

Is Financial Literacy a Dangerous Thing?: Financial Literacy, Behavioral Factors, and Financial Choices of Households

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Abstract

Using purpose-built original 2018 Japanese survey data, we estimate the financial behavior of representative sample of Japanese and find that financial literacy plays an important and consistent role in financial decision making, which is contrary to common sense: people with high financial literacy tend to make naive financial decisions, while they are good at retirement planning and indifferent to gambling. We also show that overconfidence in financial literacy is associated with naive financial decisions. Economic preferences such as risk and loss aversion and discount factor are also correlated with financial behaviors.

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