Financial Literacy & Wellbeing Among Graduate Students:

Proposal Targeting Data Production and Analysis

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Total Budget: $19,969.94

Overview:

Over the past two years I have worked on a project engaging and testing financial literacy protocols across the Indiana University Graduate Student Population, with the support of the TIAA-CREF Institute and the Indiana University System. This work targets a population with greater than average lifecycle earnings and consumption expectations – a group that should be interested in effective household financial management. In related work on the topic of financial literacy I have worked to estimate the efficacy of financial literacy measures and educational protocols. This proposal is designed to assist me in the organization and use of data collected in each of these areas.

Introduction:

Recent work by Knoll & Houts (2012), Seligman (2012), Seligman & Schmeiser (2013) and Lusardi, Mitchell & Curto (2014) has focused on both financial literacy and the efficacy of financial literacy measures. Estimating this second component, efficacy, is important for assisting researchers in thinking about the quality of information provided by financial literacy test scores. This in turn is important for developing (1) more efficient diagnostic instruments and, (2) ultimately, robust protocols for the improvement of financial well being across the lifecycle.

To give a brief idea of methods employed by these researchers, Seligman (2012) looked at the cross correlates between answers to questions on compound interest and other financial literacy measures in cross tabular and regression analyses of data collected on workers nearing retirement. Knoll and Houts (2012) employed Item Response Theory across multiple data sets containing overlapping financial literacy measures to estimate the relative merit of questions. Schmeiser and Seligman (2013) employed HRS panel data on household assets and several banks of financial literacy measures to: -1- estimate how questions did in predicting assets in retirement and changes in assets in retirement, -2- score question frames as being more or less difficult and, -3- analyze the relative value of consistency of responses to questions when interviewees were asked the same questions in two or more waves. Lusardi, Mitchell and Curto (2014) construct index measures of financial literacy from a special HRS module employing a PRIDIT methodology. (These papers are all reviewed in greater depth in Lusardi, Mitchell and Curto (2014)).

Parallel to these developments, in 2012 I began work with David Richardson of the TIAA-CREF Institute and others in the TIAA-CREF financial advising and marketing departments to develop a research protocol for the Indiana University graduate student population.

In 2012-2013 we engaged in beta testing of an instrument measuring financial well being along multiple dimensions addressing: topics of interest, issues of concern, state of finances and financial literacy which included both a pre test self-assessment of capability and a post test self-assessment of difficulty of the test they took. We also beta tested a seminar with embedded point-in-time measurement of the efficacy of communication, and a post seminar assessment of opinions about the seminar.

Over the 2013-2014 academic year, we rolled out our full protocol, following changes recommended by results of the beta testing. (Our last survey was in the field until earlier this month (May, 2014).)

Our basic design for the Indiana Study involved treatment and control groups. The protocol embeds three stages of engagement. First, at the beginning of the academic year we invited all graduate students to take an online survey which measures concerns, interests, goals, and financial literacy. Second for those that took the survey we next offered a matched random subset of survey takers the seminar which among other things re-measured financial literacy items from the initial survey. Third, a follow up survey of the full group to measured -1- persistence of any improvement in learning, -2- any evidence of knowledge seeking among the non-treated population and -3- added measures of possible motivation for the group which failed to engage the initial survey in the fall of 2013, but then subsequently did fill out the survey in the April – May 2014 period.

Proposal:

With all of these data sets from various project stages now collected this proposal seeks funding to hire an Ohio State University doctoral student to assist with research this coming year. Specifically, the Research Assistant (RA) will help with the processing and analysis of these data. In working with the data initial objectives are to -1- estimate the efficacy of newly developed financial literacy questions on the role of insurance for financial well being, -2- estimate the efficacy of seminar treatments for improving well being and -3- better understand what motivates information seeking regarding financial well being among this population. It is hoped as well that the employment of the RA will foster interest in this topic area and support the development of a new doctoral candidate with a strong research agenda in household finance.   Finally, in line with the *Small Grants Call* this proposal responds to, I have taken the opportunity to discuss the issue of data release with the TIAA-CREF Institute. There are no objections to the eventual sharing of these data once cleaned and validated for public use in line with standard protocols protecting the anonymity of subjects.

Thank you for considering this proposal.

Bibliography:

Knoll, Melissa and Carrie Houts (2012) "The Financial Knowledge Scale: An Application of Item Response Theory to the Assessment of Financial Literacy." *Journal of Consumer Affairs*, 46: 381–410.

Lusardi, Annamaria, Olivia S. Mitchell and Vilsa Curto (2014) "Financial Literacy and Financial Sophistication in the Older Population." *Journal of Pension Economics and Finance. First View, 2-2014*

Schmeiser, Max, and Jason S. Seligman, J. (2013) "Using The Right Yardstick: Assessing Financial Measures By Way Of Financial Well-Being." *Journal of Consumer Affairs*, 47: 243–262.

Seligman, Jason S. (2012) "Evidence On The Financial Capability Of Older Workers Facing Lump-Sum Retirement Plan Distribution." *Accounting and Finance Research,* 1: 177–195.

Budget:

This budget contains two main line items. The first (and largest) is for the funding of a Research Assistant over a 12 month period. The second is for travel. It is envisioned that this travel will be to the NBER Summer Institute in the summer of 2015, possibly to present the results of work as proposed above.

Detail:

salary expense items:	monthly
salary	$810.00
benefits (9 mo rate)	$99.63
sub total	*$909.63*
benefits (3 mo rate)	$132.03
sub total	*$1,041.66*
9 months	$8,186.67
3 months	$3,124.98

Category Sub Totals

Research Assistant	total	**$11,311.65**
Travel		**$1,275.00**
F&A	(rate of .54)	**$7,383.29**
Total Budget:		**$19,969.94**