



2021: Time to Take Financial Literacy Seriously

What if we've been thinking of financial literacy all wrong? And what if the COVID-19 pandemic can serve as the catalyst to finally get us to take it more seriously?

For decades we have been trying, largely unsuccessfully, to teach our kids about the proper ways to think about and manage their money. The most recent study of global financial literacy conducted by Standard & Poor's Rating Services ranked the U.S. just 14th in the world when it comes to understanding basic financial concepts.



At Adams Funds, we think teaching kids about money is one of the most important things we can do for our children, a skill that can help them for their entire lives.

Last year, professors from the University of Pennsylvania, George Washington University, and North Carolina State University began studying the “financial fragility” of American households, examining how the shocks of 2020 had affected our economic vulnerability. What they discovered was interesting. While demographics and income have played a big role in determining Americans’ financial fragility, so too did one’s level of financial literacy.

Their study, now posted at the National Bureau of Economic Research's website, concluded that financial vulnerability during the COVID-triggered recession was "inversely related to financial literacy." Even after controlling for demographic, educational, and income differences, they concluded that financial knowledge is a factor that can help people become more financially resilient for the next crisis that awaits us.

Parents seem to be getting this message. A survey conducted in 2020, against the backdrop of the coronavirus economic crisis, found that American attitudes toward financial literacy may be changing. The survey, conducted by Charles Schwab and The Harris Poll, found that nearly two-thirds of Americans now believe the most important life skill to teach kids is basic money management, even more important than teaching children about the dangers drug and alcohol use or the benefits of healthy living and eating habits.

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Therefore, beginning in April, we are introducing a new series of insights focused on financial literacy. April is financial literacy month. Our series will cover a range of topics from understanding debt, time value of money, and to how to invest for the future.

We are kicking off the series with "How to Teach Kids about Money." As any investor who appreciates the concept of compound interest understands, the more time you have to work with, the greater the opportunity for appreciation. We hope you enjoy this series and hope you find it helpful, and we would love to hear your thoughts.

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