

Financial Literacy and its Impact on Consumers

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Financial literacy is a vital tool that encompasses knowledge on topics such as banking, wealth building, retirement saving, investing, purchasing a home, and budgeting tactics. Previous research has indicated that financial literacy differs by population subgroup such as age and sex, with notable gaps of financial knowledge being lowest for young and older groups. The current research project seeks to investigate the determining factors that impact consumers' consumption of financial knowledge and application. The overall purpose of the current project is to determine whether or not financial literacy is being taught in schools, to understand the major financial challenges consumers feel are holding them back, and to determine whether consumers are interested in learning more ways to be financially literate. Data collected by the Mintel Group was used to examine consumer's financial habits, confidence of their own personal financial knowledge, and their attitudes toward personal finance topics and services. To search for differences among population subgroups, this study depicts differences among categories such as race/ethnicity, household income, age group and gender. Consumers were asked about financial habits such as following a monthly budget, putting money into a savings account every time they are paid, following the stock market regularly, and whether they have a written financial plan. A detailed applied consumer analytics methodology is being applied to the collected data. Based on a 2,000-internet user survey, preliminary results of this analysis suggest that on average, 28.5% of respondents own at least one financial product (i.e. vehicle loan, investment account, payday loan, residential mortgage or student account). When asked "What grade would you give yourself for your overall knowledge of personal finance?" consumers were allowed to grade themselves based on the standard scale (A, B, C, D, and F). The data shows that most people are not A-level confident, rather rating their confidence of personal financial knowledge as either grade B C, or D. Based on the data presented in this study, there are implications for a desire for financial education across subgroups of the population. Future recommendations include establishing financial education courses as a part of educational curriculum and creating programs that administer financial counseling services to families of low income and other families who express interest.

References

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