

Financial literacy is appallingly low

Key findings from the Allianz Financial and Risk Literacy Survey

To measure the level of financial literacy, we asked four questions relating to different financial skills: numeracy, interest, accounting, and inflation. Overall, the level of financial literacy is appallingly low among our respondents: Only 28.5% of all respondents answered all four questions correctly. While differences between different age groups can be expected – after all, financial literacy is not learned at school, but mainly by experience – the huge gender gap in all countries is quite surprisingly: While 36.4% of the men we surveyed were financially literate, only 20.7% of the women in our sample make the grade.

Financial literacy is not an abstract concept but has measurable consequences. When asked to invest 1000 Euro, “literate” respondents preferred securities (34.8%) to bank deposits (22.3%) – which yield real negative returns in today’s zero-interest environment. “Illiterate” respondents answered the other way round (26.8% vs 29.8%). Even more disturbing: “illiterate” respondents are more likely to invest in cryptocurrencies (11.6%) than in insurance related products (9.0%).

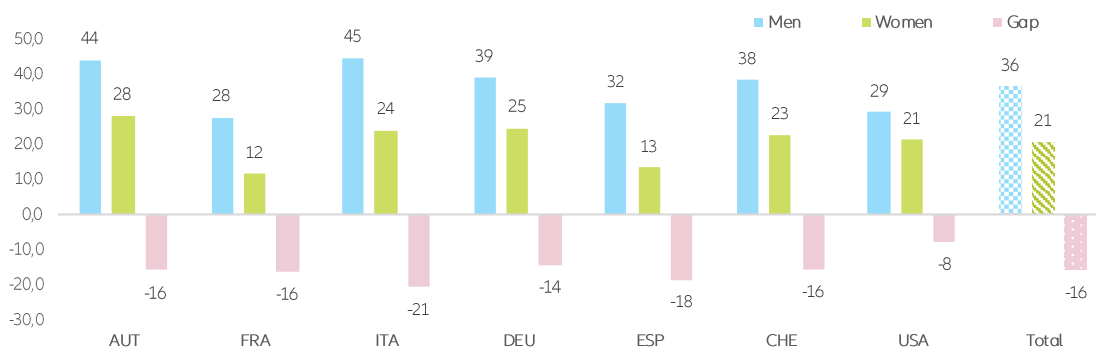
The Allianz Financial and Risk Literacy Survey was conducted by Allianz Research via an online questionnaire in October 2020.

The nationally representative sample included 1000 individuals age 18+ in Germany, Austria, Switzerland, France, Italy, Spain, and the USA.

“The huge gender gap in financial literacy is alarming. Financial knowledge is a critical factor that explains why a sector of the population is better able to cope with the shock compared to others. Low financial literacy and the greater financial impact, creates the perfect storm scenario for the pandemic to become a ‘she-cession’”, said Patricia Pelayo Romero, author of the report. “The disastrous low levels of financial and risk literacy are a call for action for policy makers and the finance industry alike. Without sound knowledge, many households are doomed to make the wrong financial decisions, with devastating consequences for their financial well-being in the future. While policy makers should find ways to integrate financial literacy into normal school curriculums, the industry should double down its efforts for simple, easy to understand products.

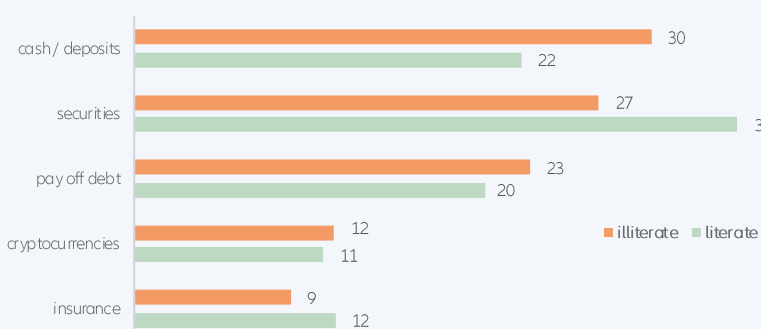
The gender gap in financial literacy is alarming

Percentage of financially literate individuals, by country and gender, in %



Financial literacy helps to make better investment decisions

If you were given \$1,000 to invest in one of the following instruments and leave it for 12 months untouched. Which of these options would you prefer? Choose one. Answers in %



“Financial literacy makes a real difference”, commented Arne Holzhausen, co-author of the study. “In times of real negative interest rates the supposedly least risky asset is where the losses lie. Financial savvy savers can avoid falling into this trap.”