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JUST RELEASED

Our groundbreaking new research analyzes the financial literacy gender gap, finding that women are less likely to own stocks – and show other financial shortcomings – due to lack of confidence as well as lack of knowledge.

Our paper, “***Fearless Woman: Financial Literacy and Stock Market Participation***,” found that women tend to disproportionately choose “do not know” when answering financial literacy questions. However, when the “do not know” option is removed, women choose the correct answer more frequently, indicating a gap in confidence, not simply knowledge. Both knowledge and confidence affect women’s stock market participation.

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Using the “Big Three” financial literacy questions, which measure knowledge about interest compounding, inflation, and risk diversification, the paper finds

that about two-thirds of the financial literacy gender gap is explained by lower financial knowledge and one-third is due to lower confidence. It is the first study of its kind to deconstruct the gender gap in financial literacy.

Key Findings and Implications:

- In building personal wealth, both financial literacy and confidence matter. They both influence women's participation in the stock market.
- When it comes to gender, disparities in confidence can translate into large differences in financial behavior and the accumulation of wealth.
- Financial education programs must be designed to close women's knowledge gap while simultaneously boosting their confidence. Women need to be fearless!

The paper provides important insight for educators and policy makers, showing that financial education programs targeted to women should focus on building both financial knowledge and confidence.

Director Lusardi co-authored the paper with Tabea Bucher-Koenen, University of Mannheim and ZEW; Rob Alessie, University of Groningen; and Maarten van Rooij, De Nederlandsche Bank.

“Although women have lower financial literacy than men, they know more than they think they know. It's crucial for women to have confidence in their knowledge because more than ever, women need to take charge of their financial lives. Let's send a clear message and have a Fearless Girl statue in front of every stock exchange around the world!”

— Annamaria Lusardi
Founder and Academic Director of GFLEC
University Professor at GW

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Kristen Burnell at kburnell@gwu.edu or +1 (202) 731-9926.**

Global Financial Literacy Excellence Center
George Washington University School of Business
Duquès Hall, Suite 450
2201 G Street NW
Washington, DC 20052
+1 (202) 994-7148 | gfilec@gwu.edu | www.gfilec.org