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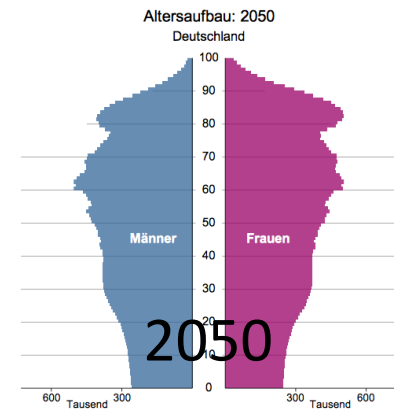
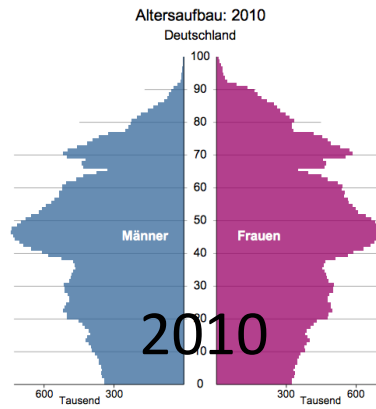
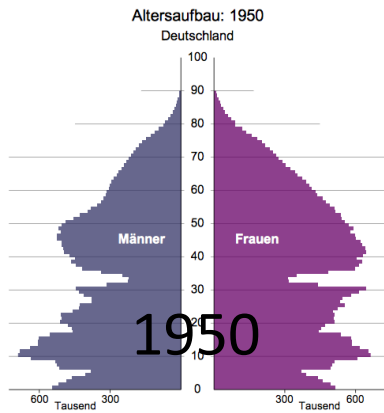
Financial Literacy in Germany

A short overview

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Global Financial Literacy Summit, Amsterdam November 2013



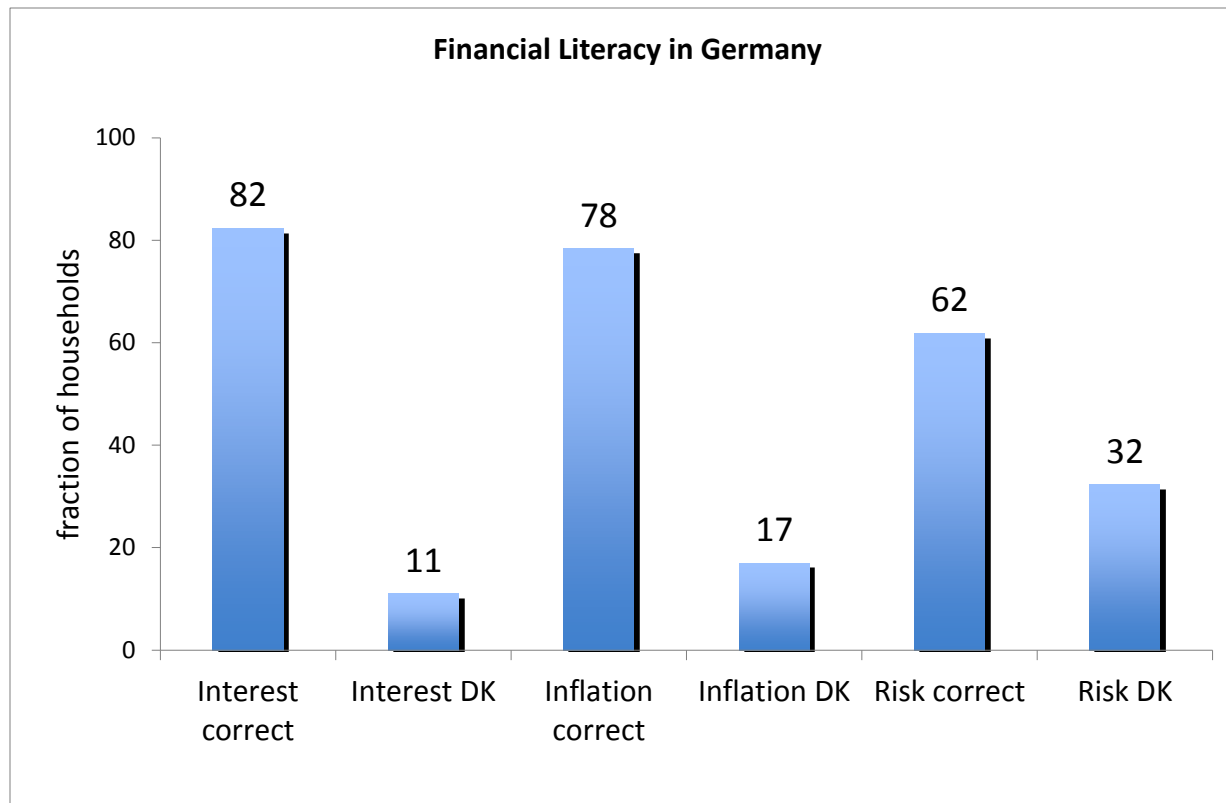
Source: Statistisches Bundesamt

How financially literate are households in Germany?

- Increasing individual responsibility for old-age income
- Increasing complexity of financial markets
- Financial crisis



Financial literacy measured by three questions on interest, inflation and risk around the world



Source: Bucher-Koenen and Lusardi (2011)



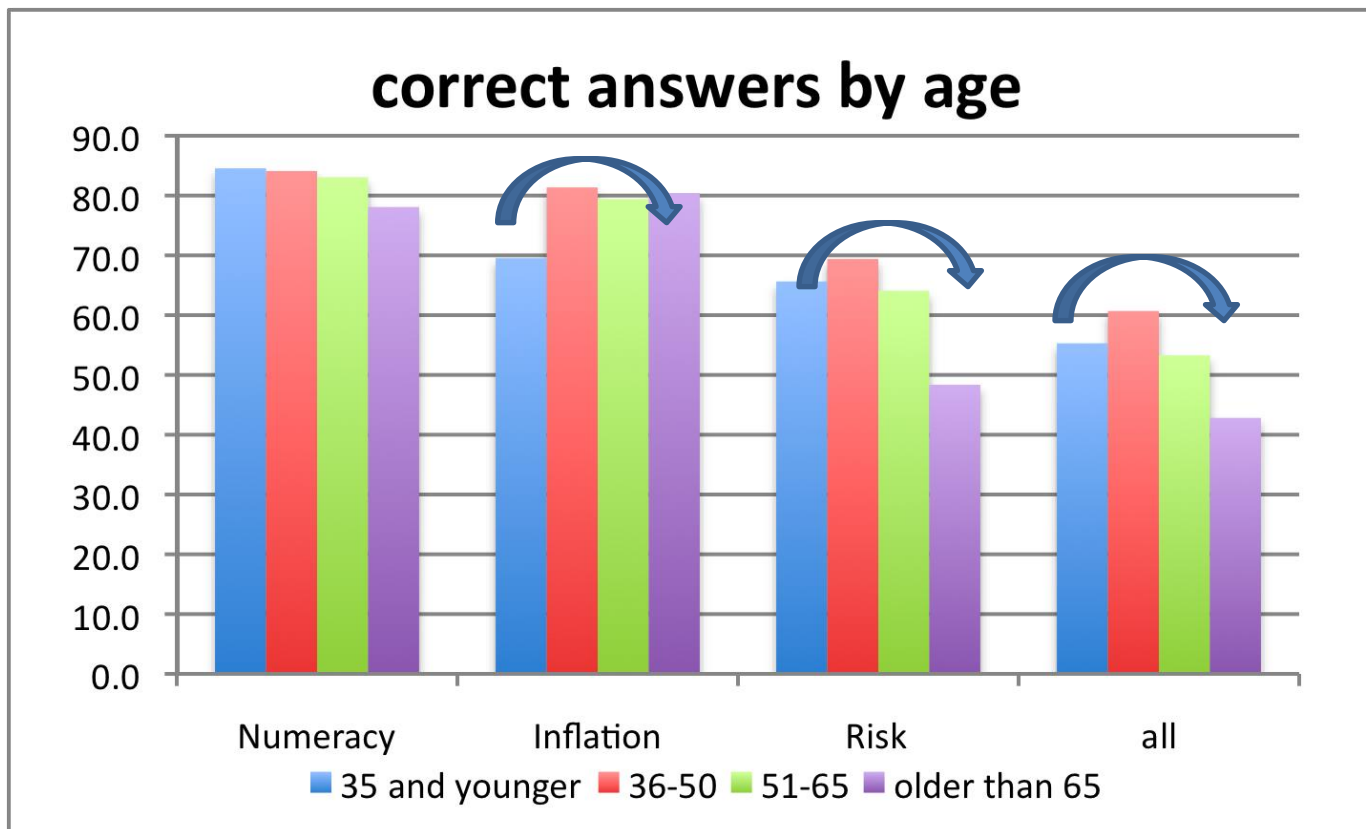
Overall Performance

	DE*	NL**	US***
Correct answer to interest and inflation	72%	73%	46%
All answers correct	53%	45%	30%
No answer correct	10%	11%	12%
At least one "do not know/refuse"	37%	38%	42%
All "do not know/ refuse"	8%	8%	5%

Source: *Bucher-Koenen and Lusardi (2011); **Alessie, van Rooij, Lusardi (2011) ***Lusardi and Mitchell (2011)



Who is at risk of low literacy?



Source: Bucher-Koenen and Lusardi (2011)



Financial literacy matters for financial decisions

Individuals with low financial literacy...

- ... are less likely to plan for retirement. (Bucher-Koenen and Lusardi 2011)
- ... are less likely to own private pensions. (Bucher-Koenen 2011)
- ... are less likely to own Riester contracts despite the high state subsidies. (Bucher-Koenen 2011)
- ... are less likely to invest in risky assets and therefore were less likely to lose wealth during the financial crisis. (Bucher-Koenen and Ziegelmeier 2013)
- ... were more likely to sell risky assets during the financial crisis and make losses permanent. (Bucher-Koenen and Ziegelmeier 2013)
- ... are less likely to consult financial advisors and more likely to follow a given piece of advice. (Bucher-Koenen and Koenen 2010)



Conclusion

Are individuals able to face the new challenges?

- Moderate level of financial literacy in Germany.
- Specific groups at risk: women, east Germans, low income, low education, the old **and the young**.
- Financial literacy matters for financial decision making.
- **Decision making skills develop at young ages.**



Thank you!

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