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The Financial Literacy Gap: How Poor Money Knowledge Shapes the Economic Lives of Youth and Adults.

Introduction:

This paper begins by reviewing existing financial literature gaps to shape better understanding of the problem, followed by analysis of causes rooted in education and society's beliefs. It then presents consequences for individuals and economies, before proposing possible solutions for schools, governments, and families.

In years, knowing how to manage your money has become a very important skill for both young people and grown-ups. Even though there are financial services available, many people still do not know how to budget, save, invest, and manage debt. Consequently, not being good with money can lead to borrowing much not saving enough and feeling financially insecure. As a result, this can hurt people's well-being and the economy. Furthermore, the importance of knowing how to handle money has become more significant now.

New technologies like banking, mobile payments, online investments, and AI-based financial tools have made it easier to access financial products. However, these new technologies also bring complexity and risks for people who do not understand financial concepts. Therefore, it is essential to teach people and adults how to manage their money responsibly. This will help them navigate the financial world effectively. In addition, improving literacy is key to enabling people to make smart financial decisions. It helps people to budget, save, and invest in a way that works for them. By doing so, they can achieve financial stability and security.

According to *Lusardi and Mitchell (2023)*, financial literacy means people's knowledge of and ability to use fundamental financial concepts in their economic decision-making. Another definition explains financial literacy as "the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being". Under this approach, *Blanco et al. (2024)* highlight that the social determinants of financial knowledge, behavior, and well-being are also necessary to address racial/ethnic and gender disparities in finance.

"According to the *OECD PISA 2022* assessment of nearly 100,000 students across 20 countries, 18% of 15-year-olds cannot apply basic financial knowledge to real-life situations — and these are the adults of tomorrow."

What is financial literature.

Financial literacy is about knowing how to handle money.

It means having the knowledge, skills and confidence to make decisions about money.

The OECD says it is a mix of being aware knowing having skills, having an attitude and behaving in a way that helps you make good financial choices and be financially well.

* It is about understanding how to budget.

* It is about knowing how to save.

* It is about learning how to invest.

* It is about managing debt.

* It is about planning for the future.

In terms of financial literacy helps you understand money and make good choices.

Many people do not have financial literacy.

This can cause problems for individuals and economies.

The 2008 financial crisis is an example.

Many families in the US took out mortgages without understanding the risks.

When interest rates went up, their monthly payments increased a lot.

This led to people not being able to pay their mortgages and losing their homes.

Studies showed that people who understood money better were less likely to get into trouble.

There is another example.

A woman named Sarah from the UK had £25,000 in credit card debt by her mid-20s.

She had not learned about compound interest or budgeting in school.

She taught herself about money. Created a budget.

She paid off her debt for three years.

Now she teaches people about money on social media.

Her story shows how understanding money can change lives.

These examples show why learning about money is important.

It helps during crises and in everyday life.

Understanding money is a skill that protects and empowers you.

Youth Financial Literacy Gap: Insights from PISA 2022:

Numbers tell us how students perform; this report tells us something deeper about the world they are preparing to enter.

The PISA 2022 Financial Literacy Assessment is not ultimately a study about money. It is a study about readiness. Behind every score lies a young person who will soon make decisions about saving, spending, borrowing, investing, and navigating an increasingly digital economy. The findings reveal that financial literacy is shaped long before adulthood—through conversations at the dinner table, experiences in school, interactions with technology, and the opportunities available within a student's environment.

What makes these results particularly striking is the contrast they expose. Many students confidently use digital payment systems, shop online, and interact with financial products, yet a significant number still lack the knowledge needed to fully understand the consequences of their financial decisions. In other words, access to financial tools is advancing faster than financial understanding. This gap represents one of the defining educational challenges of the modern era.

The report also challenges the assumption that financial success is purely an individual's responsibility. Students do not develop financial literacy in isolation. Their knowledge, attitudes, and behaviors are influenced by families, schools, peers, and broader social conditions. When a socio-economic background consistently predicts financial performance, the issue is no longer simply about personal choices—it becomes a question of educational equity and opportunity.

Perhaps the most powerful lesson from this research is that financial literacy should not be viewed as a separate subject confined to economics classrooms. It is a life skill that intersects with critical thinking, problem-solving, responsibility, and informed decision-making. A financially literate student is not merely someone who understands interest rates or budgets; it is someone equipped to make thoughtful choices in an uncertain world.

As economies become more complex and technology continues to reshape how money is earned, spent, and managed, the ability to make sound financial decisions will become increasingly important. The challenge facing educators and policymakers is therefore not simply to teach students about money, but to empower them with the judgment, confidence, and adaptability required to thrive in the future.

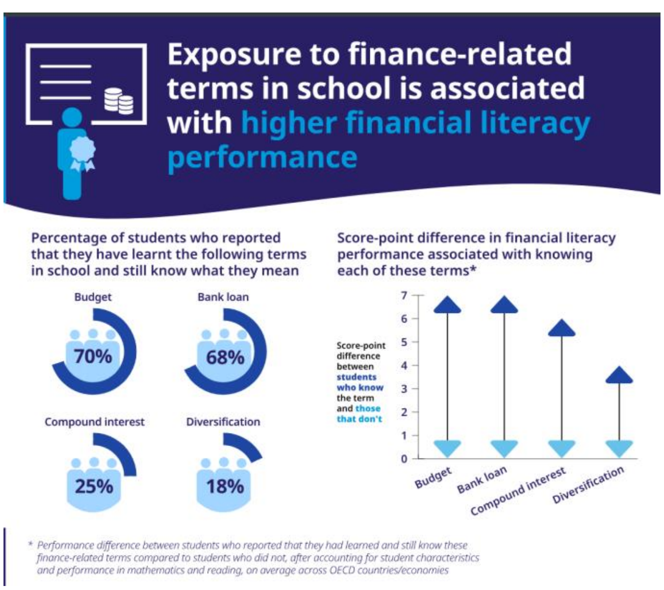
Ultimately, the true significance of financial literacy extends far beyond bank accounts and balance sheets. It influences opportunity, independence, and social mobility. Investing in financial education today is therefore an investment not only in stronger economies, but in a generation capable of making informed decisions, navigating uncertainty, and shaping for a more resilient future

Key Statistics from PISA 2022 Financial Literacy:

Main Findings:

- On average across **OECD countries**, **18%** of 15-year-old students performed at **Level 1 or below** in financial literacy.
- These students can, at best, recognize the difference between needs and wants and make very simple spending decisions.
- Only **11%** of students reached the highest levels (Level 5 or above). These students can analyze complex financial products and solve non-routine financial problems.
- There is a large **socio-economic gap**: Students from advantaged backgrounds scored **87 points higher** on average than disadvantaged students (this is more than one full proficiency level).
- In the **United States**, **17%** of students did not reach the baseline level (Level 2).
- In **Canada**, **13%** of students performed below Level 2.

According to the OECD PISA 2022 financial literacy assessment, which tested approximately 100,000 15-year-old students across 20 countries and economies, a significant proportion of young people lack basic financial skills. On average across OECD countries, 18% of students performed at or below Level 1, meaning they struggle to apply even fundamental financial concepts to everyday situations. In contrast, only 11% of students reached the highest proficiency levels. These results highlight a clear financial literacy gap among youth, with socio-economically disadvantaged students performing particularly poorly — scoring 87 points lower on average than their advantaged peers.



Category	Percentage
Students at Level 1 or below	18%
Top performers (Level 5+)	11%
Students below baseline (OECD avg)	18%

The PISA 2022 financial literacy assessment reveals a concerning distribution of skills among 15-year-old students. On average across OECD countries, 18% of students performed at Level 1 or below, indicating that they possess only very basic financial knowledge and struggle to apply it in real-life situations. At the other end of the spectrum, only 11% of students reached the highest proficiency levels (Level 5 or above), demonstrating the ability to analyze complex financial products and make sophisticated financial decisions. This means that while a small minority of young people are highly financially literate, nearly one in five students lack even foundational skills. The fact that the percentage of students performing below the baseline level equals the share at the lowest level (18%) highlights a significant financial literacy gap, suggesting that educational systems are failing to equip a substantial portion of youth with the financial competencies needed for adult life.

Survey Results

In addition to reviewing previous studies, I conducted my own survey to learn more about people's opinions on financial literacy. The survey was completed by **112 people** through Google Forms. The following results show how respondents answered each question and what these answers may suggest about financial literacy awareness.

1: How important do you think financial literacy is in today's world?

A survey involving **112 respondents** was conducted to examine public perceptions of financial literacy. The results showed that **24.8%** of respondents considered financial literacy **somewhat important**, making it the most common response. **23.0%** believed it is **extremely important**, while **17.7%** rated it as **very important**. On the other hand, **21.2%** thought financial literacy is **not very important**, and **13.3%** believed it is **not important at all**.

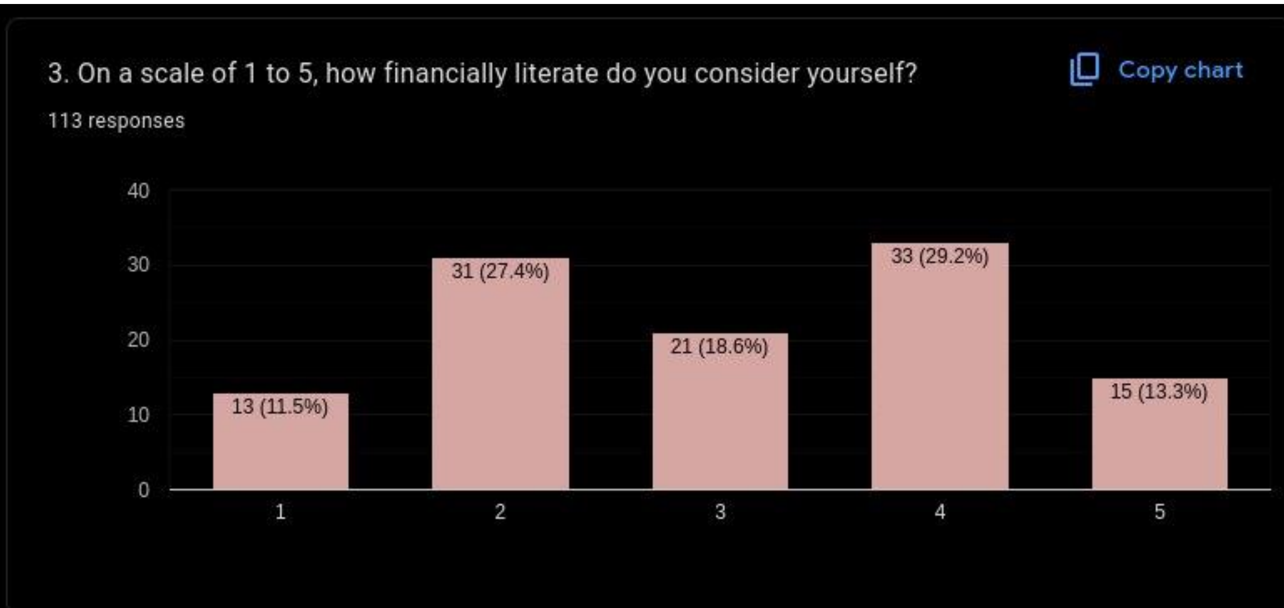
Overall, **65.5%** of respondents viewed financial literacy as at least somewhat important, while **34.5%** did not consider it highly important. These findings suggest that although most participants recognize the value of financial literacy, a considerable proportion still underestimates its importance. This highlights the need for greater awareness and education about financial skills, particularly as financial decisions become increasingly complex today.

2: Do you believe that financial literacy should be taught in schools?

The second survey question examined opinions about including financial literacy in school education. **25.7%** of respondents believed that financial literacy should be a **mandatory subject**, while another **25.7%** felt it should be offered as an **optional subject**. Together, **51.4%** of respondents supported teaching financial literacy in schools.

Meanwhile, **19.5%** believed that financial education should primarily be the responsibility of parents, and **29.2%** stated that it is not necessary to teach financial literacy in schools.

Although opinions were divided, the findings show that **more than half of the respondents support introducing financial literacy into school curricula in some form**. This result supports the argument presented earlier in this paper that improving financial education at an early age could help reduce the financial literacy gap identified in international studies such as the OECD PISA 2022 assessment.

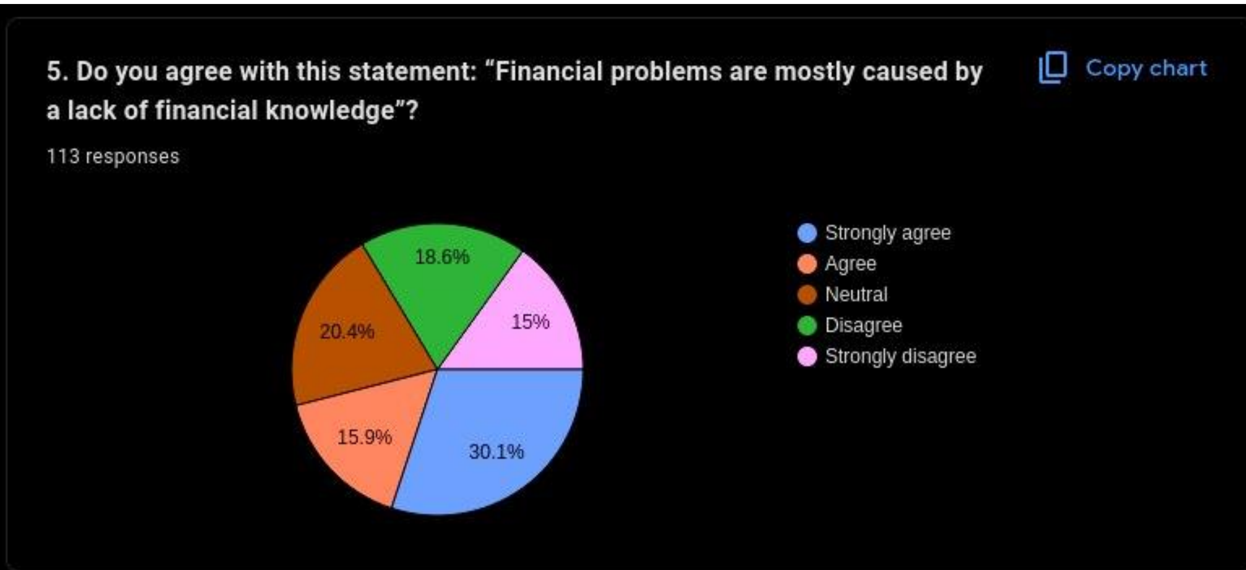


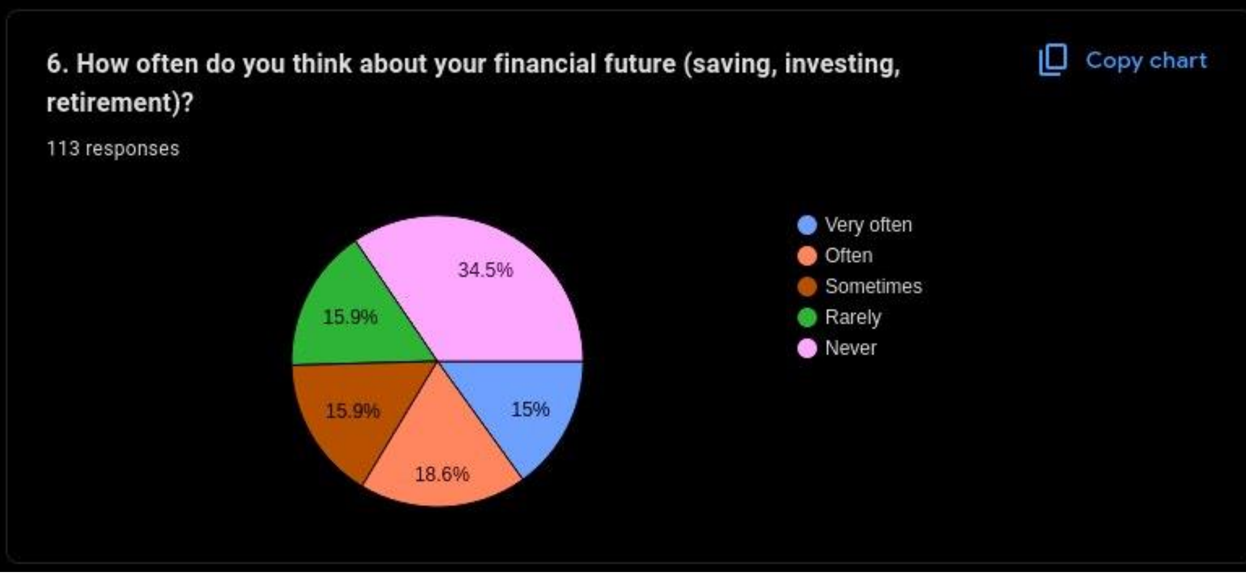
3: On a scale of 1 to 5, how financially literate do you consider yourself?

Participants were asked to rate their own level of financial literacy on a scale from **1 (very low)** to **5 (very high)**. The largest group of respondents (**29.2%**) rated themselves **4**, suggesting that many participants believe they have a relatively good understanding of financial concepts. This was followed by **27.4%** who selected **2**, **18.6%** who selected **3**, **13.3%** who selected **5**, and **11.5%** who selected **1**.
Overall, the results indicate that respondents had mixed opinions about their financial knowledge. While many participants viewed themselves as financially literate, relatively few considered themselves to have the highest level of financial literacy. This suggests that there is still room for improvement in financial education and confidence.

4: Where do you think most people learn about managing money?

The survey also explored where respondents believe people learn about managing money. The largest percentage (**27.4%**) selected **social media and the internet** as the primary source of financial knowledge. **26.5%** believed people learn from **their parents or family**, while **23.0%** chose **school** and another **23.0%** selected **personal experience (trial and error)**.
These findings suggest that many people rely on informal sources rather than formal education to develop financial knowledge. The popularity of social media and online resources reflects the growing influence of digital platforms on financial learning. However, since information shared online is not always accurate or reliable, these results further support the importance of providing structured financial education through schools and other trusted institutions.





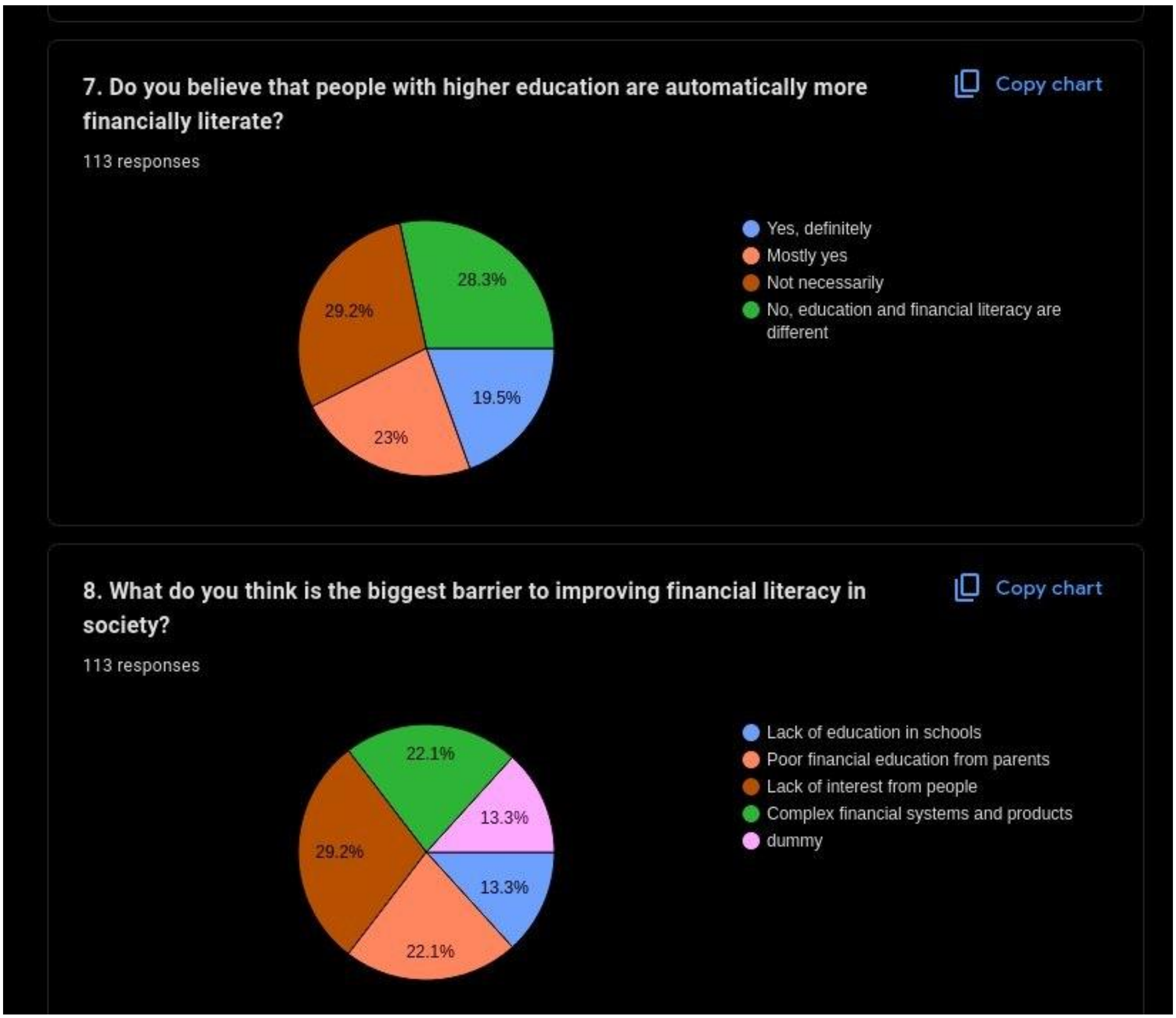
5: Do you agree with the statement: "Financial problems are mostly caused by a lack of financial knowledge"?

The survey asked respondents whether they agreed that financial problems are mainly caused by a lack of financial knowledge. The largest group (**30.1%**) **strongly agreed** with the statement, while **15.9% agreed**. Together, **46.0%** of respondents believed that insufficient financial knowledge is a major cause of financial problems. In comparison, **20.4%** remained **neutral**, **18.6% disagreed**, and **15.0% strongly disagreed**.

These findings suggest that nearly half of the respondents believe financial literacy plays an important role in preventing financial difficulties. However, the number of neutral and disagreeing responses indicates that many people also recognize that financial problems can result from other factors, such as low income, unemployment, or unexpected life events. Therefore, improving financial literacy should be considered one important solution, but not the only one.

6: How often do you think about your financial future (saving, investing, retirement)?

The final survey question examined how often respondents think about their financial future. The largest proportion (**34.5%**) answered **"Never,"** indicating that many participants rarely consider long-term financial planning. **18.6%** reported thinking about it **often**, while **15.9%** selected **sometimes** and another **15.9%** chose **rarely**. Only **15.0%** stated that they think about their financial future **very often**. The results suggest that long-term financial planning is not a regular habit for many respondents. This may reflect limited awareness of the importance of saving, investing, and preparing for future financial needs. These findings further support the argument that increasing financial literacy could encourage people to make more informed financial decisions and develop better long-term financial planning habits.



7: Do you believe that people with higher education are automatically more financially literate?

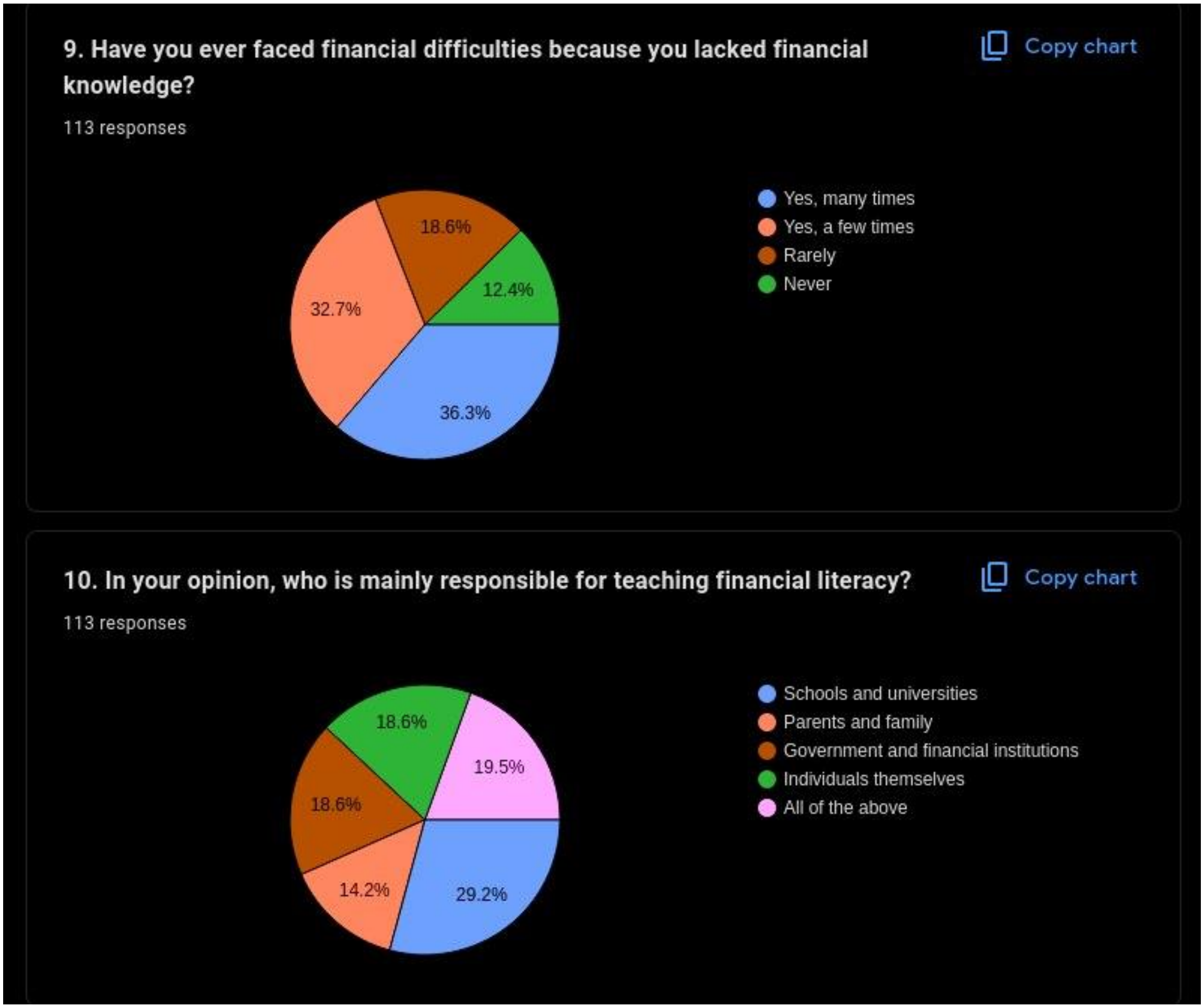
The survey examined whether respondents believed that higher education automatically leads to greater financial literacy. The largest group (**29.2%**) selected **"Not necessarily,"** while **28.3%** believed that **education and financial literacy are different**. In contrast, **23.0%** answered **"Mostly yes,"** and only **19.5%** selected **"Yes, definitely."**

Overall, **57.5%** of respondents believed that higher education does not automatically result in better financial literacy. These findings suggest that respondents recognize financial literacy as a practical life skill that extends beyond formal education. This supports the idea that financial knowledge should be taught directly rather than assuming it will be acquired through general education alone.

8: What do you think is the biggest barrier to improving financial literacy in society?

The final question explored respondents' opinions about the main barriers to improving financial literacy. The most common response (**29.2%**) was **lack of interest from people**, indicating that many participants believe personal motivation plays a significant role. **22.1%** selected **poor financial education from parents**, while another **22.1%** believed that **complex financial systems and products** are the biggest obstacle. The remaining respondents chose **lack of education in schools (13.3%)** and **other reasons (13.3%)**.

These findings suggest that respondents view financial literacy as a challenge influenced by both individual and societal factors. While personal interest was identified as the most significant barrier, many participants also emphasized the importance of family education and the complexity of financial systems. These results indicate that improving financial literacy requires cooperation between schools, families, and policymakers to create better learning opportunities and increase public awareness.



9: Have you ever faced financial difficulties because you lacked financial knowledge?

The survey investigated whether respondents had experienced financial difficulties due to a lack of financial knowledge. The largest group (**36.3%**) reported that they had faced such difficulties **many times**, while **32.7%** stated that they had experienced them **a few times**. In comparison, **18.6%** answered **rarely**, and only **12.4%** reported **never** experiencing financial problems for this reason. Overall, **69.0%** of respondents indicated that they had encountered financial difficulties at least once because of limited financial knowledge. This finding suggests that a lack of financial literacy has a noticeable impact on people's financial lives. It also supports previous research presented in this paper, which argues that improving financial literacy can help individuals make better financial decisions and reduce the risk of financial problems.

10: In your opinion, who is mainly responsible for teaching financial literacy?

The final survey question asked respondents who they believe is mainly responsible for teaching financial literacy. The largest proportion (**29.2%**) selected **schools and universities**, indicating that educational institutions are viewed as the primary source of financial education. **19.5%** believed that responsibility should be shared by **all of the above**, while **18.6%** selected **government and financial institutions** and another **18.6%** chose **individuals themselves**. The smallest group (**14.2%**) believed that **parents and family** have the main responsibility.

These findings suggest that respondents expect educational institutions to play the leading role in developing financial literacy. At the same time, many participants recognized that improving financial knowledge requires the combined efforts of schools, families, governments, financial institutions, and individuals. This supports the idea that financial literacy is a shared responsibility and that cooperation between different sectors is essential for improving financial education in society.

Survey Summary

A survey of **112 respondents** was conducted to examine public attitudes toward financial literacy and financial education. Overall, the findings show that most participants recognize the importance of financial literacy and believe it plays a significant role in making informed financial decisions. More than half of the respondents supported introducing financial literacy into school education, either as a mandatory or optional subject, highlighting the growing demand for formal financial education.

The survey also revealed that many respondents considered themselves to have a moderate level of financial knowledge. However, a large proportion reported experiencing financial difficulties due to a lack of financial literacy, suggesting that many people still struggle to apply financial knowledge in real-life situations. In addition, respondents believed that people mainly learn about managing money through social media, family, and personal experience rather than through schools.

The findings further showed that respondents do not believe higher education alone guarantees financial literacy. Instead, they viewed financial literacy as a practical life skill that must be learned through education and experience. Many participants also identified a lack of public interest, limited financial education, and the complexity of financial systems as major barriers to improving financial literacy in society.

Finally, the survey indicates that respondents expect schools and universities to play a leading role in teaching financial literacy while also recognizing the shared responsibility of families, governments, financial institutions, and individuals. Overall, the survey supports the findings of previous research discussed in this paper and demonstrates the need for greater financial education to help people make informed financial decisions and improve their long-term financial well-being.

Strategies for Improving Financial Literacy Among Youth and Adults

The financial challenges experienced by millions of people—from overwhelming debt and inadequate savings to poor investment decisions and financial insecurity—are not simply the result of low income. In many cases, they also stem from a lack of financial knowledge. While economic conditions influence financial outcomes, research consistently suggests that individuals with stronger financial literacy are better equipped to make informed decisions, manage financial risks, and build long-term financial stability.

Young adults, in particular, should begin developing financial habits before entering full-time employment or taking on significant financial responsibilities. Understanding how to create a realistic budget, distinguish between needs and wants, build an emergency fund, use credit responsibly, and recognize the effects of compound interest can prevent costly financial mistakes later in life. For example, a university student who understands budgeting is more likely to avoid excessive credit card debt, while a recent graduate who begins saving even a small percentage of monthly income benefits from long-term wealth accumulation through compound growth.

Financial education should also extend beyond schools and universities. Adults often encounter major financial decisions—such as purchasing a home, financing higher education, planning for retirement, or managing unexpected medical expenses—without adequate preparation. Participating in workplace financial education programs, community workshops, online courses, and government-sponsored financial literacy initiatives can help individuals strengthen their decision-making skills throughout adulthood. Continuous learning is especially important because financial products, digital banking technologies, investment opportunities, and economic conditions continue to evolve.

Technology has also created new opportunities to improve financial knowledge. Budgeting applications, educational websites, podcasts, and online financial courses provide accessible and affordable resources for individuals regardless of age or income level. However, users should rely on information from credible sources such as government financial agencies, universities, certified financial planners, and established financial institutions rather than unverified content on social media, where misleading advice is increasingly common.

Families play an equally important role in developing financial literacy. Parents who openly discuss budgeting, saving, responsible spending, and financial planning help children develop positive money habits from an early age. Everyday experiences—such as planning a household budget, comparing prices while shopping, or setting savings goals—can serve as practical lessons that strengthen financial decision-making skills throughout life.

Educational institutions should integrate financial literacy into their curricula rather than treating it as an optional subject. Students should graduate with practical knowledge of budgeting, taxes, insurance, credit management, investing, and retirement planning. Such instruction prepares young people to navigate real-world financial challenges more confidently and reduces the likelihood of costly financial errors during adulthood.

Governments, employers, and financial institutions also share responsibility for improving financial literacy. Policymakers can support nationwide financial education programs, employers can provide workplace financial wellness initiatives, and financial institutions can offer clear, transparent educational resources that help consumers understand financial products before making important decisions.

Real-life experiences illustrate the importance of financial literacy. A young professional who finances luxury purchases through high-interest credit cards without understanding repayment costs may spend years trapped in debt despite earning a stable income. A family lacking emergency savings may struggle to recover after an unexpected job loss or medical emergency, forcing them to rely on expensive loans. Similarly, individuals unfamiliar with basic investment principles may either avoid investing altogether or become victims of financial scams that promise unrealistic returns. These situations demonstrate how insufficient financial knowledge can significantly affect long-term financial well-being.

Ultimately, improving financial literacy is not about becoming wealthy overnight; it is about developing the knowledge and confidence to make informed financial decisions throughout life. Individuals who understand how to budget, save, borrow responsibly, invest wisely, and plan for future financial needs are generally better positioned to achieve financial security, withstand economic uncertainty, and improve their overall quality of life. As financial systems become increasingly complex, strengthening financial literacy should be recognized as an essential component of both individual success and broader economic development.