NBER Working Paper: Financial education affects financial knowledge and downstream behaviors

The question *does financial education work?* has been the topic of academic and political debate for decades. Released April 27, 2020, a new study from the **National Bureau of Economic Research (NBER)** answers this question definitively by evaluating the results of 76 randomized control trials from the growing field of financial education impact research. In robust terms, the authors confirm financial education works to improve financial knowledge and behavior.

Key conclusions:

- Financial education has a large (+.2 SD), statistically significant, positive impact on financial *knowledge*, and a mid-sized (+.1 SD), statistically significant, positive impact on financial *behavior*.
- The average per pupil cost of intervention among the studies was $60.40, yet the interventions caused additional trickle-up effects on parents' and teachers' financial knowledge and behaviors.
- The most dramatic positive behavioral effect observed was on budgeting (+.15 SD), followed by saving (+.09 SD) and insurance (+.05 SD).

This research adds to findings from recent studies on the specific benefits of school-based financial education interventions, including:

- Reduction in non-student debt (Brown et al. 2016),
- Increased credit scores and reduced default rates (Brown et al. 2016, Urban 2018),
- Shifts in student loan borrowing from high-interest to low-interest methods (Stoddard and Urban 2019),
- Reduction in use of payday loans and other alternative financial services (Harvey 2019), and
- Increased bank account ownership for those with only high school education (Harvey 2020).

Paper Authors:

Tim Kaiser, University of Koblenz-Landau and German Institute for Economic Research (DIW

Berlin), 76829 Landau, Germany; kaiser@uni-landau.de

Annamaria Lusardi (corresponding author), The George Washington University School of Business and NBER, Washington, DC 20052, USA; alusardi@gwu.edu

Lukas Menkhoff, Humboldt-University of Berlin and German Institute for Economic Research (DIW Berlin), 10108 Berlin, Germany; lmenkhoff@diw.de

Carly Urban, Montana State University and Institute for Labor Studies (IZA), Bozeman, MT 59717, USA; carly.urban@montana.edu