DIGITAL SOVEREIGNTY ALLIANCE

Modern Foundations of Personal Finance

Literacy and Infrastructure in the Digital Economy

Digital Sovereignty Alliance

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Table of Contents

Executive Summary 2
Introduction 3
Observations 3
1. Financial Literacy as a Long-Standing Problem 3
The Paradox of Availability 3
The Problem of Adherence 5
2. Gaps in Understanding Are Not Evenly Distributed 6
Gender and Racial Disparities 6
Generational Disparities 6
Risk Comprehension 7
Current Financial Trends 7
3. Traditional Financial Systems Do Not Work Equally for Everyone 9
Being Poor Is Expensive… 9
…And So Is Being Young 10
4. Financial Knowledge Is Not Keeping Pace with Engagement 10
5. Artificial Intelligence as a Source of Financial Guidance 11
6. Digital Asset Participation Continues to Expand Despite Skepticism 12
7. Regulating an Emerging Technology into Infrastructure 13
The Stablecoin Market is Increasingly Relevant in the U.S. 13
What Stablecoin Users Should Know 14
New Technology Creates New Risks 15
Recommendations 15
1. Policymakers 16
2. Curriculum Creators and Educators 16
Conclusion 17
Acknowledgments 18
References 18

Executive Summary

Global financial systems are being rebuilt on digital foundations. While the U.S. currently trails other countries in the adoption and implementation of emerging financial technologies, its fintech market more than doubled in size over the past five years,[1] deploying digital rails and instruments that make transactions frictionless and money and trading platforms more accessible and user-friendly for institutions and everyday consumers. Despite these lucrative and rapid transformations in the country's economic sector, the average American's ability to leverage technological innovation into wealth has not kept pace.

The Teachers Insurance and Annuity Association of America (TIAA, formerly TIAA-CREF) is a private, nonprofit financial services organization whose mission is, in part, tracking financial literacy in America. Since 2017, TIAA, in partnership with Stanford University, has conducted an annual survey called the GFLEC Personal Finance (P-Fin) Index survey. The survey is designed to gauge the financial aptitude of adults in the U.S. Over the past decade, survey respondents have consistently answered only about half of the survey questions correctly.[2]

The P-Fin surveys show that deficits are concentrated among those least equipped to manage a loss and compounded by overconfidence: Many adults rate their financial knowledge far higher than the results warrant, and comprehension of risk is the single weakest area of knowledge across every group. At the same time, Americans are banking on mobile platforms, borrowing through buy-now-pay-later and other non-bank channels, and adopting digital assets faster than they can evaluate them. Digital asset ownership continues to rise even as many consumers doubt the safety and reliability of these tools.

States have licensed digital asset businesses for a decade, and now federal law is taking shape.[3] The GENIUS Act, enacted in 2025, paved the way for USD-backed stablecoins.[4] The CLARITY Act, intended to divide jurisdiction of digital assets between the CFTC and SEC, passed the House in July 2025, but stalled in September 2026, when a Senate cloture vote failed 49–50.[5] Meanwhile, the market these rules are meant to govern continues to grow. The valuation of the global stablecoin market alone exceeds $300 billion[6] and delivers real advantages in access, cost, and speed. However, the same digital advancements widen the attack surface. In the United States alone, victims reported $11.4 billion in cryptocurrency-related fraud losses to the FBI's Internet Crime Complaint Center in 2025, more than half of all internet crime losses for the year.[7] While policymakers work to define a burgeoning market, consumers remain vulnerable to the risks simply by participating.

Even as financial systems grow harder to navigate, entry points are narrowing, particularly for households that understand them least. The U.S. bank branch network contracted by 14.8% between 2017 and 2025,[8] leaving an estimated 12.3 million Americans in areas without a nearby branch,[9] while home broadband subscriptions among households earning below $30,000 stood at 54% in 2025 after the federal affordability subsidy expired.[10] The same households are losing both the physical and digital routes into the financial system at once. At the same time, emerging tech platforms like prediction markets are considered federally regulated exchanges. They allow transactions by 18-year-olds that most states would not permit in a casino. Young adults in that age range traded an estimated $5.4 billion on just one trading platform in the first eight months of 2026.[11] These changes demonstrate that Americans are being asked to evaluate a second financial system before they have mastered the first. The education they bring to new systems was built for the systems being replaced, and the most readily available usage guides are

produced by the companies building the technology, not by objective third parties acting in the public interest.

Regulation can make a system safer to participate in, but it cannot educate participants, and education alone has yet to impact national figures. This paper concludes that regulation and financial education must advance together. Modern financial literacy must include foundational knowledge of digital assets and credit, a clear trajectory for building personal and generational wealth in economic landscapes that are increasingly formidable and borderless, and above all, risk comprehension, which should be treated as core infrastructure: built with the same seriousness and at the same pace as the rules now taking shape.

Introduction

The U.S. has historically underperformed in its mastery of financial literacy. The P-Fin Index Surveys show that many Americans lack basic financial knowledge. Financial education has expanded at the state level in recent years, with 39 states now requiring students to study personal finance content before graduation.[12] While many of America's educational institutions attempt to close the gap, whether Americans can successfully pair new technology with prudent financial choices that compound wealth remains to be seen.

Financial systems are growing more complex. At the height of, and in reaction to, the 2008 financial crisis, Bitcoin was created against a backdrop of growing distrust in traditional financial institutions. With its advent, a new type of currency that exists on digital ledgers known as blockchain democratized financial transactions at a time when the prevailing sentiment was that big banks and the institutions that regulate them could no longer be trusted. What was intended to be a peer-to-peer electronic cash system quickly became a platform for speculative investment. From that precedent, new financial rails and products emerged faster than the average consumer could keep pace, compounding already-existing knowledge deficits.

Financial services now run primarily through online and mobile platforms, and digital assets have pervaded everyday life well ahead of the rules that govern them. Financial systems are evolving faster than financial education, leaving individuals to adopt digital tools before they fully understand the associated risks and implications.

This paper examines how persistent financial literacy challenges can evolve alongside rapid changes in financial technology and identifies opportunities for policy interventions and education reforms. It also argues that financial literacy education must acknowledge the rise and irrevocability of digital systems and that participation in those systems is safer when accompanied by both behavioral literacy and conventional personal finance concepts.

Observations

1. Financial Literacy as a Long-Standing Problem

The Paradox of Availability

Financial literacy deficits existed well before the rise of digital financial services. Since 2017, the P-Fin Index has never surpassed 52%, and in most years, adults answer only about half of the survey's 28 questions correctly. The most recent data showed a statistically significant decline in

literacy of five percentage points to 47%, a record low for the Index's ten-year history. The decline was caused by a percentage increase in those who were least knowledgeable: adults answering seven or fewer of the 28 questions correctly grew from 20% in 2017 to 25% in 2026.[2]

This record low was reached despite a significant expansion in financial education over the same timeframe, indicating that the deficit is not exclusively attributable to a dearth of educational resources. Of those 39 states, 30 guarantee high school students a standalone personal finance course, up from 17 in 2022.[13]

As notable as this progress is, the expansion is too recent to have reached most of the students it will eventually cover, as most of those 30 are still phasing in their requirements. Coverage also remains partial: 11 states, including Illinois, Maryland, Massachusetts, and Washington, and the District of Columbia require neither a standalone course nor personal finance content embedded in other subjects.[14] Access also diverges sharply along racial and economic lines, as high schools where more than 75% of students are Black or Hispanic are only half as likely to require a personal finance course, and just 5% of high schools with predominantly low-income student bodies mandate one.[15] Requirements below the high school level are even thinner. Research on early habit formation finds that children have largely developed the core money behaviors they carry into adulthood by about age seven,[16] yet elementary and middle school financial education remains largely unstructured across most states.[17]

The barrier is not only access to financial education, but also access to the financial system that education prepares people to use. By 2023, 48.3% of banked households used mobile banking as their primary method of accessing their accounts, a ninefold increase over the last decade, while reliance on in-person bankers decreased by more than half.[18]

For most Americans, accessing an account now means accessing the internet, but home broadband is not evenly distributed. As of 2025, 78% of adults in the U.S. subscribed to home broadband: 54% in households earning below $30,000 a year compared to 94% in households earning $100,000 or more, and with 71% in rural areas, 75% in urban areas, and 84% in suburban areas. Outside of these figures, 16% of adults own a smartphone but do not subscribe to home broadband at all. However, in the lowest income bracket, that percentage reaches 34%, compared to 4% of top earners.[10]

While a smartphone can handle basic calculations like splitting a dinner bill, it is less likely to be reliable for more intricate tasks like comparing loan terms or product evaluations– the tasks that distinguish informed participation from uninformed participation. The income gradient in smartphone dependence follows the same gradient as financial literacy prioritization in schools: households where members were least likely to have received financial education are the households most likely to consume financial products on a smartphone without the added benefit of guidance on how to properly evaluate their options.

In an attempt to address the affordability gap, the Infrastructure Investment Bill and American Jobs Act of 2021 (IIJA) put $65 billion toward expanding internet access. The IIJA allocated $14.2 billion of the funding to the Affordable Connectivity Program (ACP), providing households discounts on broadband internet, including an exceptionally discounted rate for households on tribal lands, as well as a one-time $100 discount for electronics such as laptops, desktops, or tablets. The ACP program ended in June 2024 after exhausting its funding,[19] resulting in an estimated five million broadband disconnections, concentrated among Black, Latino, disabled, and military households.[20] The IIJA also invested $42.45 billion in the Broadband, Equity,

Access, and Deployment Program (BEAD) to act as the final federal broadband deployment program. As of August 2026, BEAD approved final proposals from all 56 eligible states and territories, describing the milestone as achieving Congress's vision of closing the digital divide once and for all.[21] However, BEAD builds infrastructure, not subscriptions. ACP was the program that addressed affordability. With that program closed, Americans may have service, but they lack the funds to utilize it.

Availability runs in two directions at once: Education is expanding but has not fully arrived, and the connection needed to use it is being lost by the households furthest behind. Separately, neither fact explains why financial literacy fails to rise even among those the expansion has reached.

The Problem of Adherence

The FINRA Foundation's 2024 National Financial Capability Study (NFCS), which surveyed 25,539 adults, found that only 27% of respondents answered a minimum of five out of seven financial questions correctly, consistent with the 28% result in 2021.[22] Although this trend contradicts the P-Fin Index results, which show a deterioration in knowledge rather than maintained levels, both studies reach the same conclusion: financial literacy is discouragingly low and has not improved despite increased access to resources.

This brings us to a crucial observation: the problem of adherence. While financial education and tools are ubiquitous, a lack of opportunities to apply knowledge previously learned and cultural and economic factors beyond individual control inhibit adherence to and retention of smart money principles.

Additionally, increased income does not equal wise spending or investing decisions. Commission-free trading makes buying stocks and ETFs easier, fractional shares mean that everyday traders can invest with smaller amounts of money, and retirement accounts are widely available. These vehicles create opportunities for wealth-building, but only for people who are both literate in using them and have investable income after covering necessary expenses.

Another observation is that AI and automation are increasing productivity and creating new job opportunities, but the transition is uneven. The World Economic Forum projects 170 million new roles and 92 million displaced by 2030, a net gain that nonetheless disrupts some 22% of jobs, with 40% of employers expecting to reduce headcount where AI can automate tasks and entry-level roles among the most exposed.[23] This leaves a knowledge gap that poses a challenge to those without access to workforce development training or education in the effective application of emerging technologies. It is difficult to plan a career trajectory in a field that has yet to determine the makeup of long-term job prospects, leaving those with obsolete skills in the wake of progress.

Perhaps most importantly, there is the contention that knowledge is not equivalent to behavior and that behavioral literacy, or self-awareness of one's relationship to one's own saving and spending habits, should be integral to personal finance education. Rising incomes are no hard-and-fast guarantee of smart financial choices. Money expands what a household can afford, but it does not provide healthy financial habits, like budgeting or assessing personal spending tendencies. Without the skills of awareness and habit-building, financial knowledge is rudderless and adherence is impossible.

2. Gaps in Understanding Are Not Evenly Distributed

To complicate the adoption and application of personal finance knowledge further, low financial literacy is most prominent among groups least able to withstand a financial setback. According to the P-Fin Index, adults with exceptionally low financial literacy are twice as likely to be debt-constrained and three times more likely to be financially fragile than those with high literacy.[2] The same deficit that limits implementation ability limits the capacity to recover from a mistake. These adults are also five times more likely to lack emergency savings, and they spend an average of 10 hours per week worrying about financial matters, more than double the roughly four hours reported by adults with high financial literacy.[2]

Gender and Racial Disparities

The discrepancies fall along familiar lines. According to the P-Fin Index, there was a gender gap of about six percentage points in 2026. Overall, men answered 50% of questions correctly, while women averaged 44% correct responses. However, 19% of men demonstrated very high financial literacy, while only 11% of women fell into that category. Even after taking sociodemographic characteristics into account, women score significantly lower than men in every functional area except consuming, with the widest gaps in investing, insuring, and comprehending risk.[2]

Notable shortcomings were reported not only among women, but among Black and Hispanic individuals as well. Black Americans averaged just 38% correct answers and Hispanic Americans 39%, compared with 53% for white adults and 55% for Asian adults. Regression analysis confirms these gaps persist even after controlling for age, education, and income, indicating that systemic factors are relevant beyond socioeconomic status alone.[2] The intersectional toll is greater still, with the shortfall deepest where gender and race operate together.

These knowledge gaps unsurprisingly coincide with large wealth gaps. In 2023, the Federal Reserve released the Survey of Consumer Finances, which reported that the total wealth of a typical Black family ($44,900) was approximately 15% of the amount held by a typical white family ($285,000), closely followed by Hispanic families, whose wealth equaled about 20% ($61,600) of a typical white family's wealth.[24]

The Federal Reserve Bank of St. Louis more recently released data showing the average wealth has risen across all groups since the Great Recession, up 53% for Black households, 63% for Hispanic households, and 68% for white households. Yet these same proportional gaps remain wide, again showing that low financial literacy goes hand in hand with low economic capability.[25]

Generational Disparities

Like gender and race, significant knowledge gaps exist between generations. The generation that most recently entered the job market, Gen Z (born between 1997 and 2012), scored the lowest on the 2025 P-Fin Index at 38% despite having greater access to financial tools, many of them digital, at a younger age than the generations before them.[2]

Comparatively, financial literacy stands at 46% for Millennials, approximately 50% for Gen X, and approximately 55% for Baby Boomers, leaving a gap of roughly 17 percentage points between the youngest and oldest working cohorts. The 2026 P-Fin Index confirmed this was not a one-

year anomaly: Gen Z again averaged 38%, and financial knowledge has now declined in five of the eight functional areas the index tracks over the past decade.[2] Notably, this shortfall does not reflect a lack of engagement, as younger cohorts report higher rates of formal exposure to personal finance instruction than older ones, suggesting that demand for financial education exists across all cohorts.

Factors such as immigration, interracial marriage, and differential birth rates have led to each generation being more racially diverse than the generation before it. For example, half of Millennials (born between 1981 and 1996) are white, compared to 80% of the Greatest Generation (born between 1915 and 1928).[26,27] These patterns reinforce that age, race, and wealth are increasingly interconnected in the U.S., and correlations for each category can no longer be analyzed independently of one another.

Risk Comprehension

The 2026 P-Fin Index reported consistency throughout each category regarding risk comprehension, the weakest area of knowledge across all groups. On average, 36% of responses were correct in 2026, down from 39% in 2017, with the lowest levels of comprehension mirrored by individuals with the lowest incomes.[2] Importantly, the NFCS assessed how willing respondents were to take risks when investing retirement savings and found that younger respondents, as well as people of color, were significantly more likely to take risks.[22]

Making matters more concerning, the NFCS reported that many respondents had "inflated self-perceptions of their financial knowledge." Despite low and falling measured literacy, 76% of respondents rated their financial knowledge highly, between five and seven on a seven-point scale, with seven being "very high," up from 67% in 2009.[22] As financial technology continues to advance, overconfidence, weak risk comprehension, and comfort with risk-taking can be especially dangerous. The emergence of digital finance brings new tools, ease of access, and more personal control over saving and spending, but with it, risk to the consumer and the economy at large becomes more prevalent.

In the coming decades, a $36 trillion generational wealth transfer is set to take place as Baby Boomers pass their fortunes to the next generations.[28] Roughly three-quarters of those receiving an inheritance are already in the top 10% of households by net worth and are more likely than less-wealthy recipients to move their new fortunes into assets and investments rather than pour them back into the greater economy, further concentrating household wealth at the top of the spectrum.[28] Still, that leaves a share of estimated wealth in the hands of inheritors who may be more likely than average to pursue risky investments or overestimate their ability to make sound, long-term financial choices. The risk of an uninformed populace is a further widening of the wealth divide.

Current Financial Trends

The rising cost of living is chipping away at the capacity to build wealth, and Americans report feeling the pinch of inflation and a cooling job market. Loyalty programs are increasingly about filling gaps rather than extra perks, as more than a third of adults use credit card points to pay for everyday expenses, like groceries and gas, instead of retail or travel, and often redeem their points as soon as possible in order to cover these costs.[29] Large minorities of investors under 35

have experimented with meme stocks and other viral investments, traded options, and borrowed money to invest.[30] Among male Gen Zers, day trading, gambling, fantasy sports, and pornography consumption correlate with persistent feelings of demoralization. Young men also trail women of the same age in educational attainment and employment, enduring mental health crises at a greater rate, and engaging in riskier financial behaviors.[31]

The more consequential development is structural. Brokerage accounts, sportsbooks, and prediction markets can all be accessed on the same smartphone, using the same interface conventions, by the same user. The products converged well ahead of the corresponding convergence in education, and nothing in a standard personal finance course teaches users how to differentiate between them.

The clearest example is the prediction market. In figures supplied by the prediction market platform Kalshi, young adults between 18 and 21 traded an estimated $5.4 billion on the platform in the first eight months of 2026, roughly $3.9 billion of it in sports contracts and parlays. These two categories alone account for 80% of Kalshi's overall volume. Kalshi has handled more than $173 billion in total volume this year and covers about 90% of the U.S. prediction market, with participants between 18 and 21 accounting for 3.14% of that volume.[11]

These realities have stirred up controversy. This group of young traders is able to participate due to Kalshi being federally regulated as a financial market rather than as gambling, which most states restrict to individuals 21 and older.[11] An 18-year-old purchasing a sports parlay on that exchange is executing a financial market transaction in the exact domain the P-Fin Index identifies as least understood, at an age at which most states would not allow the same wager in a casino.

Although significant, this behavior is not confined to prediction markets alone. In a 2025 survey, 26% of Gen Z respondents described sports betting as part of their long-term financial strategy, and 52% of Gen Z investors said they had moved money initially intended for investing into sports betting over the last year.[32] Those who feel financially behind are the most likely to turn to prediction markets, sports betting, and cryptocurrency in an attempt to close the gap.[33]

Financial advice has migrated to the same devices. Roughly one in five Americans have sought financial advice on social media, and the most active users are between 18 and 35.[34] The Federal Reserve's own assessment is that these platforms democratize access to financial education and expose users to misinformation, poor-quality advice, and fraud at the same time, with the risk highest among young people with little financial experience.[34] Thirty-seven percent of Gen Z individuals report getting into trouble after acting on financial advice found on social media.[35]

Responses to the existential burdens of personal finance are polarized. As some Gen Zers dive headlong into risk through investments in prediction markets and crypto, others opt for "retirement-maxxing," opening accounts and making maximum allowable contributions earlier than previous generations, and some do both, saving while allowing credit card debt to pile up, ultimately negating their gains.[36] Nevertheless, Gen Z is contributing to 401(k) plans at higher rates than Millennials did on entering the workforce.[37]

Financial counselors report that most clients now seek advice on managing debt not around extravagant purchases, but around basic needs like groceries, car repairs, and medical expenses.[38] Enrollment in debt management plans in 2025 rose to the highest levels in decades, with adults in their late teens and twenties making up the fastest-growing share of the client base. Clients average $20,000 in debt exclusive of student loans, which half of them also carry.[38]

Why is Gen Z taking outsized risks while struggling to cover basic expenses? Speculative investing strongly correlates with feeling financially behind. While economic uncertainty should result in more conservative behaviors, individuals instead turn to high-volatility investments. Timothy Fong, a psychiatry professor at UCLA who treats addictive behaviors, found that risky investing in the Gen Z cohort stems less from a desire for financial security than from a desire to emulate lifestyles seen on social media.[30] This leaves the most technologically fluent generation as the most exposed to the pitfalls of that technology.

3. Traditional Financial Systems Do Not Work Equally for Everyone

Being Poor Is Expensive...

Beyond gaps in understanding, the traditional financial system itself imposes structural costs that fall disproportionately on the same ill-equipped populations identified by the P-Fin Index. In 2025, banks and credit unions collected more than $12 billion in overdraft and non-sufficient-funds fees,[39] which fall disproportionately on nonwhite households, low-income households, and those with limited education. Among banked adults, higher shares of those with low or middle income, of Black and Hispanic adults, and of adults with a disability paid an overdraft fee in the prior twelve months.[40]

The regulatory position on these fees reversed within a single year. The CFPB's *Overdraft Lending: Very Large Financial Institutions* rule, finalized in December 2024, which would have capped overdraft fees at $5, saving affected households an estimated $225 per year, was reversed by Congress in May 2025, leaving low-income households without federal protection from these costs.[41] These fees compound a deeper access problem. As of 2023, 14.2% of U.S. households (approximately 19 million) were underbanked, relying on alternative financial services such as check cashing or payday loans despite holding a bank account. Black and Hispanic households are more than five times as likely to be unbanked and more than twice as likely to be underbanked as white households.[18]

The consequences of these barriers cascade. Roughly a quarter of consumers live in a household charged an overdraft or non-sufficient-funds fee in the prior year, and the credit profiles of frequent payers and non-payers diverge sharply: consumers in households charged no such fees carry an average credit score of 744, while frequent payers average just 637, a gap of more than 100 points that compounds into higher borrowing costs and reduced financial mobility over time. Among frequent payers, 49% have reached their credit card limits, 42% are delinquent on a bill, and 81% report difficulty paying at least one bill during the year.[42]

The system is not only becoming more expensive to use; it is also being physically withdrawn. The U.S. bank branch network declined by 14.8% between 2017 and 2025, falling from 86,469 branches to 73,649.[8] Between the end of 2019 and mid-2023, the number of banking deserts - census tracts with no branch within two miles in urban areas, five in suburban areas, or ten in rural areas - rose from 3,401 to 3,618, an increase of 6.4%. An estimated 12.3 million Americans, 3.8% of the population, now live in one, and a further 11.1 million live in tracts that would become banking deserts with one more closure. The Federal Reserve Bank of Philadelphia identifies the households most affected as the elderly, the low-income, and those without reliable internet access.[9]

That last category is the same population described earlier in Section 1. Three deficits now fall on a single group of households: the lowest measured financial literacy, the highest structural costs, and the fastest-declining access to the channels through which the system now operates. The household losing its branch and the household losing its broadband subscription are, to a substantial degree, the same household, left without either a physical or digital route into the system.

…And So Is Being Young

Younger generations bear a particular share of this burden. Gen Z student loan borrowers number approximately 11.0 million and carry an average balance of $21,670, the lowest of any generation though the fastest growing since 2021, and they represent 35.2% of all student loan borrowers. This debt has tangible consequences for financial participation, as 84% of Gen Z borrowers with student debt report delaying major milestones such as buying a home or starting a business, 72% report making employment decisions on the basis of that debt, and 33% report deciding against further education.[43]

Working and saving no longer generates the financial security it once did. Baby Boomers became the wealthiest generation thanks to low home prices in their prime buying years, decades of bull runs in the stock market, and pensions that are now nearly nonexistent. They hold 51.6% of U.S. household wealth while making up roughly 20% of the adult population.[44] What sets their unique wealth-building potential apart from other generations – as with high-income households today – is ownership of assets.

While the lower-middle and working classes own labor, hard assets like real estate and stocks appreciate over time without exposure to the same risks as working and saving a portion of income. Not only do those privileged to benefit from instruments like employer contributions, profit-sharing, and employee stock purchase plans (ESPPs) have the ability to capitalize on their existing contributions, they can often reinvest without touching the principal.

Young and working-class investors frequently resort to gig work that does not pay benefits to make ends meet, spend their savings to cover unexpected expenses, and see low returns that do not allow for compounding over time. Those reliant on saving alone are also more vulnerable to market fluctuations, in addition to the penalties incurred by being unbanked or underbanked.

These figures establish the conditions under which financial education should operate. Overdraft fees – the premium paid by the underbanked – and the credit score penalties that follow a single missed payment fall on the same populations the P-Fin Index identifies as least financially literate and compound the cost of every uninformed decision.

In this paper's assessment, fees of this kind set a floor on what financial education alone can accomplish. Education determines whether a consumer recognizes and avoids these costs. The recommendations that follow address fee disclosure and account access alongside curriculum, not as a separate reform agenda, but as the conditions that make financial literacy actionable.

4. Financial Knowledge Is Not Keeping Pace with Engagement

Digital tools have already evolved beyond the most readily accessible educational resources. Everyday financial activity is now often done digitally, and the technology powering it continues to advance. The NFCS reported that 81% of adults with a bank account use mobile devices to access it, 65% use them for P2P transfers, and 53% to make in-person purchases.[22] The

technology in everyday use, like installment credit at checkout, payment apps, AI advice, and digital assets, postdates many of the financial education models meant to prepare individuals for the nuances of modern finance.

In addition to how consumers access, move, and spend their money, there have been advancements in how they borrow. Non-bank borrowing methods such as pawn shops, auto-title loans, and tax refund advances remain common, and their use is heavily generational: within a five-year period, 50% of Gen Z respondents, 46% of Millennials, 31% of Gen X, and 13% of Baby Boomers used at least one.[22] Against that backdrop, it is not surprising that buy-now-pay-later (BNPL) models have gained significant popularity. According to the Consumer Financial Protection Bureau (CFPB), these loans grew from $2.2 billion in 2019 to $43.9 billion in 2023, when the six largest providers issued 335.8 million loans to 53.6 million consumers.[45] In the same year, BNPL consumers took out 6.3 loans per lender. This did not account for consumers who had loans through multiple lenders, and the dollar amount of BNPL loans also increased.[45] Additionally, BNPL users were more likely than non-users to have a credit card balance and to overdraw their checking accounts.[45] Similar to credit cards, these non-bank borrowing methods often come with high interest rates.[22]

Following the same pattern noted in Section 2, non-bank borrowing and fee-incurring credit card usage are most often seen among respondents who are aged 34 or younger, Black, or Hispanic. These groups are also the most likely to manage money through their mobile devices.[22] Taken together, the data suggests that the demographics with the lowest levels of financial literacy are often the same groups engaging in costly financial behaviors and accessing increasingly complex financial products. This means that the lack of financial understanding does not merely contribute to poor individual decisions but can also reinforce economic vulnerability and perpetuate a cycle that is difficult to break without modern, accessible financial education.

5. Artificial Intelligence as a Source of Financial Guidance

Americans are bringing their money questions to AI, and the people asking are disproportionately young. Gallup, surveying 5,075 adults between March and April 2026, found that roughly one in five individuals who sought financial advice in the preceding year turned to an AI system,[46] and other consumer research puts broader use higher, with 26% reporting that they have asked a chatbot a personal finance question.[47]

The pattern is generational, and it reflects a change in where advice is sought rather than whether it is sought. Over one-quarter of Gen Z and Millennial advice-seekers consulted AI, against 16% of Gen X and 7% of Baby Boomers; for human advisers the proportions invert, at 14% of Gen Z and 55% of Baby Boomers.[46] Younger adults are not disengaged from the subject. They report higher rates of formal exposure to personal finance instruction than older cohorts, and, as Section 2 describes, they consult social media about money at high rates as well. Despite being proactive about seeking financial advice, the cohort directing the largest share of its questions to AI systems is also the cohort the P-Fin Index scores lowest, at 38%.[2]

While regulated financial professionals are bound by enforceable standards of conduct, AI systems are not held to the same obligations or incentives to consider an individual's specific circumstances that likely affect their financial needs. Federal attention has largely concentrated on fraud that utilizes these tools, which is where the immediate and quantifiable harm sits and

where enforcement is already working.[48] The reliability and suitability of everyday, non-fraudulent advice has yet to be taken on by a governing agency.

It is fast and easy to receive advice from artificial intelligence platforms, but evaluating those responses requires a certain level of judgement. This is where many individuals have difficulty, because having this sound judgement often requires existing knowledge on the precise topic the user was trying to learn about. In one consumer survey, 29% of users said AI advice had worsened their financial situation, against 39% who claimed it helped. Despite only 3% of Americans having "a great deal" of confidence in financial guidance from AI,[46] 20% of individuals who act on its advice did so immediately, without follow-up questions, further research, or human input.[47] Set beside the NFCS finding that 76% of adults rate their own financial knowledge highly,[22] it is unlikely that errors will be caught by the users receiving advice.

Disclosure of personal information is another overlooked vulnerability. Over three-quarters of users report sharing personal details with an AI platform, including 38% who shared a credit score, 10% an account number, and 9% a Social Security number.[47] Those exchanges generally occur outside the privacy and security regimes that govern regulated financial institutions, indicating implicit trust – something that once took bankers, and business owners of all kinds, months or years to earn.

6. Digital Asset Participation Continues to Expand Despite Skepticism

Cryptocurrency adoption shows both the trend and the difficulty of measuring it. According to the Federal Reserve's 2025 Survey of Household Economics and Decisionmaking, which surveyed nearly 13,000 U.S. adults, 10% of respondents used or owned cryptocurrency at the end of 2025, up from 7% in 2024.[49] The Pew Research Center reported that 63% of Americans have little to no confidence that current ways of using or investing in cryptocurrency are safe and reliable.[50] However, a survey of existing crypto holders by the National Cryptocurrency Association (NCA) conducted with The Harris Poll reported that nearly one in four adults (67 million people) have used crypto, with an increase of 12 million in a single year. The report also highlights trends that are unexpected compared to those in the traditional finance surveys, such as the finding that new crypto users are more likely to be female, and 28% of new users are aged 55 or older.[51] Although the surveys polled different groups of people, they all conclude that adoption is rising.

In July 2026, the SEC's Office of the Investor Advocate published the first government analysis of cryptocurrency ownership in the U.S. population, drawing on a nationally representative panel and measuring respondents' financial literacy directly using a standard three-question scale.[52] That measurement matters because it captures in a single instrument what the surveys above address separately: who owns these assets, and how well they understand the financial concepts underlying them.

YouGov conducted a survey that showed varying perspectives within the same sample, with 30% of Gen Z respondents stating cryptocurrency is the future of financial transactions, while 50% disagree.[53] Strikingly, the same survey asked respondents whether they would be in favor of "giving up traditional banking entirely in favor of crypto." The framing of the question suggests that many people continue to view digital assets and traditional financial services as mutually exclusive options rather than complementary tools. This misconception may help explain why skepticism toward digital assets remains so widespread.

7. Regulating an Emerging Technology into Infrastructure

Alongside these survey findings, rising adoption of digital assets has also been reinforced by the federal government. As participation has broadened, regulation of the underlying technology has been adopted. In July 2025, the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act was signed into law, establishing the first federal framework for payment stablecoins, with requirements for full reserves, public disclosure, licensed issuance, and anti-money-laundering and sanctions obligations.[4] The GENIUS Act is being implemented through agency rulemaking and is not yet fully operational. Following this framework is the Digital Asset Market Clarity (CLARITY) Act, which addresses the broader market structure for digital assets but has not yet become law. The CLARITY Act passed the House of Representatives in July 2025 and was advanced by the Senate Banking Committee in May 2026. However, the bill stalled in September 2026, when a Senate cloture vote failed 49-50, short of the 60 votes needed to advance it, leaving the SEC and CFTC to set market-structure rules through agency action instead.[5]

Both pieces of legislation show the significance of the anticipated direction of digital assets. As digital assets cross from a contested gray zone into regulated infrastructure, they bring with them a shift that offers legitimacy and drives broader participation. This leads to confidence in the rules and, at the same time, concern about the readiness of the people those rules will affect.

The Stablecoin Market Is Increasingly Relevant in the U.S.

Regardless of personal opinions about digital assets, the scale involved is no longer marginal. The global stablecoin market has grown to more than $300 billion, of which roughly 99% is denominated in U.S. dollars, and issuers have become meaningful buyers of U.S. government debt, purchasing close to $35 billion in Treasury bills in 2025, with the largest issuer now ranking among the largest holders of short-term U.S. debt.[6] The market is, therefore, relevant at the level of national finance, not only individual transactions. It is also relevant to everyday economic life, with industry survey data stating that ownership is distributed across the country in rough proportion to the population and skews toward middle-income households.[51]

From a global viewpoint, stablecoins have been widely adopted because they solve concrete problems in moving and holding money. A stablecoin can be held and sent by anyone with an internet connection without the need for a bank account, a branch visit, or an identity-verification process. That matters when, according to the World Bank's Global Findex count, roughly 1.4 billion adults remain unbanked.[54] In economies with volatile local currencies, USD-backed stablecoins have become a practical way to maintain value. For example, households and businesses in Argentina, Turkey, and Nigeria have used them to preserve purchasing power, a pattern often described as "digital dollarization."[55] The adoption data reflects this. In Sub-Saharan Africa, stablecoins now account for more than 40% of cryptocurrency transaction volume, used for payments and savings amid currency instability,[56] and in 2025, the central bank chief of Brazil reported that roughly 90% of the country's crypto flows were tied to stablecoins.[57] For these users, a digital dollar is not a speculative asset but a more reliable unit than the one their own currency provides.

Moving money across borders through conventional channels is expensive. The World Bank reported that the global average cost of sending a remittance was 6.36% in 2025, with banks being the most costly option at roughly 14.55%.[58] Stablecoin transfers, by contrast, settle for

network fees that are often a fraction of a percent, and the IMF and the Bank for International Settlements (BIS) both identify reduced cost as a central benefit for cross-border payments and remittances.[59,60] The same institutions do note that stablecoins do not eliminate every cost, since foreign exchange conversion, off- and on-ramping, and intermediation still carry charges.[59,60] Globally, remittances reached $905 billion in 2024, with $685 billion flowing to low- and middle-income countries, an amount that now surpasses foreign direct investment and official development assistance to those countries combined.[61] Digital-only remittance channels already show the potential of lower-cost transfers, averaging 3.54% per transaction in the third quarter of 2025 versus nearly 15% for banks, a 75% cost difference, and digital channels overall averaged 4.59% compared with 7.30% for non-digital ones; yet digital services still account for only about 35% of all remittance volume tracked globally, underscoring how much room remains for adoption.[58]

Traditional cross-border payments move through long chains of correspondent banks operating in different time zones and on different systems, which can result in delays. Stablecoins settle on networks that run continuously, allowing transfers to clear in minutes, 24/7. The BIS attributes part of their appeal to "speeding up settlements through technology and data improvements," and a 2026 Federal Reserve note examines the same cross-border speed and cost benefits directly.[60,62] The advantage is most visible with international transfers and after-hours settlements, where traditional systems are slowest.

These benefits are significant, and they are why adoption has broadened well beyond speculation. As stablecoin usage increases in the U.S., the financially vulnerable groups mentioned throughout this paper stand to gain the most from its adoption. The more useful and accessible a financial instrument becomes, the more people will use it, and the more detrimental not understanding it can be. The advantages of stablecoins are an argument for participation, and they are also an argument for the financial literacy that makes participation safe.

What Stablecoin Users Should Know

A USD-backed payment stablecoin is presented as a dollar to consumers. The balance displays in dollars, and the amount remains consistent regardless of market fluctuations. This consistency is a key benefit of using stablecoins, and although it may seem simple, the technology and guidance behind the assets are more complicated.

What holds the value is the issuer's balance sheet. A stablecoin holds its dollar value because the issuer maintains high-quality, liquid assets backing it; if those assets are impaired, the peg can break. For example, a popular stablecoin, USDC, fell below 87 cents in March 2023 after its issuer disclosed that $3.3 billion of its cash reserves sat at Silicon Valley Bank, and the bank failed. Even though the token was fully reserved, it traded below a dollar. Federal regulators were able to intervene, waiving the standard deposit insurance limit for Silicon Valley Bank and securing $3.3 billion.[63] While such a scenario is unlikely, it is possible, underscoring the need for a clear federal regulatory framework.

Stablecoins are not considered deposits, so they do not carry deposit insurance, and while the GENIUS Act prohibits issuers from implying otherwise,[4] many consumers are not familiar with what deposit insurance would have covered in the first place. The GENIUS Act also bars issuers from paying interest or yield to consumers,[4] and a return offered anywhere outside the issuer's reserves moves risk away from the issuer and to the consumer. The question of whether rewards

can be routed through affiliates or exchanges was among the unresolved issues in the CLARITY negotiations and remains open now that the bill has stalled.[5]

Because stablecoins exist on a blockchain, errors are also more difficult to resolve than those on traditional payment systems. An unintentional debit card payment can be disputed, but a stablecoin transfer sent to the wrong address generally cannot be recalled. Converting stablecoins back to dollars can also be challenging, since the process relies on an intermediary. Fortunately, the GENIUS Act gives consumers a priority claim on reserves in insolvency,[4] though the priority claim requires a court proceeding.

For individuals using stablecoins, learning this information is a crucial step toward responsible participation. The consequences of a lack of knowledge around consumer protections are reflected in the P-Fin Index, where only 36% of questions regarding risk comprehension were answered correctly, making it the weakest measured area of financial knowledge across every demographic group.[2]

New Technology Creates New Risks

A larger and more accessible system is also a larger target, and the most recent federal data shows the target being hit harder than before. The FBI's Internet Crime Complaint Center recorded 1,008,597 complaints in 2025, with total reported losses of about $20.9 billion, a 26% increase over the $16.6 billion reported in 2024. Cryptocurrency-related losses reached a record $11.4 billion, more than half of all internet-crime losses for the year, spanning 181,565 complaints, a 21% increase. Americans ages 60 and older were adversely affected, reporting losses of $4.4 billion, by far the largest share of any age bracket.[7]

The same report added artificial intelligence as a tracked fraud category for the first time in the Center's twenty-five-year history, recording 22,364 complaints referencing AI and $893 million in reported losses. Documented methods include deepfake videos of public figures endorsing fraudulent investment platforms, voice clones authorizing wire transfers, and AI-generated personas conducting fictitious job interviews. Because tagging is voluntary, the Bureau treats the figure as a floor rather than a ceiling.[7] The two channels described in Sections 5 and 6 are converging: the technology increasingly used to seek financial guidance is also the technology increasingly used to defraud.

Industry survey data reflects awareness of the danger without resolving it: 72% of current cryptocurrency holders report concern about scams and security, while only 3% report a negative overall experience.[51] Considered alongside the FBI data, it confirms what the P-Fin Index already established: risk is the least understood area of financial knowledge, and consumers are bearing the consequences.[2] Digital environments expand both access and the attack surface at once.

Recommendations

The evidence shows that financial literacy is foundational. It offers protection, as demonstrated in groups that are not financially fragile, and its absence is concentrated within groups for whom that absence perpetuates cycles of low upward economic mobility.[2] Recent regulation indicates that digital financial environments have only begun to evolve, and however thorough the legislation may be, it does not equip individuals with the knowledge required to appropriately

evaluate products and make educated decisions for their own financial wellbeing. Modern financial literacy is the part of a safe digital financial system that policy has yet to address.

1. Policymakers

These recommendations treat cost, access, and comprehension as a single problem. Each is achievable within the regulatory work already underway, which means the obstacle to adoption is priority, not technical difficulty. A framework that protects consumers in digital markets while leaving them exposed in traditional banking will not deliver the broad and durable participation its authors intend.

- **Extend standardized cost disclosure to everyday consumer credit.** The GENIUS Act requires stablecoin issuers to disclose reserve composition, redemption terms, and risk,[4] but there is no guidance regarding consumer fees. Since the reversal of the CFPB's overdraft rule in May 2025, overdraft, non-sufficient funds, and buy-now-pay-later terms have different disclosure requirements.[41] Congress should apply a comparable standard to these products so that consumers evaluating credit options have standards consistent with digital assets.
- **Pair digital asset implementation with entry-level account access.** Around 19 million U.S. households are underbanked, and they are disproportionately the same households paying heavy fees.[18] Agencies writing the rules that implement GENIUS should treat basic account access as part of the infrastructure. Formalizing digital financial rails without it will worsen the existing gap for new systems rather than closing it.
- **Attach a public-education requirement to digital asset rulemaking.** GENIUS is being implemented through agency rulemaking that is not finalized yet.[4] With CLARITY stalled, the SEC and CFTC are also setting market structure rules through their own rulemaking, which should carry the same requirement. Disclosure obligations placed on issuers may be too complex for everyday consumers to interpret. Rulemaking should pair disclosure obligations with a public education component, with particular attention to demographics with the lowest measured literacy and the highest financial fragility, closing the gap between what the rules require firms to say and what consumers are able to understand.
- **Define financial literacy in statute to include digital instruments.** State mandates written before 2020 do not mention digital assets, non-bank borrowing, or AI tools.
- **Treat broadband affordability as financial infrastructure.** After the ACP ended in June 2024,[19] broadband adoption among the lowest-income group declined.[10] A literacy mandate that relies on a household connection will exclude the population it is intended to reach, particularly where physical banking locations are also being withdrawn.[9]
- **Extend suitability and disclosure expectations to consumer-facing financial artificial intelligence.** Supervision currently addresses how firms describe these tools and how firms deploy them, but not the accuracy or the equity of the guidance consumers receive.[64,65]

2. Curriculum Creators and Educators

Curriculum designers face a harder problem than coverage. The evidence on retention suggests that what is taught matters less than whether it can be applied when the time to make a decision

arrives, which points toward the need for a curriculum organized around judgment rather than recall.

- **Teach the system as it now operates.** Incorporate topics like digital assets, borrowing through non-bank channels, and analyzing AI-generated advice.
- **Prioritize risk comprehension.** It is the weakest measured area of knowledge and yet the most consequential in today's market.
- **Teach diversification as a safety-net concept.** Individuals who do not hold investments will read diversification as advice meant for someone else. Presented as a principle about not concentrating exposure, it resonates with an individual with one job and one account just as directly as with an investor with a portfolio.
- **Integrate behavioral literacy.** Highlight how digital interfaces are designed to intentionally impact a user's decision-making through defaults and notifications, and how marketing operates within financial applications so that users can recognize when a product is engineering a decision rather than presenting one.
- **Treat spending control as a skill, not a virtue.** Distinguishing impulsive from intentional spending is something individuals can practice and improve on. Presenting restraint as a character trait may resonate with some individuals, but it does not give them anything to actually practice.
- **Reframe wealth-building from earning to owning.** Individuals should leave with a concrete understanding of how assets compound, why access to them has been unevenly distributed, and what assets are available to them, especially in small increments (fractional shares, for example).
- **Include career and compensation literacy.** Focus on evaluating offers, benefits, employer contributions, and equity. For most people, these decisions shape lifetime wealth more than any investment decision.
- **Address long-term family obligations.** Address the cost of education, family formation, and caregiving for elderly or disabled relatives. These decisions have a major financial influence and can impact household finances for decades.

Conclusion

The financial system this paper describes is not the one most Americans were taught to use. Its rails are digital, a growing share of its guidance now comes from software rather than from a person, and comprehension has not advanced with it. The P-Fin Index recorded its lowest reading in a decade in 2026, with comprehension of risk measured most weakly at 36%. This percentage must improve in order for individuals to responsibly engage with emerging technology.

The consistent theme throughout these sections is the population involved. The households scoring lowest on literacy are also the households paying overdraft and non-sufficient funds fees, relying on non-bank borrowing, and watching neighborhood banks and internet access disappear. New products rarely reach them through an adviser or teller, but instead through their smartphone, often before the rules governing the technology have been finalized.

With all of these advancements, financial literacy must be treated as infrastructure and progress alongside them. The timing is unusually favorable. The GENIUS Act remains in agency rulemaking, and although the CLARITY Act stalled after a failed Senate cloture vote, much of this

framework is now being written through agency action, making a durable, statutory commitment to public comprehension all the more important. Once those rules are settled, incorporating an element of public comprehension becomes far more challenging.

Regulation can make a system safer to participate in, but it cannot make participants ready. If the U.S. intends the shift to regulated digital finance to be both safe and inclusive, it must build financial literacy with the same prioritization it gives the rules, and at the same pace. The system is already moving at the speed of participation; education must not be left behind.

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