although small) between financial literacy and

FoMO for stocks, interventions directly addressing FoMO may be useful. For crypto as well, interventions that tap into FoMO could have some effects.

More than ever, the promotion of financial literacy is important; it is particularly important among the young, as it will help them make savvy decisions about very risky assets, such as crypto.

## Financial education in school and the workplace

While financial literacy is an essential skill, particularly among the young, many young people lack knowledge of basic financial concepts. Back in 2000, the OECD started PISA, an ambitious project to assess student performance in critical areas. PISA gauges whether students are prepared for future challenges, whether they can analyze, reason, and communicate effectively, and whether they have the capacity to continue learning throughout their lives. Since its first wave in 2000, PISA has tested 15-year-old students' skills and knowledge in three key domains: mathematics, reading, and science. In 2012, PISA introduced an optional financial literacy assessment, which became the first large-scale international study to assess youths' financial literacy. The PISA financial literacy assessment measures the proficiency of 15-year-olds in demonstrating and applying financial knowledge and skills.

This is the definition of financial literacy from the team of experts who worked on this assessment[8]:

> *"Financial literacy is knowledge and understanding of financial concepts and risks, as well as the skills and attitudes to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial wellbeing of individuals and society, and to enable participation in economic life." (OECD 2019b)*

As reported in more detail in Lusardi (2015), there are four innovative aspects of this definition that should be highlighted. First, financial literacy does not refer simply to knowledge and understanding but also to its purpose, which is to promote effective decision making. Second, and in line with the objectives of this journal, the aim of financial literacy is to improve financial wellbeing, not to affect a single behavior, such as increasing saving or decreasing debt. Third, financial literacy has effects not just for individuals but for society as well. Fourth, financial literacy, like reading, writing, and knowledge of science, enables young people to participate in economic life. We highlight this definition because it represents many of the principles covered in this inaugural issue.

The PISA financial literacy data have become a critical source of information with which to assess the level of financial literacy among the young. Starting from the original wave in 2012, we have found that several rich countries do not have high levels of youth financial literacy. For example, both the United States and some European countries, such as Italy, France, and Spain, ranked at the OECD average or below the average on the 2012 financial literacy scale. Moreover, and importantly, financial literacy is strongly linked to socio-economic status: the students who are financially literate are disproportionately those from families with higher levels of education and income and from homes with a lot of books. (OECD 2014; Lusardi 2015).

The PISA 2022 financial literacy assessment will provide further insights into young people's financial literacy across 23 countries and economies, and take into consideration changes in the socio-demographic and financial landscape, such as the use of digital services, that are relevant for students' financial literacy and decision making.

[8] Lusardi and Messy both participated in the work leading to this assessment.

Countries have started to add financial education in school, in some cases making it mandatory. Notably, Portugal made financial education mandatory in school in 2018, adding it to the civic education curriculum, and many states in the United States have passed legislation to make financial education mandatory in high school curricula. Recent empirical evidence on the effectiveness of financial education in school shows it holds much promise. For example, according to a meta-analysis covering financial education programs from as many as 33 countries on 6 continents, and considering the programs evaluated most rigorously, financial education is found to affect both financial knowledge and downstream behavior. Remarkably, the effects are similar across age groups, i.e., they hold among the young and the old, and they hold across countries.[9] Other work examining the effect of financial education in high school also shows that young people who were exposed to high school financial education are much less likely to have problems with debt as young adults (Urban et al. 2020).

While the focus on financial education has been on whether it improves the knowledge and wellbeing of students, it could also affect others. Frisancho (2023) in this inaugural issue examines whether financial education in high school can also affect parents. This is a very innovative paper and for many reasons. First, the analysis is carried out on a large sample of schools in Peru. As mentioned earlier, Peru is a country with a high percentage of students who perform poorly on financial literacy assessments. Second, it is possible to link the data with information from credit bureau records, which provide data on financial outcomes. This is more rigorous information than can be obtained by relying, for example, on self-reports. Third and importantly, the evaluation is based on a large-scale experiment, where students were randomly assigned to control and treatment groups, which is the most rigorous method with which to assess the impact of financial education. We hope many programs can be evaluated using these methods and that this study can provide guidelines for other countries.

The findings speak of the power of financial education: in addition to affecting students, it helps parents, specifically parents of low-income students. Among parents from poorer households, default probabilities decrease, credit scores increase, and debt levels increase too. And there is an important gender effect: it is mostly the parents of daughters who experience improvement in their financial behaviors. These findings are intrinsically important and have policy implications: Financial education in school can be far reaching and can have important spillover effects, in particular for vulnerable groups.

And if schools can be suitable places to provide financial education to the young, the workplace can be ideal for financial education programs for adults, as also recognized by the OECD in the Policy Handbook on Financial Education in the Workplace (OECD 2022b). There are many reasons why workplace financial education can be important. First, employers may benefit too. A simple statistic from the work of Hasler et al. (2023) is quite informative. In an attempt to provide a crude proxy of the cost of financial illiteracy, the 2021 *Personal Finance Index* (*P-Fin Index)* survey asks respondents to give an estimate of the total number of hours per week they spend worrying about their personal finances, and how many of those hours are spent at work. Findings are startling. In 2021, U.S. adults reported spending about 7 hours per week, on average, thinking about and dealing with issues and problems related to their personal finances, with over three of these hours spent at work. The most financially literate respondents (who answered over 75 percent of the *P-Fin Index* questions correctly) reported spending much less time dealing with their personal finances: about three total hours per week with 1 hour per week at work. In contrast, the least financially literate respondents (those who answered 25 percent or less of the *P-Fin Index* questions correctly) reported spending a staggering 11 total hours

[9] See Kaiser et al. (2022).

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per week and over 4 hours per week at work thinking about and dealing with issues related to their finances.

Hasler et al. (2023) use these data to do a back-of-the-envelope calculation of the return to a workplace financial education program. For a company with 30 minimum-wage employees (earning $15 per hour) who work 50 weeks per year, financial education can recover $22,500 of value per year for an employer, which is conceivably greater than the cost of many workplace financial wellness programs. In other words, scalable, low-cost financial education programs would likely create a positive return on investment, in particular for large employers.

Because of the shift from defined benefit to defined contribution in the United States, a number of large firms have started to offer financial education programs. However, it is difficult to access that data without working directly with an employer. It is also difficult to acquire data that are representative of the population of workers or employers. The research of Clark (2023), who has worked with many employers in different sectors, is rather unique and helps us to shed light on the workings and promises of workplace financial education. As noted in his paper, providing financial education when workers are first hired is ideal, because it is in the interest of both employers and employees to understand the benefits offered by the firm and how to best use them. Providing education related to retirement and retirement planning is also beneficial to both parties, given that a substantial portion of employer benefits relate to pensions and the promotion of financial security in retirement. However, as the author effectively argues, financial education should not be limited to retirement topics, as other financial decisions made by employees can interact with decisions about whether or not to participate in pension plans and how much to contribute to those plans. Holistic financial education programs offered throughout the life cycle may better fit the needs of a heterogeneous population of workers. And programs provided well before retirement may enable workers to take better advantage of the power of interest compounding, helping them begin to save as early as possible and take advantage of employer matches. It is not always possible to evaluate the effectiveness of programs using randomized controlled trials or controlling for certain factors, such as whether program attendees are those who are inherently interested in financial education, but the evidence provided in this overview of two decades of work shows that workplace financial education holds much promise.

Clark's work has included personal interactions with employers and employees, providing opportunities for both quantitative and qualitative work, and the evidence from small samples can be illuminating too. For example, the author shows that financial education programs are appreciated and rated with high marks by employees. While self-selection may play a role in program attendance, offering this type of benefit can be a useful retention tool, particularly in the tight post-pandemic labor market. We specifically encourage reading the last part of the paper, which provides useful best practices for increasing the effectiveness of employer-provided financial education programs.

## Concluding remarks

The papers in this inaugural issue all share similar findings: financial literacy is low and often inadequate for making the types of financial decisions that are required today, from opening a bank account, to managing a mortgage, to using reverse mortgages later in life, to investing in new and risky assets such as crypto. Moreover, financial literacy is particularly low among already vulnerable groups, such as women and individuals with low-income or low-educational attainment. Importantly, financial literacy matters: it helps people make savvy financial decisions, including being less influenced by framing, better understand information that is provided to them, better understand the workings of

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insurance, and being more comfortable using basic financial instruments. In a nutshell, financial literacy improves financial wellbeing! The effects of financial literacy extend beyond individuals: financial literacy can affect the macro-economy as well.

Financial literacy is essential for the promotion of financial inclusion, as people need knowledge and skills to effectively use financial instruments, even the most basic ones, such as bank accounts. Every financial instrument carries potential costs and risks, and some basic knowledge is necessary to use these instruments well. And when financial instruments are complex (as in the case of mortgages, including reverse mortgages) or risky (as in the case of assets such as crypto), financial literacy becomes a must for informed consumer use along with adequate financial protection.

Financial literacy is also expected to help individuals deal with emerging trends and challenges in the financial landscape, from digital financial services to sustainable finance, as recognized in the priorities of the OECD International Network on Financial Education for the next biennium.

Policy makers, practitioners, the private and public sectors, and academics can benefit from the findings reported in the papers in this inaugural issue. Our objective is to publish the most rigorous and relevant work. But most importantly, we hope that this journal will become a source for relevant information and that the research that is published here will have an impact and improve the financial wellbeing of individuals around the world.

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