

Can financial literacy reduce anxiety about life at the old age?

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Abstract

This study examines whether financial literacy can reduce anxiety about life at the old age. We hypothesize that financially literate people are more able to take saving decisions, plan for future and can handle uncertainties in a better way leading them to have a less anxious life at the old age. Using nation-wide survey evidence from Japan, we provide evidence that financial literacy can reduce the level of anxiety about life at the old age even after controlling socio-economic factors. We use probit regression analysis to examine the effect of financial literacy on the level of anxiety about life at the old age. Regression coefficients show that financial literacy has significant negative impact on the level of anxiety. The relationship hold true even after controlling for factors such as respondents' age, gender, education, marital status, asset, household income, house ownership, living with children and exercise. Results of our study are robust against the measurement of financial literacy, as we find similar effect of financial literacy on the level of anxiety at the old age using a different measure of financial literacy.