

Carmela Aprea · Eveline Wuttke
Klaus Breuer · Noi Keng Koh
Peter Davies · Bettina Greimel-Fuhrmann
Jane S. Lopus *Editors*

International Handbook of Financial Literacy

 Springer

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Foreword

Nowadays, financial education is a topic of international interest. In many countries, there are national strategies for financial education, bringing together and coordinating activities in the field.¹ This includes the activities of international organizations, government agencies, businesses and business associations, trade unions, non-governmental organizations, foundations, financial regulators and central banks. The aim is to guarantee that the many financial education programs are efficient, relevant, and effective over the long term.

Central banks often play a key role in these national strategies as promoters, door-openers and bridge-builders. In many countries—including Switzerland—central banks are also program providers. Central banks are well positioned to do this because, as national institutions, they serve the interests of the country as a whole and have the necessary economic know-how and resources. Moreover, they do not pursue any commercial interests.

Just like the other institutions mentioned above, central banks have a significant interest in a sound reference work on financial literacy. Financial literacy is still a new area of research, making it hard to get an overview. Many questions have only been looked into partially, not least of which is the issue of curriculum design. What skills does a young person need these days to perform well in society and at work? The answer may not be financial skills as such, but rather the ability to handle real day-to-day situations skilfully, and the self-efficacy that goes with it.

In addition to facts, knowledge, and ability, a role is also played by emotions, values, and attitudes. The key word is cognitive control. This means the ability to deal with oneself and with real day-to-day situations in a constructive manner, to cope with resistance and setbacks sensibly, to control impulses, tolerate frustration, and reflect on actions. In other words, it is a matter of personal development.

You might think that this is something for which a child or young person's family, or those close to them, should be responsible. But what happens if they don't fulfil this responsibility? What role can or should be played by the public

¹OECD. (2012). High-level Principles on National Strategies for Financial Education.

sector or social institutions? How, for example, can questions of values and behavior be discussed productively in the classroom without students or their parents viewing it as being either arrogance or a kind of brainwashing?

A further issue that interests everybody who invests resources in the promotion of financial literacy is quality control and the monitoring of results. What makes a good financial literacy product? Part of the answer lies in the relevant educational content, but that is not the only thing. The practical matter of how to implement it in the classroom is also relevant. Which instructional approaches yield results, and which don't? One can assume that two features ensure the quality of both teaching and learning resources: on the one hand, their adaptability and flexibility over time, and on the other hand, the target group's involvement in their development, i.e. teachers and students. But this is just a guess. What do theory and evidence show?

These, and other questions, are answered in this Handbook of Financial Literacy, making it an extremely welcome guide and a valuable tool for many people: practitioners looking for knowledge and guidance from academic research, researchers familiarizing themselves with the current state of discourse in the area of financial literacy, and policymakers designing or evaluating programs. We hope that the Handbook will be widely used in practice, research, and policy, thereby contributing to the promotion of financial literacy as widely as possible.

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Head of iconomix.ch

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Chapter 1

Financial Literacy in the Twenty-First Century: An Introduction to the International Handbook of Financial Literacy

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In the twenty-first century, the ability to deal effectively with money and financial matters is becoming increasingly important—not just for professionals in the sector of investment and banking, but for every person responsible for managing his/her financial affairs in everyday life. This ability is usually subsumed under the term ‘financial literacy’. The increasing importance of financial literacy is attributable to several demographic, societal and economic trends such as the baby boom and increases in life expectancy, changes in pension arrangements and income, growing involvement in financial markets as well as the complexity and increase in the number of financial products (e.g., OECD 2005). As a result, a wide-ranging transfer of risk has occurred from governments and employers to employees and consumers (e.g., reduced state-supported pensions and healthcare benefits). This imposes a responsibility on individuals to care for their own financial security in

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