# Financial Literacy in the United States and Abroad: A Comparative Study

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Internationally, interest in research about financial literacy is strong and ongoing. However, most of this research has involved data collection in a single country, often using a survey instrument that also is unique. In some previous research, financial literacy was the singular focus; in other research, it was a component of a larger study. More often than not, the variables assessed and how they were measured were unique within each study.

The lack of cross-national research and the inconsistencies across studies present opportunities as well as challenges. Countries seeking data to inform policy decisions must, at a minimum, challenge the value of data about financial literacy from other countries.

This paper analyzed financial literacy across four datasets: 1) the 2009 FINRA National Financial Capability Study (United States), 2) the 2006 FSA Financial Capability Baseline Survey (United Kingdom), 3) the 2009 Canadian Financial Capability Survey, and 4) the 2009 Indagine sui bilanci delle famiglie italiane (Italian Household Wealth Survey). Financial literacy was assessed using four questions that appeared in all four datasets. Nine variables assessing financial behaviors ranging from use of information sources to owning investments to comparison shopping were selected from the datasets for inclusion in the analyses. Data about the demographic characteristics age (not available in the UK database), education, income (not available in the UK or Canadian databases), employment, marital status, and home ownership also were included in the analyses.

The mean financial literacy index across the four countries was .64 (on a scale from 0 to 1); the country means ranged from a low of .59 to a high of .66. Results from an ordered logistic regression analysis using the full international dataset indicated that all of the demographic variables except employment and home ownership were significant at the .001 level in explaining financial literacy and the nature of the relationships were as suggested by previous research. Males, those older than 24 years old, those with at least a high school education, those with children, and those with higher incomes were more financially literate than the reference groups. All of the financial behavior variables were positive and significant at the .001 level, except using a financial advisor and having loans.

The coefficients for the country dummy variables included in the logistic regression also were significant, suggesting the value of the next stage of analysis which consisted of separate logistic regression analyses for each country. The only consistency in the influence of demographic variables across the four countries was in the influence of education and gender on financial literacy; males and those with more education were more financially literate except in the United Kingdom where the gender coefficient was only marginally significant. The financial behavior variables generally had greater explanatory power for the non-U.S. datasets than for the U.S. dataset.

The results suggest there is great value in assessing financial literacy within a country rather than using data from another country to draw conclusions. However, creation of a cross-national survey instrument would permit researchers to reliably compare results across countries.

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