

# “Four bright coins shining at me”

Financial education in childhood, financial confidence in adulthood  
(Elsa Fornero, Mariacristina Rossi, Dario Sansone)

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# Motivation

Starting point:

- Financial literacy is heterogeneous
- Financial decisions are complex
- Individual responsibility has increased

Can financial education help? Effectiveness? Cost-effectiveness?

Educating when young or later in life?

# Motivation (2)

Pocket money is a simple, relatively cheap intervention

Intuitively: pocket money is part of a good education!

Children can learn from experience when young and start with 'small' decisions

But is there empirical evidence on the effectiveness of pocket money?

# Understanding the data!

Who gets pocket money?

Cohort effects: Year of birth year versus pocket money?

Who gives pocket money?

Relation to: Parental lessons, examples?

# Pocket money across year of birth

<u>Birth cohort</u>	<u>Pocket money (%)</u>		
	<u>Yes</u>	<u>Occasionally</u>	<u>No</u>
1930's	19	14	67
1940's	35	16	49
1950's	52	13	35
1960's	66	10	25
1970's	70	11	19
1980's	76	13	12
1990's	77	12	11

→ Sensitivity analysis: Split sample across age

# The times they are a-changing!

<u>Birth cohort</u>	<u>Household Chores</u>	<u>Jobs on the side</u>	<u>Parents taught budgeting</u>
	<u>Never (%)</u>	<u>No (%)</u>	<u>No (%)</u>
1930's	65	72	45
1940's	49	46	31
1950's	40	30	25
1960's	27	25	16
1970's	28	18	15
1980's	20	12	10
1990's	17	26	12

→ Sensitivity analysis: Interaction pocket money with parents taught budgeting

# Relative importance pocket money

Pocket money at age 8-12: increase the probability of reporting being knowledgeable or very knowledgeable by 3.9 %-pt

This is meaningful compared to the basis (about a quarter reports being (very) knowledgeable)

However, the impact of other variables is relatively more important

- Being male [ +10.7 %-pt]
- Tertiary education [ + 7.1 %-pt]
- Parents taught budgeting [ + 6.4 %-pt]
- Being married [ + 4.9 %-pt]

# Is it confidence or knowledge?

Dependent variable: “How knowledgeable do you consider yourself with respect to financial matters?”

Does pocket money boost confidence or knowledge?

Use of other dependent variables?

What is the impact of pocket money on measured financial literacy or financial decision-making?

For instance, DHS data have been used to measure financial literacy and study the effect of literacy on stock market participation, retirement planning, wealth accumulation, portfolio diversification, savings account returns

# Methodological/Omitted variables?

There may be different sorts of unobserved intergenerational correlation (e.g. in wealth, type of education, occupation, (saving) preferences, .. )

Some of these variables may be related to the parents giving pocket money and the respondent's self-assessed knowledge

Part of this may be captured by the variable 'Parents taught budgeting', but not necessarily all which raises concern for omitted variables bias

# Summary

Interesting research

Very relevant

Opportunities for additional analyses