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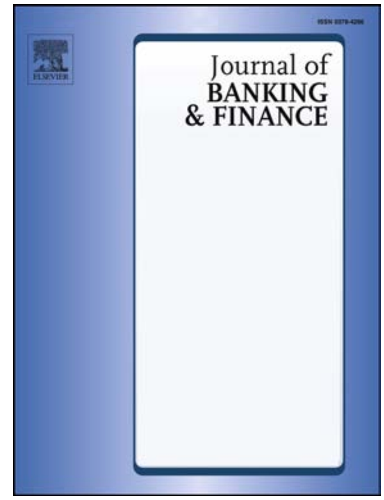

Teaching teenagers in finance: does it work?

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Teaching teenagers in finance: does it work?

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Abstract

Many initiatives worldwide aim at improving financial literacy through targeted education programs, yet there is little evidence regarding their effectiveness. We examine the impact of a short financial education program on teenagers in German high schools. Our findings reveal that the training program significantly increases teenagers' interest in financial matters and their financial knowledge, especially their ability to properly assess the riskiness of assets. Behaviorally, we observe a decrease in the prevalence of self-reported impulse purchases, but at the same time find no evidence of a significant increase in savings.

Keywords: Financial literacy, economic education
JEL classification: A21, D14, I20

1. Introduction

Insufficient savings and bad financial decision-making are major concerns in the face of increasingly complex financial markets and larger reliance on individual financial provision for old age. While these concerns have been raised for decades (see, *inter alia*, Engen, Gale and Scholz, 1996; Skinner, 2007), recent research has shown that households' actual decision processes face many limitations and poor decisions occur frequently. For example, some individuals repeatedly pay expensive overdraft fees on their credit cards (Stango and Zinman, 2009), they seem to be taken advantage of by brokers when choosing a mortgage (Woodward and Hall, 2011), a large portion feel overburdened with debt (e.g., Lusardi and Tufano, 2009).

One explanation for inadequate financial decisions is a lack of financial knowledge. Literacy levels are low among the young and persist over the life cycle (Lusardi and Mitchell, 2008), and measures of financial literacy are generally correlated with household wealth (van Rooij et al., 2012). Disney and Gathergood (2013) and Klap-

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