- Financial literacy

HOW FINANCIAL LITERACY CAN HELP HOW YOU AGE BETTER

A new paper from Binghamton University Associate Professor of Psychology Ian M. McDonough sheds light on how age-related changes may affect the way we handle finances – and how we can stay sharp as we age. The study focused on cognitively healthy adults ages 50 to 74, using MRI scans to measure brain structure and functional connectivity. Study participants engaged in simple financial tasks that rely on multiple cognitive domains, including memory, executive functioning and numerical ability. The brain's prefrontal cortex shrinks as a part of normal ageing. As a result, individuals may start making more mistakes with financial tasks. McDonough's research shows that higher household income and financial literacy were the two main factors protecting against age-related declines in financial ability and that financial education may help people retain sharp decision-making abilities on the money front. Maintaining verbal automatic representations for maths – essentially, practising the maths skills you learned in school – may also be helpful in supporting good financial management throughout life. "Managing finances is so important to maintaining independence later in life," said McDonough.

