

Gender Differences in Financial Literacy Around the World

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Women and financial literacy

- In today's rapidly changing financial markets, being able to make informed financial decisions has become of paramount importance around the world.
- This is especially true for women, as they face distinct challenges including:
 - Higher life expectancies compared to men
 - Gender gaps in wages
 - Career interruptions due to maternity leave & other reasons

The importance of financial literacy

- To address the distinct challenges they face, women need to be equipped with an understanding of basic financial concepts
- However, research around the world shows that women have lower financial literacy and are less confident in their financial knowledge
- Even those for whom financial knowledge is likely to be very important—for examples widows or single women—know little about concepts relevant for day-to-day financial decisions

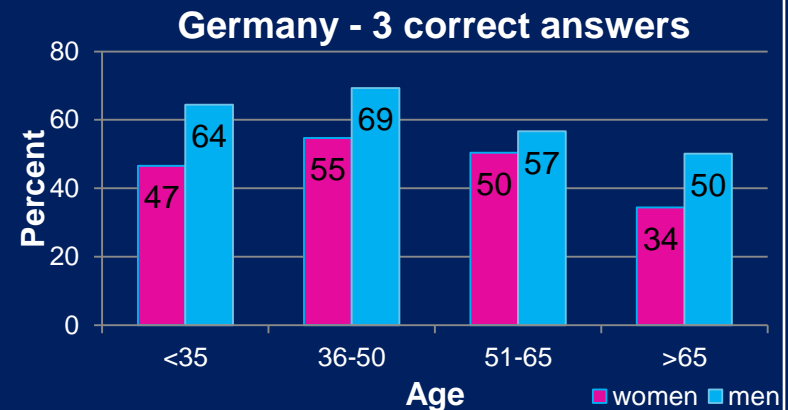
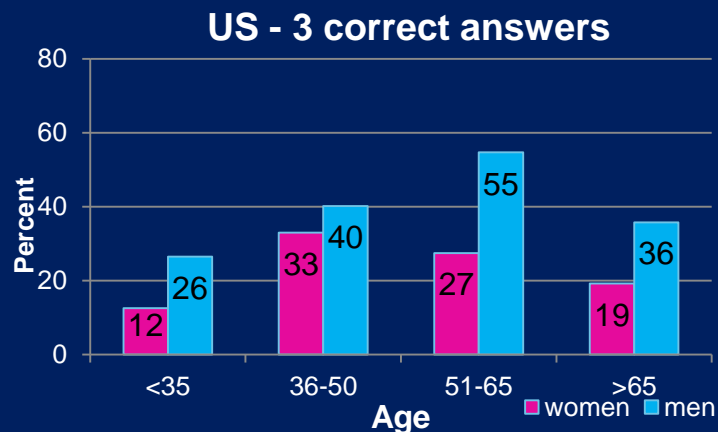
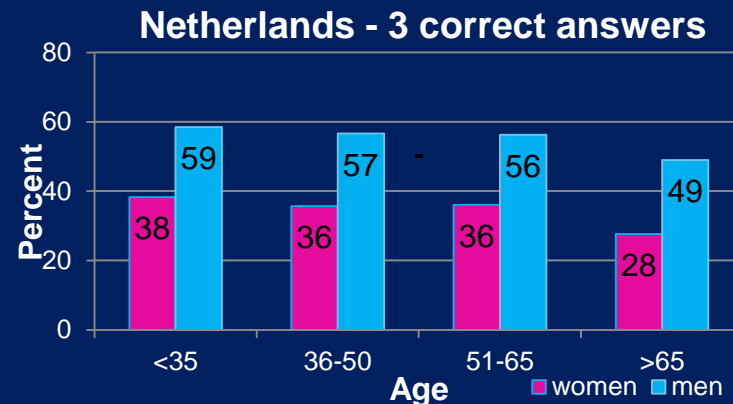
Measuring financial literacy among adults

- To measure the financial literacy of adults, a set of three multiple choice questions, known as the “Big Three,” has been used in many countries
- The questions cover three key topics, worded as follows:
 - **Numeracy:** *“Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?” More than \$102; Exactly \$102, or Less than \$102? Do not know. Refuse to answer.*
 - **Inflation:** *“Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, with the money in this account, would you be able to buy more than today, exactly the same as today, or less than today?” Do not know, refuse to answer*
 - **Risk Diversification:** *“Do you think the following statement is true or false? Buying a single company stock usually provides a safer return than a stock mutual fund.” Do not know, refuse to answer.*

Gender differences in financial literacy around the world

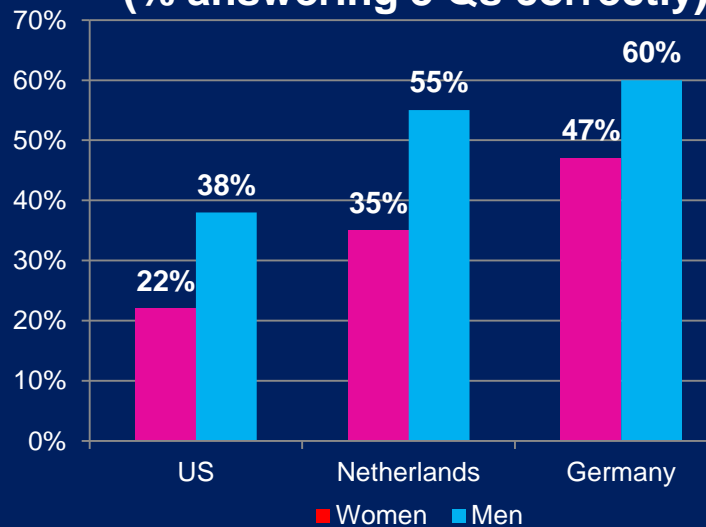
Evidence from the US, Netherlands, and Germany

- A study using these three financial literacy questions in the US, Netherlands, and Germany found that women disproportionately demonstrate lower levels of financial literacy than men across all age groups.

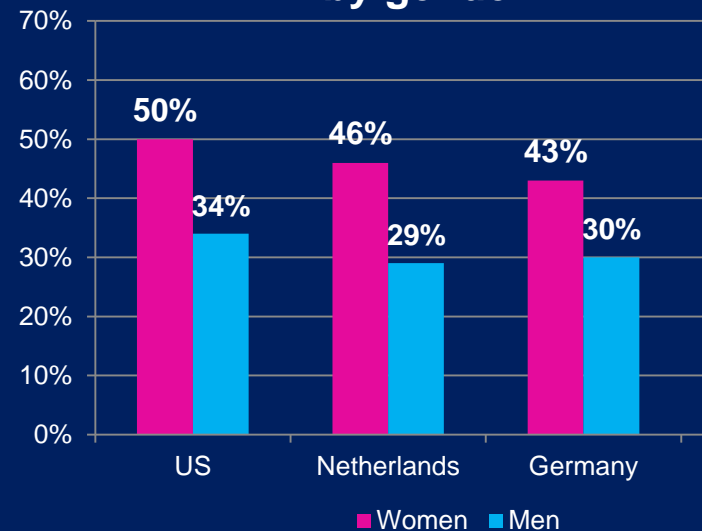


Gender differences in financial literacy and “do not know” answers

Financial knowledge by gender
(% answering 3 Qs correctly)



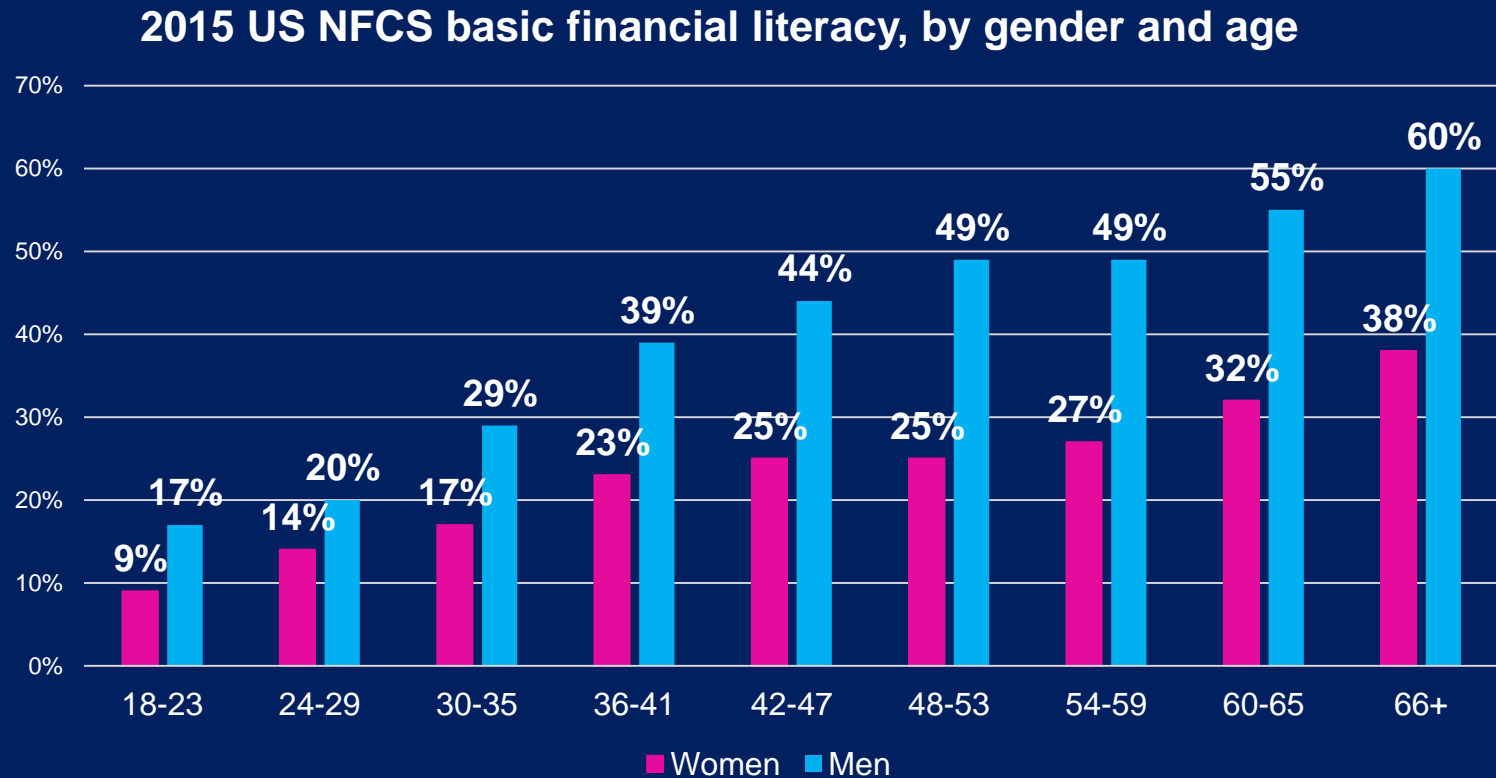
At least one "don't know" answer,
by gender



- Women are more likely to answer that they “do not know” the answer to the financial literacy questions.

Financial literacy over the life cycle (most recent US data)

- Women of all ages know less than men. Moreover, young women display low levels of financial literacy



Financial literacy and financial advice

- Research also shows that women are aware of their lack of knowledge
 - When asked on a scale of 1-7 (where 1 is very low and 7 is very high) “How would you assess your overall financial knowledge?” women, across countries, consistently give themselves lower marks than men
- One potential way to potentially compensate for lack of knowledge would be to rely on professional financial advisors when making financial decisions
- However, women are less likely to ask for advice and use online resources
- When asked for the reason why they do not consult advisors, women indicate they have difficulty judging the quality of advice.

The S&P Global Financial Literacy Survey

- In order to further assess the financial literacy of adults around the world the S&P Global FinLit Survey was developed
- This is the largest, most comprehensive survey of financial literacy
- Interviewed more than 150,000 adults age 15+ in 148 countries in 2014
- The survey provides key information to policy makers, regulators, the private sector, and academics



The S&P Global FinLit Survey

The survey covers four topics:

- Numeracy
- Interest compounding
- Inflation
- Risk diversification

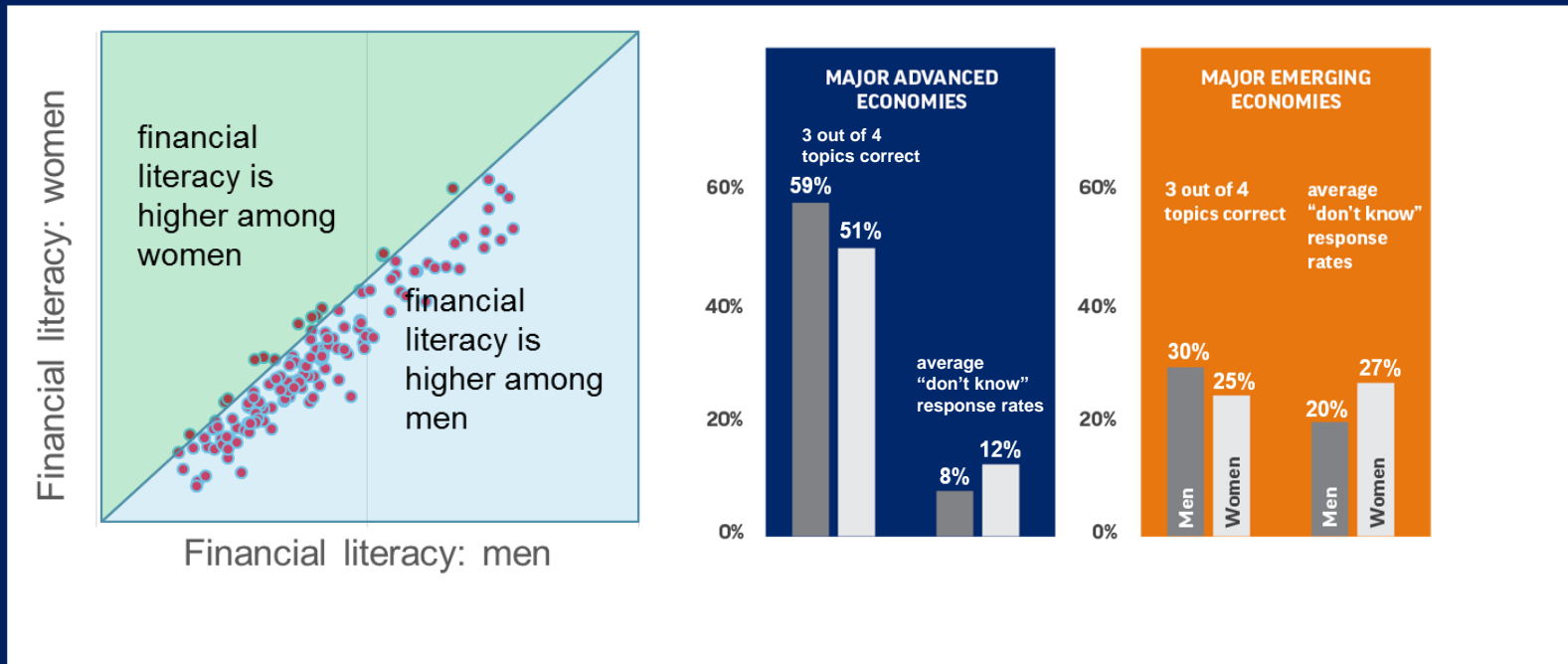


Being financially literate:

How many can answer 3 out of these 4 topics correctly

Gender differences in financial literacy around the world

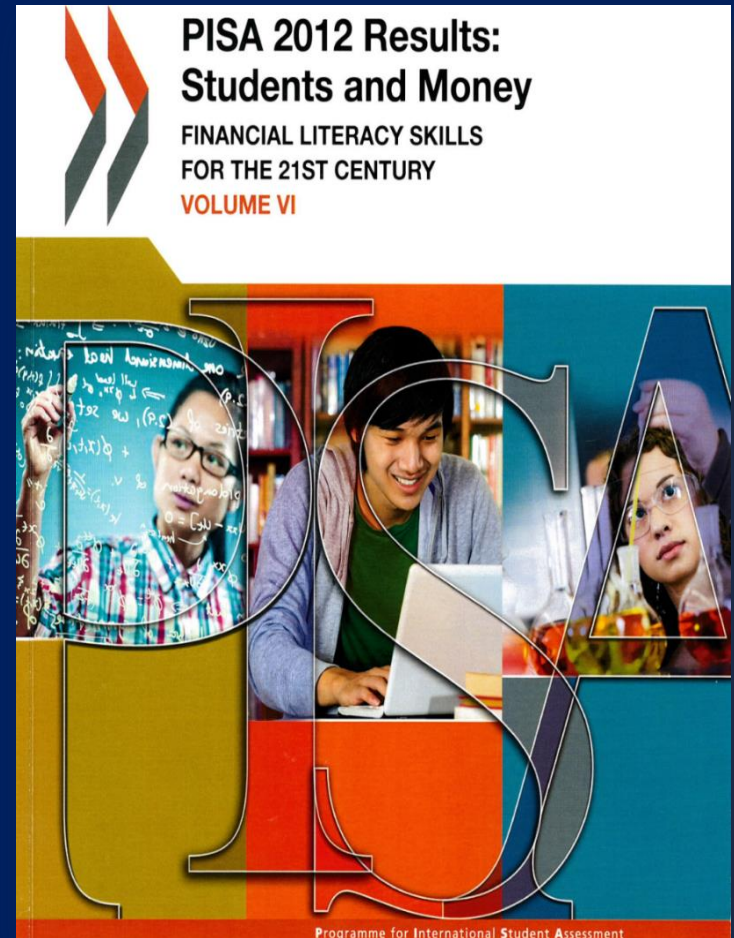
Evidence from the 2014 Global Financial Literacy Survey



- The gender gap in financial literacy is present among adults in most countries around the world
- Women are more likely to answer “I do not know” to financial literacy questions

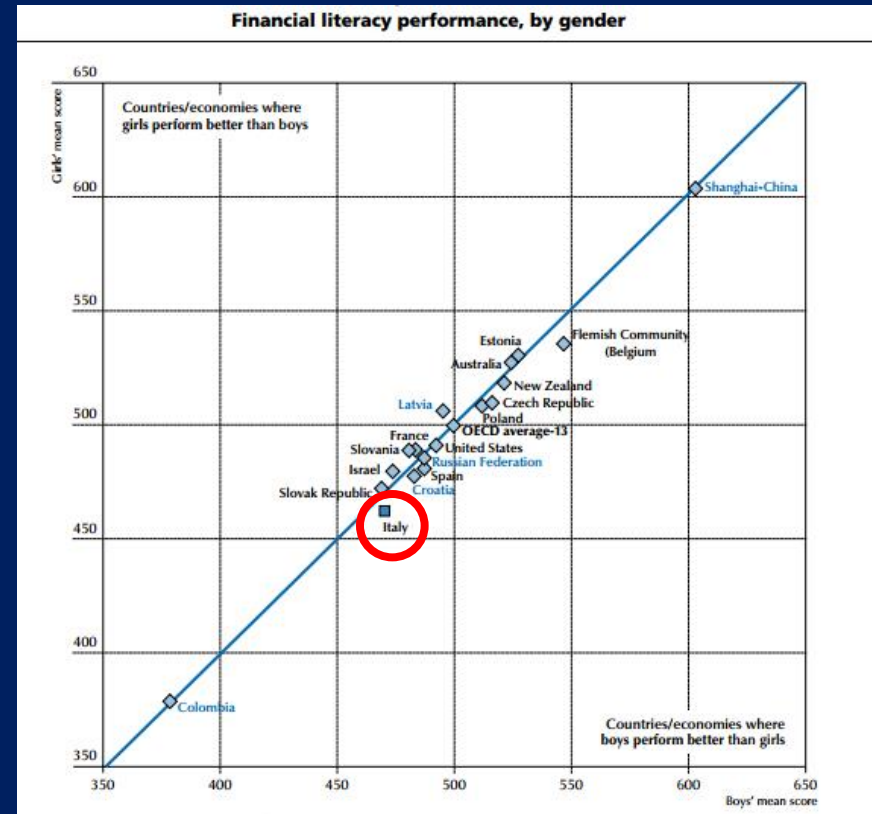
Financial literacy among the young

- In addition to looking at adults, it is also important to examine financial literacy among the young
- In 2012, the OECD's Programme for International Student Assessment (PISA) included a financial literacy assessment
- The survey was conducted among 15 year-old students across 18 countries

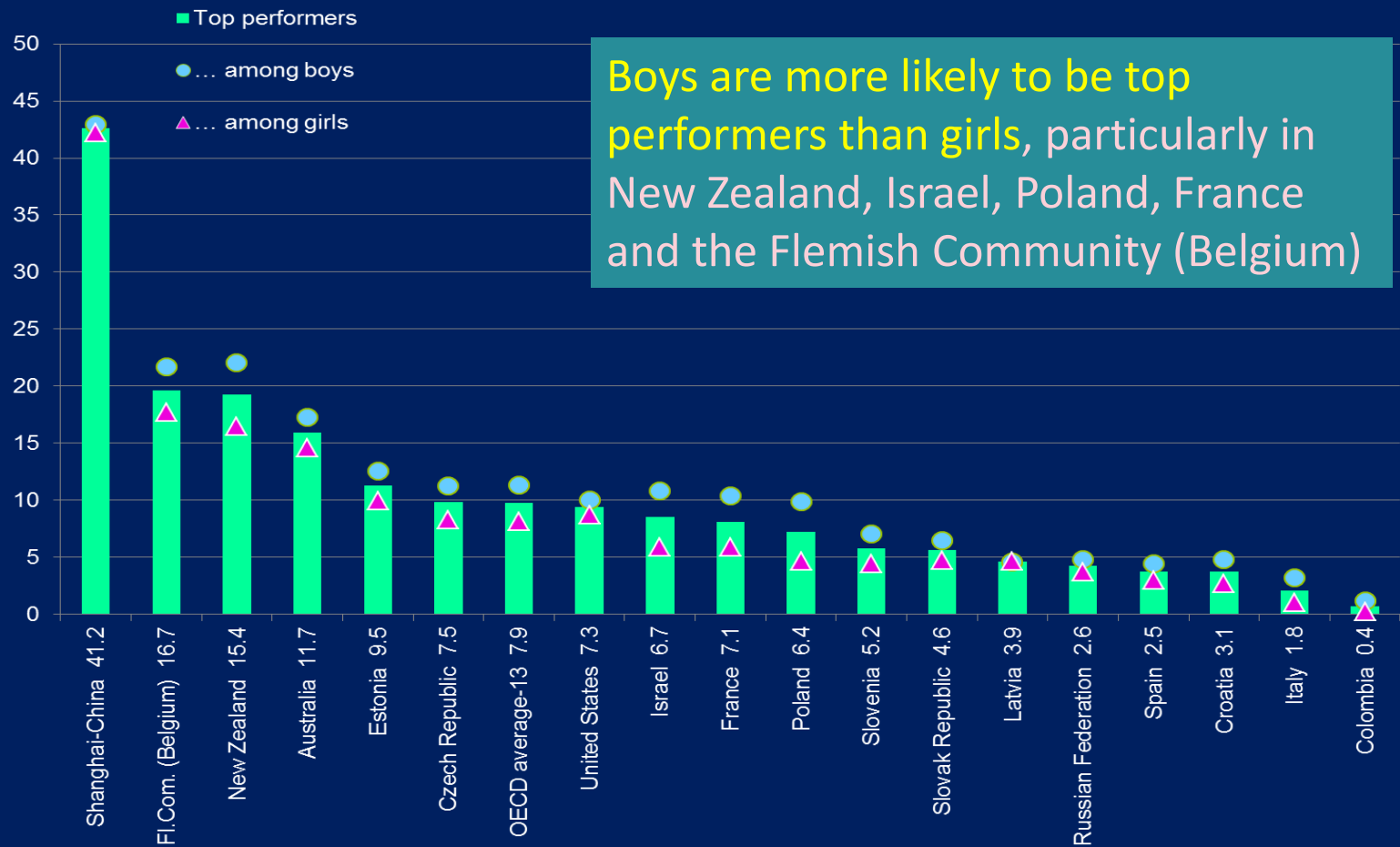


Financial literacy between boys and girls

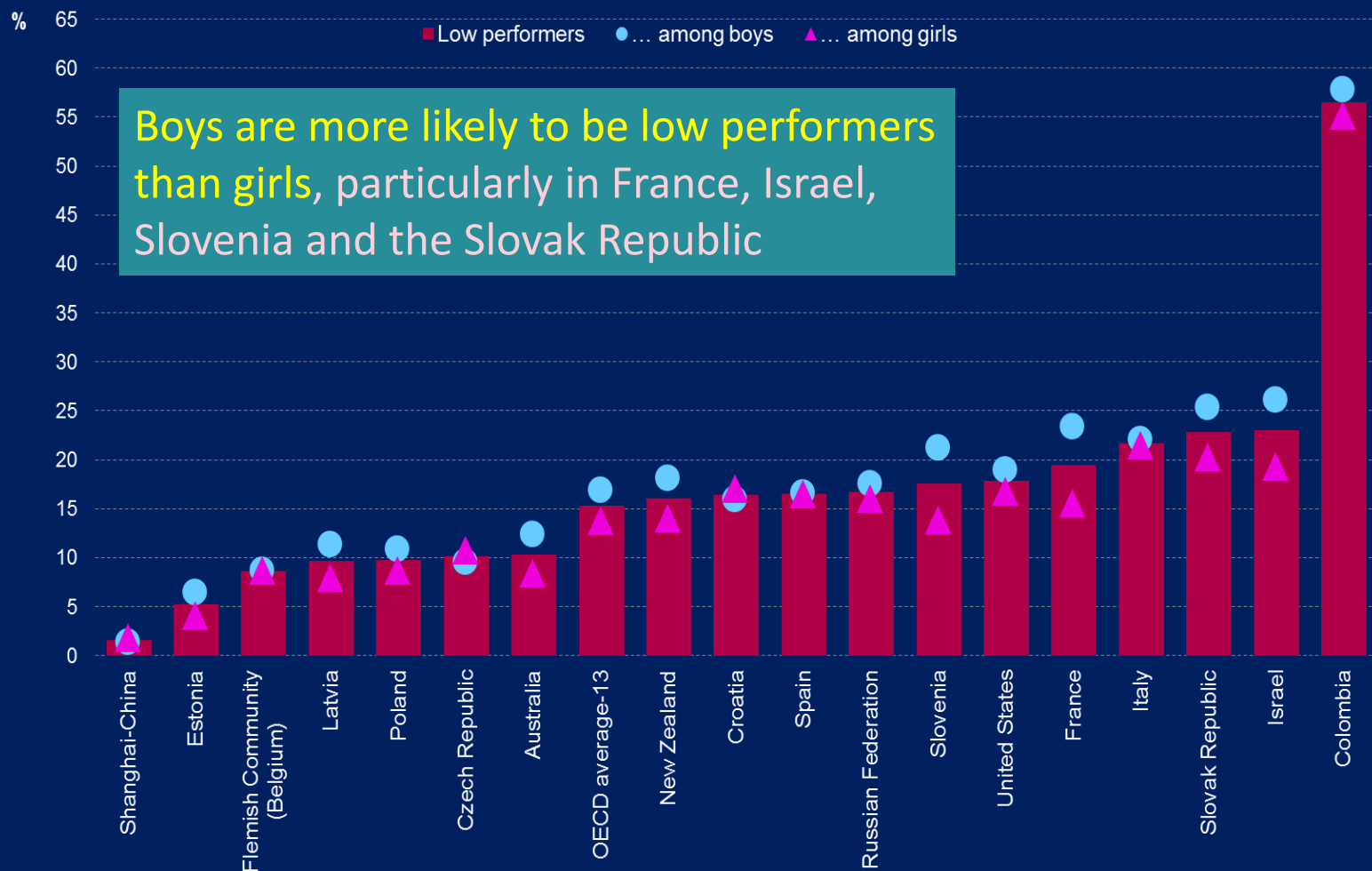
- In most countries covered in PISA, there was no gender difference between 15 year-old boys and girls
- Notably, there is a gender difference in financial literacy in Italy, where boys know more than girls
- Moreover, there are gender differences when looking at top and bottom performers, as shown in the following slides



The top performers in financial literacy



The low performers in financial literacy



Why is the gender gap important?

- Low levels of financial literacy have been linked to...
 - Lack of retirement planning
 - Locking into financial losses
 - Lack of participation in the stock market and lower returns on investments
 - Borrowing at high cost interest rates
 - Financial fragility
 - Less wealth accumulation
- Thus, women with low levels of financial literacy are particularly vulnerable to financial insecurity
- Developing, implementing, and supporting financial education initiatives around the world targeted to women is crucial to ensuring women's financial stability and success

Changes, big and small

- A new course in personal finance that takes these gender differences into account



Concluding remarks

- Financial literacy is an essential skill to participate in society
- Around the world, women display lower financial literacy and confidence than men, leaving them at a potential disadvantage
- Differences in financial literacy start early in life
- It is very important to design programs and initiatives targeted to women
- More research is needed to better understand the gender gap in financial literacy and how to close it

From a famous woman

“We must have perseverance and, above all, confidence in ourselves. We must believe that we are gifted for something, and that this thing, at whatever cost, must be attained.”

Marie Curie

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