

## **Actual and Perceived Financial Sophistication and Wealth Accumulation: The Role of Education and Gender**

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**Abstract :** This study examines the role of actual and perceived financial sophistication (i.e., financial literacy and confidence) for individuals' wealth accumulation. Using survey data from the German SAVE initiative, we find strong gender- and education-related differences in the distribution of the two variables: Whereas financial literacy rises in formal education, confidence increases in education for men but decreases for women. As a consequence, highly-educated women become strongly underconfident, while men remain overconfident. We show that these differences influence wealth accumulation: The positive effect of financial literacy is stronger for women than for men and is increasing in women's education but decreasing in men's. For highly-educated men, however, overconfidence closes this gap by increasing wealth via stronger financial engagement. Interestingly, female underconfidence does not reduce current wealth levels though it weakens future-oriented financial engagement and may thus impair future wealth accumulation.

**Keywords :** financial literacy, financial sophistication, confidence, wealth, household finance, behavioral finance, gender, formal education

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