

THE HIGH PRICE OF FINANCIAL ILLITERACY

Common financial mistakes add up—and can be costly!



A lot of people don't realize how much money they could save if they stopped nickels, dimes, and dollars from leaving their online accounts, pockets and wallets for reasons that could have been avoided—if they'd been more financially literate.

In a survey in late 2022, the National Financial Educators Council (NFEC) asked this question: "During the past year (2022), about how much money do you think you lost because you lacked knowledge about personal finances?"¹

The range of answers from 3,001 responding adults averaged \$1,819. If the same average were applied nationwide among American adults, the cost of financial literacy would have been \$436 billion, according to NFEC calculations.

What is financial illiteracy?

Being financially illiterate means you're not particularly savvy about managing money, which can impact not only your bank accounts, but also your work, relationships, lifestyle—and physical and mental health.¹ Some common mistakes that suggest financial illiteracy include:

- **Credit card fees and interest:** In the fourth quarter of 2022, the average credit card interest rate was 20.40%, according to Federal Reserve data.² Because that's an average, those with bad credit scores faced higher rates. In April 2023, the Consumer Financial Protection Bureau estimated outstanding credit card debt may continue to set records and could hit \$1 trillion.³
- **Overdrafts:** The NFEC reports that American consumers spend \$17 billion a year on overdraft and non-sufficient-funds fees—and that the median bank fee for an overdraft on a debit card is \$34 even though most overdrafts are for transactions costing \$24 or less. The Consumer Financial Protection Bureau (CFPB) reported in December 2021 that banks are dependent on overdraft fees, with non-sufficient penalties making up two-thirds of their fee revenue.⁴

¹ [Financial Illiteracy Cost Americans \\$1,819 in 2022](#)

² [Business Insider, The average credit card interest rate by credit score and card, March 27, 2025](#)

³ [CFPB, As outstanding credit card debt hits new high, the CFPB is focusing on ways to increase competition and reduce costs, April 17, 2023](#)

⁴ [CFPB Research Shows Banks' Deep Dependence on Overdraft Fees, Dec. 1, 2021](#)

- **Luxury spending:** Some people may want to get a luxury car or impress friends or coworkers with to-die-for handbags, glasses, clothing, jewelry—or something else. But is that really a good idea? Someone may love that \$175,000 crocodile Hermès handbag they saw for sale online—but wouldn't a \$75 handbag work just as well?
- **Identity theft scams and fraud:** The FBI reported that Americans lost nearly \$7 billion to identity theft in 2021.⁵ Although financial illiteracy may not be the reason why people fall for fraud, those who lack money knowledge and awareness are more susceptible to scams, according to the NFEC.

Ways that financial literacy may improve

Just like reading skills, financial literacy requires learning, practicing what you've learned, and—if you have a willing listener—sharing what you've learned. That can help others become more financially literate too.

The National Endowment for Financial Education (NEFE) surveyed adults in 2022 about whether high school financial education should be required for graduation, and which key topics should be taught.⁶ The results showed:

- 88% said their state should require a semester-long or year-long financial education course for graduation.
- 80% said they wish they had been required to take a semester-long or year-long financial education course during high school.
- 75% said that spending and budgeting is the most important financial education topic to teach for personal finance education, followed by managing credit (55%), saving (49%) and earning income (47%).

The most recent numbers of the Council for Economic Education (CEE) reveal that 25 states now require students to take a course in economics in order to graduate, and 23 states require students to take a course in personal finance in order to graduate.⁷ Although the number of states adding these requirements is small, CEE reports personal finance education is making slow but steady increases.

As we know, small steps add up—just as small savings do.

⁵ [Federal Bureau of Investigation Internet Crime Report, 2021](#)

⁶ [NEFE: New Data Highlights Demand During Financial Capability Month, April 25, 2022](#)

⁷ [CEE: 2022 Economic and Personal Finance Education in our Nation's Schools, Survey of the States](#)

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