

FINANCIAL LITERACY AND SAVINGS ACCOUNT RETURNS

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Abstract

Savings accounts are owned by most households, but little is known about the performance of households' investments. We create a unique dataset by matching information on individual savings accounts from the DNB Household Survey with market data on account-specific interest rates and characteristics. We document heterogeneity in returns across households, which can be partly explained by financial sophistication. A one-standard deviation increase in financial literacy is associated with a 12% increase compared to the median interest rate. We isolate the usage of modern technology (online accounts) as one channel through which financial literacy has a positive association with returns. (JEL: D12, E21, G11, G21)

The editor in charge of this paper was Claudio Michelacci.

Acknowledgments: We are grateful to five anonymous referees and Claudio Michelacci (editor) for their constructive comments. We would like to thank Tabea Bucher-Koenen, Gabriel Fagan, Luigi Guiso, Arthur Kennickell, Annamaria Lusardi, Maarten van Rooij, and participants at the Annual Congress of the European Economic Association, Toulouse; NETSPAR International Pension Workshop, Amsterdam; Research in Behavioural Finance Conference, Rotterdam; HFCN meeting at the ECB, Frankfurt for helpful comments. We are also grateful to Rob Alessie, Annamaria Lusardi, and Maarten van Rooij for making the data from a special financial literacy module publicly available, to a major Dutch bank for providing interest rate data on savings accounts in the Netherlands, to CentERdata for providing additional information on financial product holdings and bank relationships of DNB survey participants, as well as to SpaarInformatie for providing data on restrictions of Dutch savings accounts. All three authors acknowledge financial support from the German Science Foundation (DFG) under the Leibniz grant and Inderst also from the DFG Research Group 1371. The opinions expressed in the paper are those of the authors and do not reflect the views of the European Central Bank, the Deutsche Bundesbank or the euro system.

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