

Preface

Financial decisions by individuals and households are pervasive. The use of credit, purchasing a home, paying for higher education, saving for retirement, and purchasing insurance are among the prominent decisions. These decisions are affected by the knowledge possessed by the decision-makers. The financial markets, institutions, and instruments, as well as the regulations that govern them, also affect these decisions. This edited volume was undertaken with the goal of bringing together research that reflects current thinking on a wide variety of financial decisions.

The book's title, *Consumer Knowledge and Financial Decisions*, suggests that each chapter is concerned with some aspect of financial decisions. What do or should individuals know? How are financial decisions made? How does financial knowledge affect decisions or outcomes? How might we improve the state of financial knowledge and the quality of financial decisions with policies, programs, or financial innovations? In each chapter, one or more of these questions are addressed, either in a general sense or as it pertains to a particular demographic group, financial decision, instrument, or asset.

The financial marketplace is increasingly complex. Recent turmoil in housing and stock markets, changes in the way retirement is financed, and a welter of new financial products and programs are evidence of this increasing complexity. Public policies that affect financial markets and financial decisions continue to change and evolve. This constellation of events, to a great extent, motivated this book, and attests to its timeliness.

Each chapter is self-contained and thus the 20 chapters can be read in any order. However, to provide some organization for the reader, the chapters have been grouped into three parts. Part I, Understanding and Enhancing Financial Knowledge, contains chapters on defining financial literacy, financial mindfulness, children's financial knowledge development, financial education for college students, and financial education for minority populations. Parts II and III are organized around particular financial decisions, instruments, or outcomes. Part II, Credit, Home Purchase, and Bankruptcy, contains chapters that examine consumers' knowledge about or decisions regarding credit card debt, mortgages and home-buying, and

bankruptcy. Part III, Retirement, Insurance, and Investing contains chapters on Social Security knowledge, long-term care insurance, Medicare Part D, financial investments, and investment in higher education.

It is hoped that this book will provide a useful reference for those with an interest in financial knowledge and decisions, broadly defined. This could include undergraduate and graduate students studying this topic, experienced researchers in this field from a wide range of disciplinary perspectives, policymakers who wish to have a better understanding of the current thinking on a variety of topics related to financial literacy and financial decisions, and practitioners in financial services who would like to further their understanding of the environment in which they actively participate, and the clients that they serve.

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