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Headline: Financial education increases financial knowledge and planning: Study

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SINGAPORE - A study of a group of 565 local university students has found that undergoing financial education increases financial knowledge and planning.

Those who received financial education showed an 11 per cent improvement in financial knowledge scores and a 16 per cent increase in the prevalence of financial planning, compared to students who did not.

Professor Olivia Mitchell from the Wharton School of the University of Pennsylvania presented her findings on the research at the inaugural symposium organised by the Citi-SMU Financial Literacy Programme for Young Adults yesterday (July 4).

“Prior to this study, what we knew was that people who have a lot of financial knowledge, also had good financial habits. They save, plan and invest well, but what we didn’t know was the cause. So now by constructing this experimental structure, we can clearly identify the causal effect, that financial education leads to enhanced financial knowledge and better financial behaviours.” said Prof Mitchell.

She also said that the low levels of financial literacy around the world is coming up against a proliferation of very complex investment products. Having basic financial knowledge can help people make informed decisions is important, she added.

The Citi-SMU Financial Literacy Programme for Young Adults started in 2012. Last August, Singapore Management University and the Institute of Technical Education launched a first-of-its-kind partnership, which saw 30 SMU student trainers coach 3,000 first-year ITE students in a three-day financial literacy workshop. The workshop was specially tailored for the students, with innovative teaching methods like an Amazing Race challenge, where students were tested on their financial knowledge at different stations.

Speaking at the symposium, Mr Steve Korris, Quality and Training Manager at MyBnk- a UK-based charity foundation that delivers financial and enterprise education to 11- to 25-year-olds- stressed the importance of engaging youths.

One of MyBnk’s project, called MoneyHouse, educates participants experientially in a real-life context. For example, a group of youths were given a week’s amount of money for food. They then had to manage their finances amongst themselves, ensuring that everyone in the group was fed.

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“We talk about ‘wowing’ young people, finding that spark that can get them engaged. To do that, it is about making the learning fun, making sure that they are not only learning but also enjoying the experience.” he said.