

THE SWISS INDEX OF FINANCIAL LITERACY **24**



The «True Wealth Financial Literacy Index» is specifically dedicated to financial knowledge in Switzerland. As is well known, demographic challenges do not make it any easier for politicians to find solutions for our retirement provisions. This makes general financial education all the more important for broad sections of the population, not least for the sake of our social cohesion.

The index measures knowledge of basic finance and investment topics using various criteria, including knowledge of the nature and impact of inflation, interest rates and risk diversification.

This is the first time that an index is available that quantifies the Swiss population's finance and investment knowledge and allows for a more detailed analysis according to socio-demographic characteristics.



Financial education helps each of us to realize more of our potential. In the future, it will also become increasingly important for society if we want to maintain financial responsibility *and* social cohesion.



Felix Niederer

CEO True Wealth

**THE SWISS INDEX
OF FINANCIAL LITERACY 24**

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01



Preface

« Financial literacy is male and old. »



Dr. Michael Jan Kendzia

Economist and Head of the BSc International Management program at the ZHAW School of Management and Law

Various studies (see, for example, Strong evidence for gender differences in risk taking, Charness, Gary, and Uri Gneezy, 2012) show that women are on average less willing to take risks than men. This higher risk aversion is reflected not only in their investment behavior, but also in other areas of life.

Men, for example, engage in risky behavior more often – whether it's accidents, drug and alcohol abuse, or crime. This pattern can also be observed in the financial sector: men tend to be more prone to overconfidence bias – an exaggerated sense of self-confidence that leads them to act despite a lack of knowledge. Women, on the other hand, are more willing to admit uncertainty and often avoid the capital market when they feel insecure. This behavior can weaken their confidence in their own financial abilities.

However, lower self-confidence in financial matters can only explain part of the difference. That is why structural reasons such as traditional role models are often cited as an explanation.

What is striking in our 2024 data, however, is that the gender gap is smaller for younger age groups than for older ones, but it is still pronounced.

Is it because there is a lack of information aimed specifically at women? Or are women on average less interested in money and financial success than men are? Is social status more dependent on personal financial success for men than for women? The TikTok generation of 2024 sings, «I'm looking for a man in finance».

Key findings 2024



General financial literacy

The average financial literacy of the respondents is 51.7% (5.17 out of 10 possible points), indicating moderate knowledge of basic financial topics.



Gender Gap

Men show significantly higher financial literacy than women. This is evident in all areas of the study.



Influence of age

Financial literacy increases with age. Older respondents (50-74 years) perform better on average than younger age groups. In particular, older people perform better on basic questions about interest rates or inflation.



Level of education as a key factor

People with a higher level of education achieve significantly better results in all categories than those with a lower level of education. This underlines the great importance of education for developing financial skills.



Knowledge of asset classes

The younger generations are more familiar with ETFs, while older people are more familiar with equities.

Key figures 2024

Questions

10

Average result

5.17

Respondents

2'010

Age range

16-74

02

Male + old = wealthy?



Is financial literacy old and male?



Read the full story now
truewealth.ch/en/financial-literacy/2024-report

03

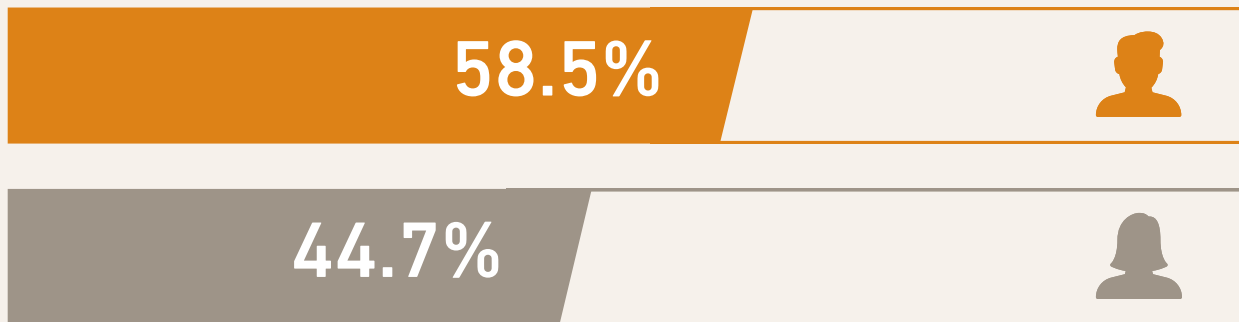


**Demographic differences in
financial literacy**

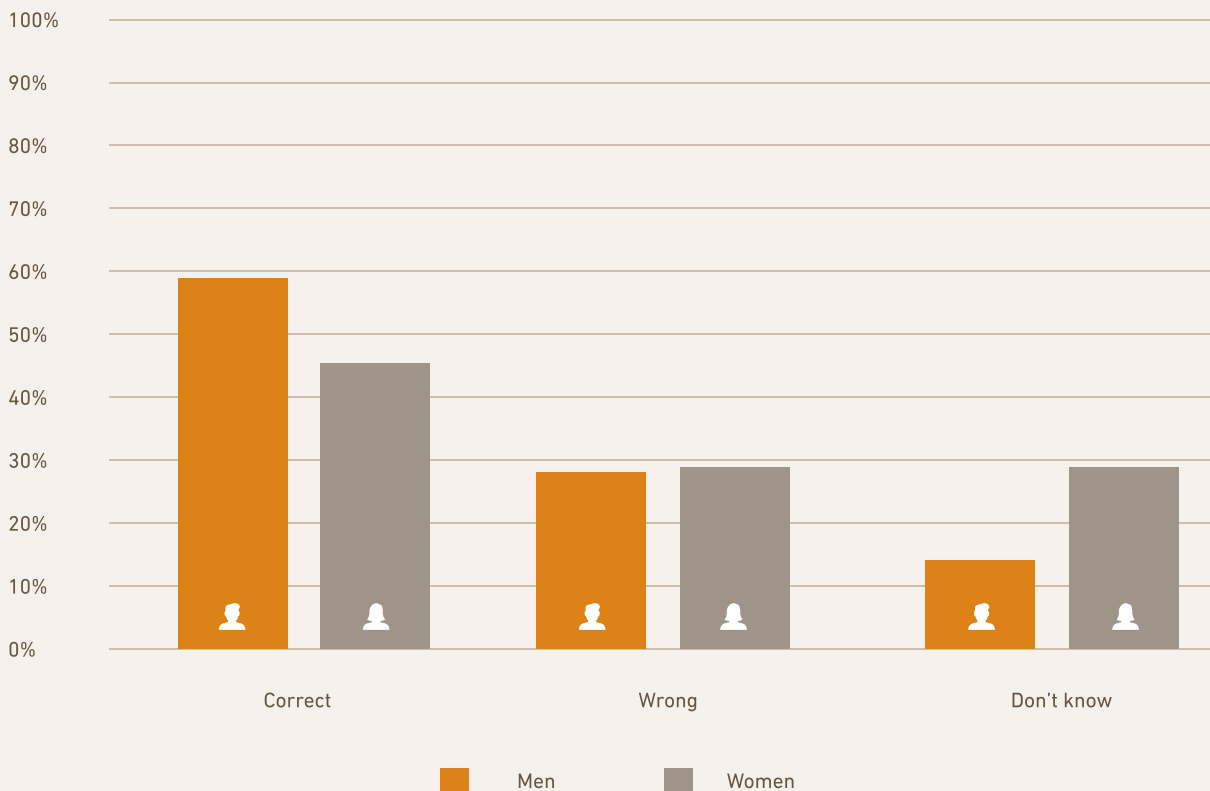
3.1 Survey results

Proportion of correct answers by gender

Men achieved an average success rate of 58.5% in the study, while women achieved 44.7%. This significant discrepancy reveals gender differences in financial literacy that are reflected in all areas of financial issues. It is also noteworthy that women answered «Don't know» significantly more often than men. This phenomenon has also been observed in other studies and is attributed to a certain extent to lower self-confidence. In their study *Fearless Woman: Financial Literacy and Stock Market Participation* (Bucher-Koenen, F., R. Alessie, A. Lusardi and M. Rooij, 2021), the authors conclude that one-third of the gender gap can be attributed to women's lack of confidence in their own financial abilities.

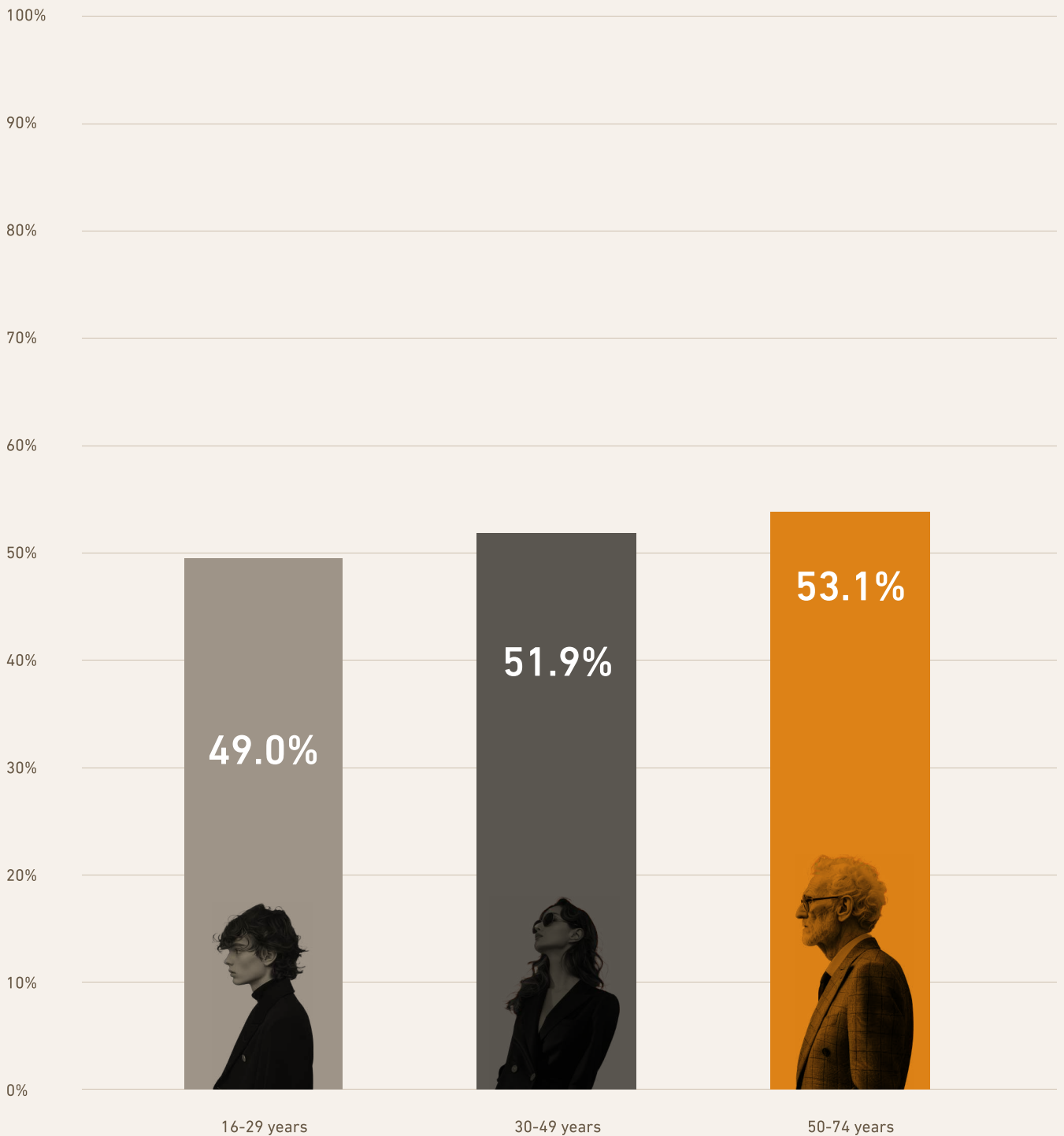


According to our financial literacy index, women are also twice as likely as men to answer «Don't know». However, when looking at the proportion of incorrect answers, it is almost identical for women and men. This suggests that women tend to be more cautious, preferring not to answer when they are unsure rather than making an assumption.



Proportion of correct answers by age group

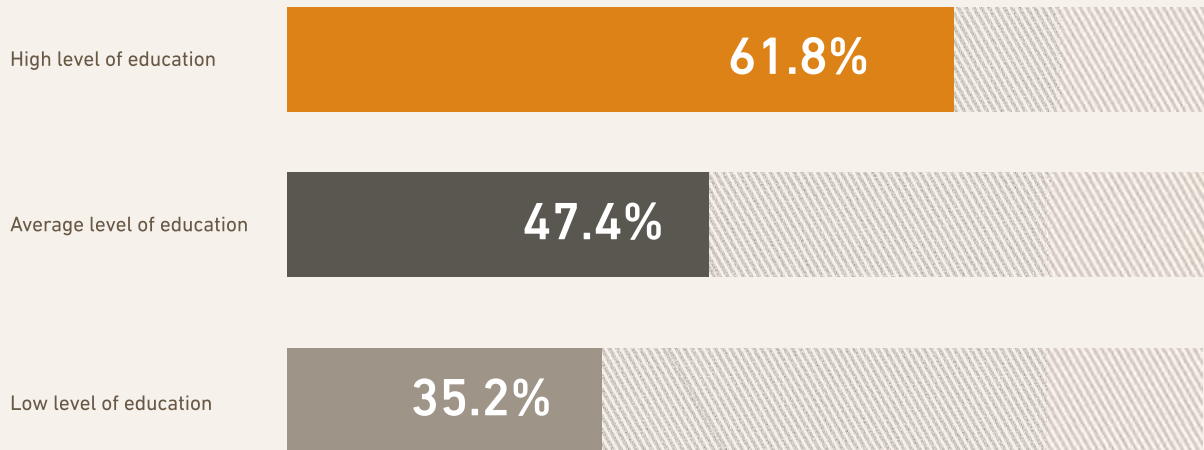
When considering the correlation between age and financial literacy, there is a slight increase in the number of questions answered correctly with increasing age. However, this increase is not particularly pronounced. It can be assumed that the increase is due to a combination of life experience, cumulative learning and a longer engagement with financial topics. However, it is also possible that this simply reflects the fact that inheritances are received late, assets statistically increase with age and people are more interested in investment topics when their financial assets exceed their own human capital.



3.3 Survey results

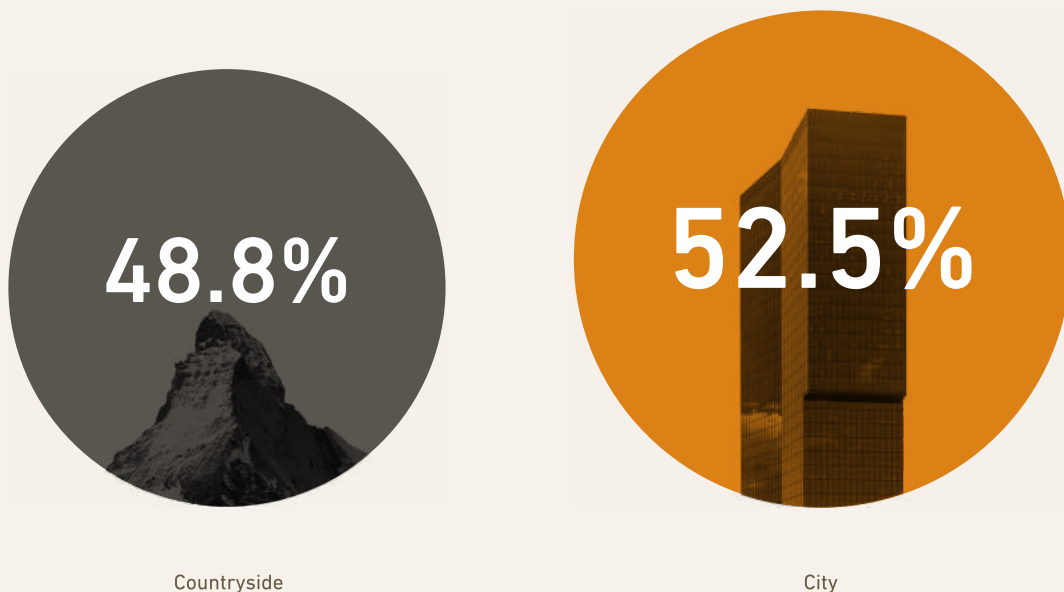
Proportion of correct answers by level of education

The results make it clear that the level of education has a significant influence on financial literacy: The better the level of education, the better the respondents' results. People with higher education achieved significantly better results in the study than those with a lower level of education. It can be assumed that formal education is a crucial factor in understanding complex financial topics and thus has an extremely strong influence on financial literacy. The results underscore the importance of a sound financial education as a basis for making informed and effective investment decisions.



Proportion of correct answers by town size

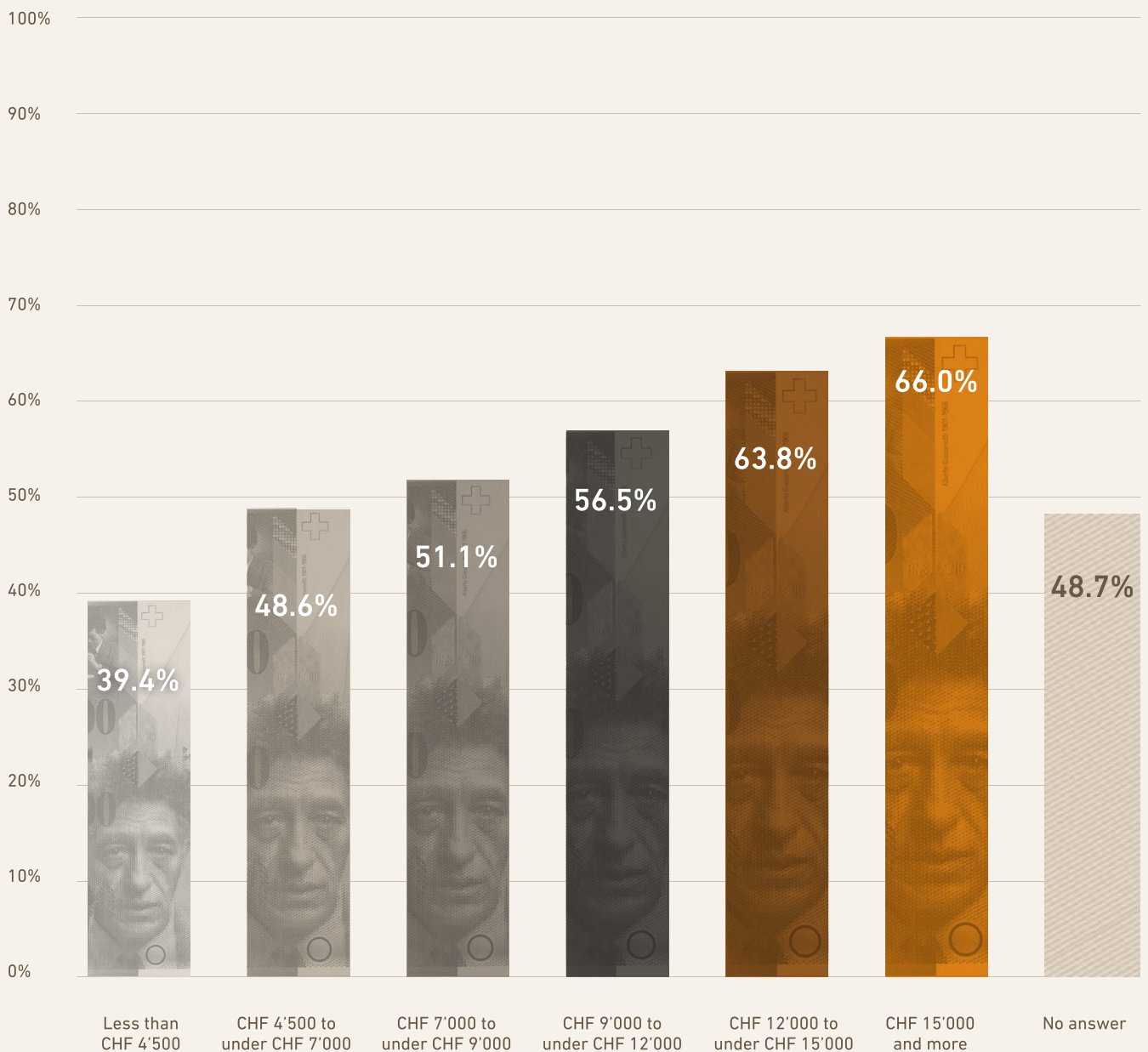
The study shows that financial literacy is slightly higher in urban areas than in rural areas.



3.3 Survey results

Proportion of correct answers by income

With increasing income, there is also a pronounced increase in financial competence. The results of the study show that people with higher incomes have more knowledge in financial matters. It stands to reason that higher income groups are more likely to deal with financial issues. However, caution is always advised when drawing conclusions about cause and effect. Do people only start to take a greater interest in financial matters when they have a higher income? Or do they have a higher income because they have greater financial expertise? Or is there a third factor at play here that affects both income and financial knowledge?



04



Survey results

The results of our study show that, on average, participants were able to answer 5.17 out of 10 questions correctly, which corresponds to a share of 51.7%. This average rate indicates a moderate level of financial literacy in the population.

Particular emphasis should be placed on the performance of the respondents in the so-called «Big Three» questions, which are internationally recognized as the standard for measuring financial literacy.

In these categories, the respondents achieved very good results across the board. This indicates a solid basic knowledge of key financial issues among the Swiss population.

«Suppose you have CHF 100 in an account with an annual interest rate of 2%. If you don't withdraw the interest, how much will you have after 5 years?»

82.4%

Correct

17.6%

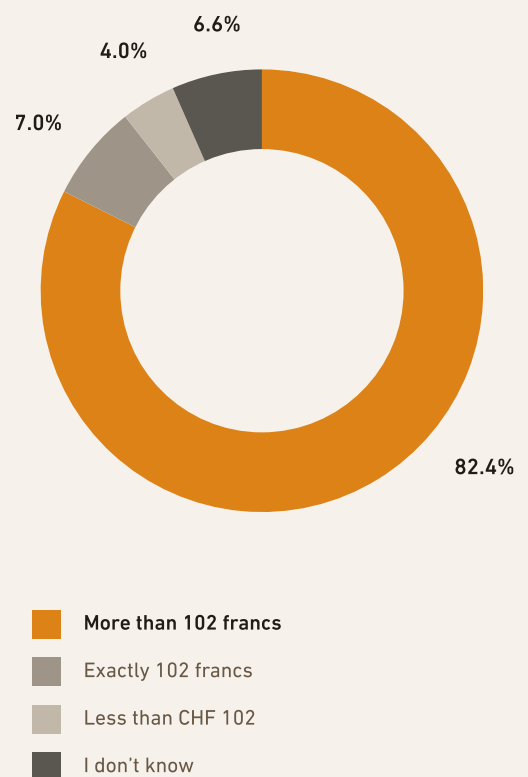
Wrong

Interpretation

When asked about interest rates – «Suppose you have CHF 100 in an account with an annual interest rate of 2%. If you don't withdraw the interest, how much will you have after 5 years?» – a large proportion of respondents (82.4%) were able to give the correct answer.

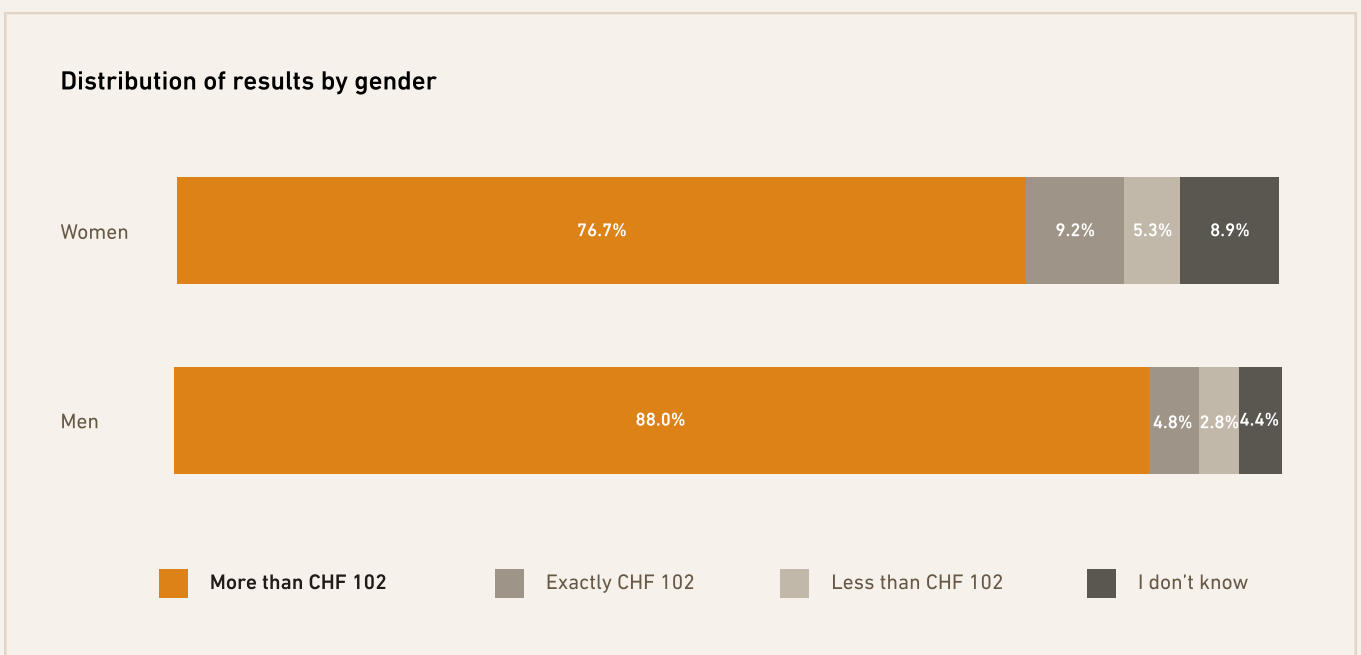
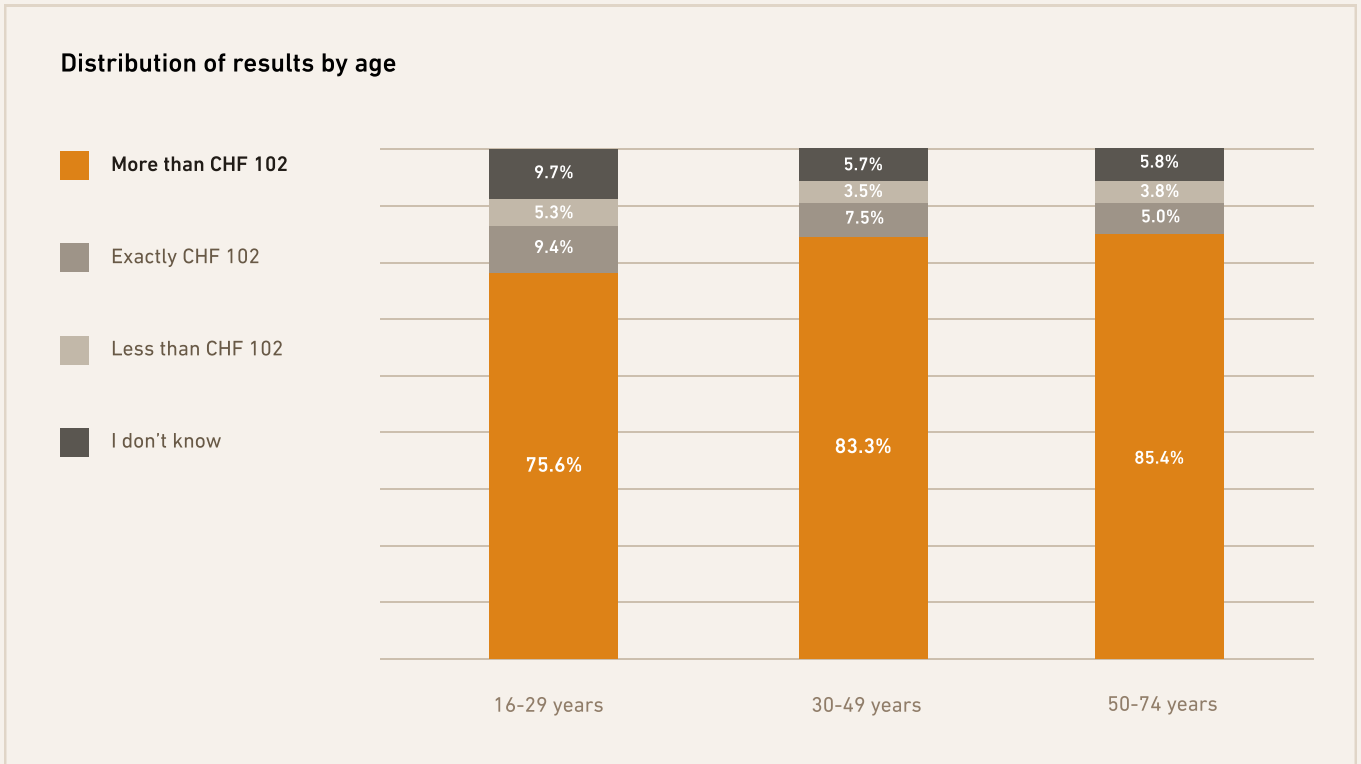
There were no significant differences in the answers given by the different regions of Switzerland, German-speaking Switzerland and French-speaking Switzerland. However, there was a clear difference between the genders: 88% of men answered the question correctly, compared with 76.7% of women. Age also plays a role, with the proportion of people able to answer the question correctly increasing with age. Education has a particularly strong influence: while 55.9% of people with a low level of education gave the correct answer, this proportion is 90.7% among those with a high level of education.

Distribution of results



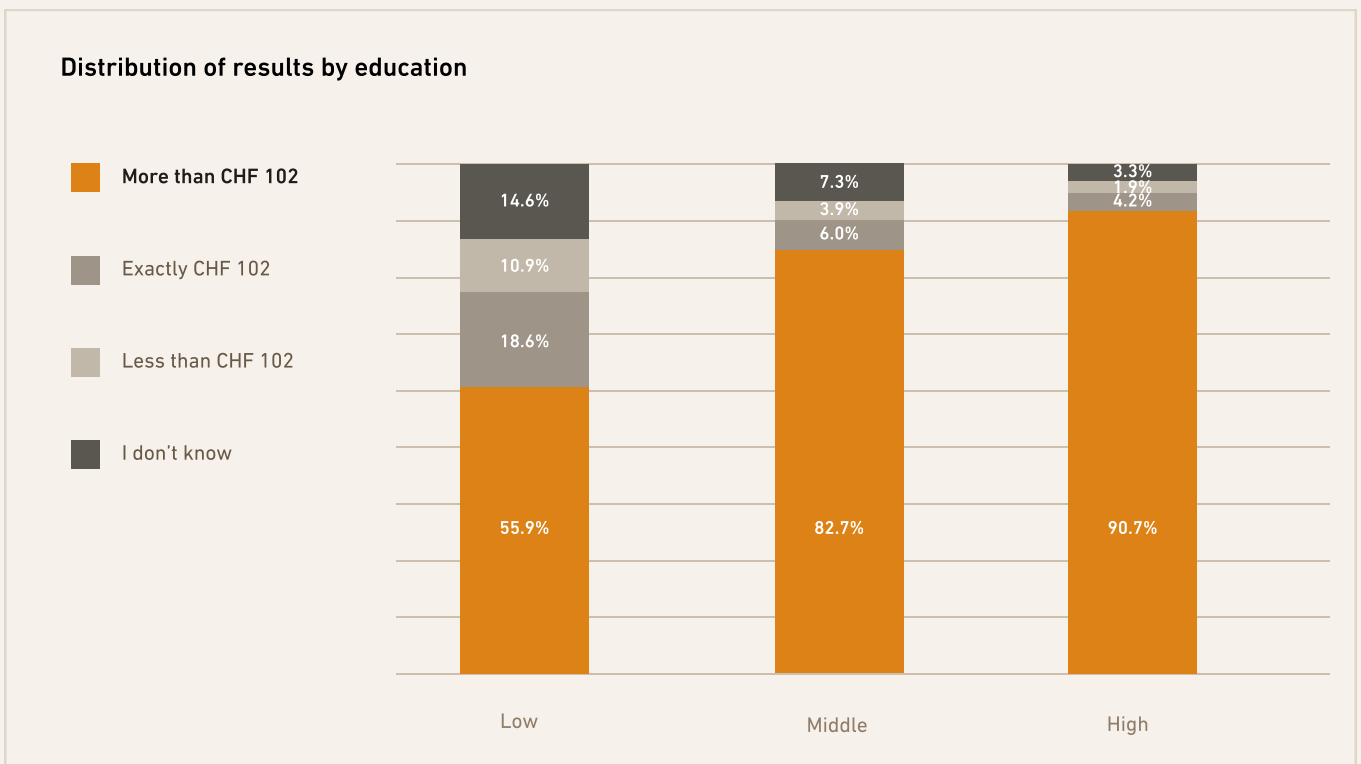
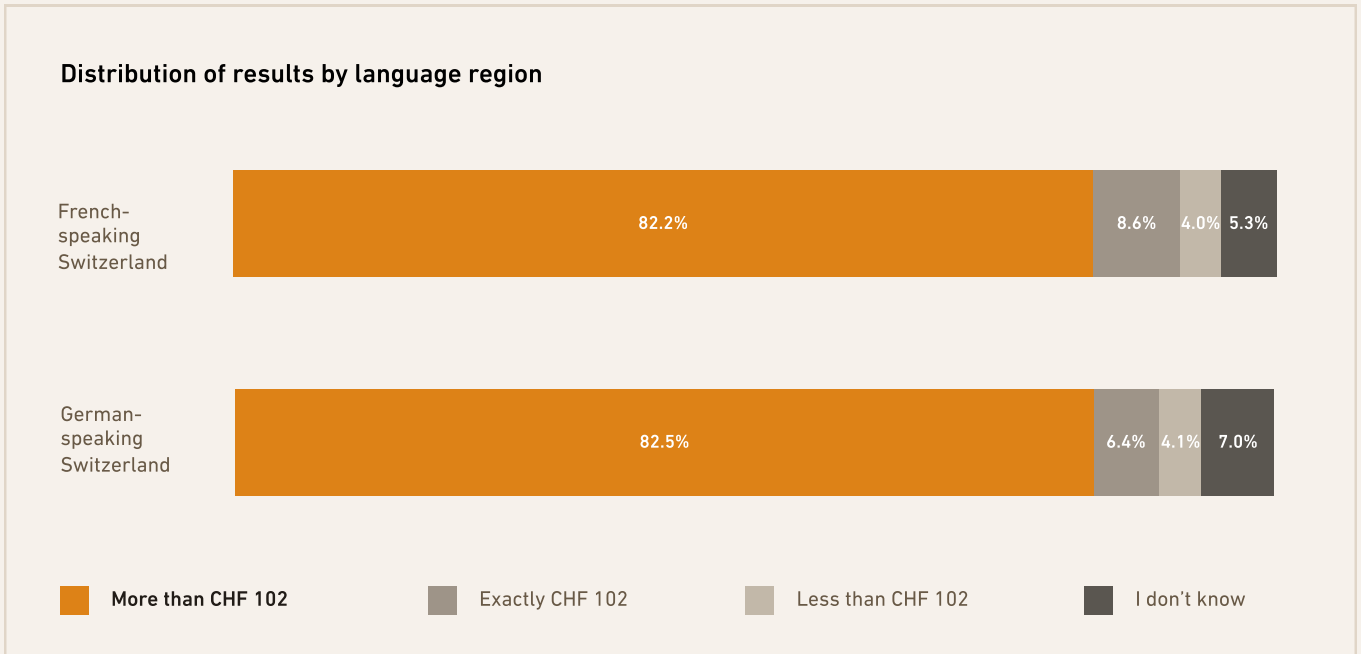
4.1 Survey results interest

«Suppose you have CHF 100 in an account with an annual interest rate of 2%. If you don't withdraw the interest, how much will you have after 5 years?»



4.1 Survey results interest

«Suppose you have CHF 100 in an account with an annual interest rate of 2%. If you don't withdraw the interest, how much will you have after 5 years?»



«Suppose the inflation rate is 2% per year. After 10 years, how much will your money be able to buy compared to today?»

76.5%
Correct

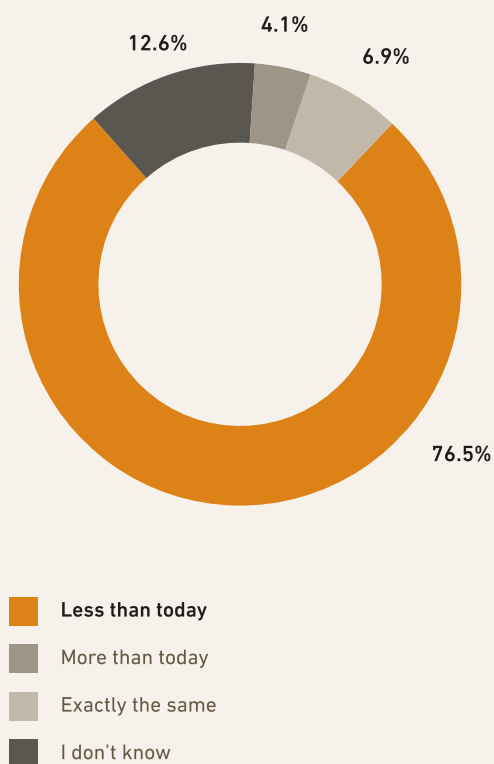
23.5%
Wrong

Interpretation

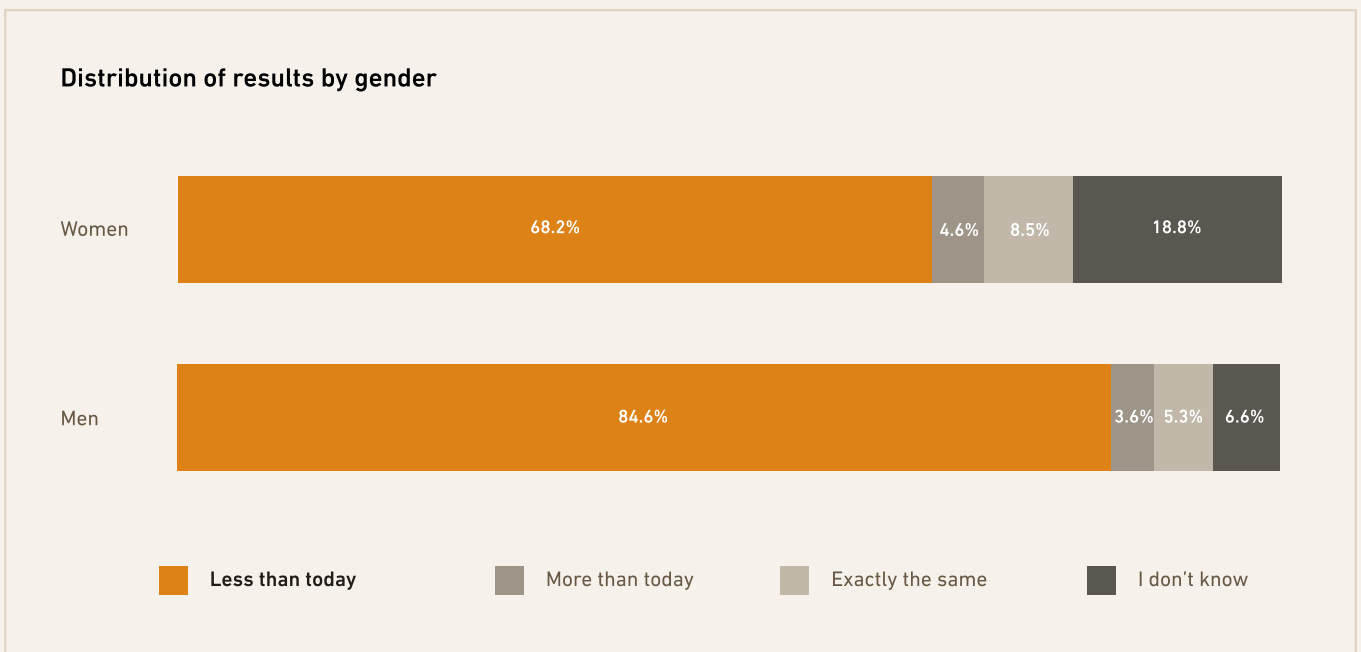
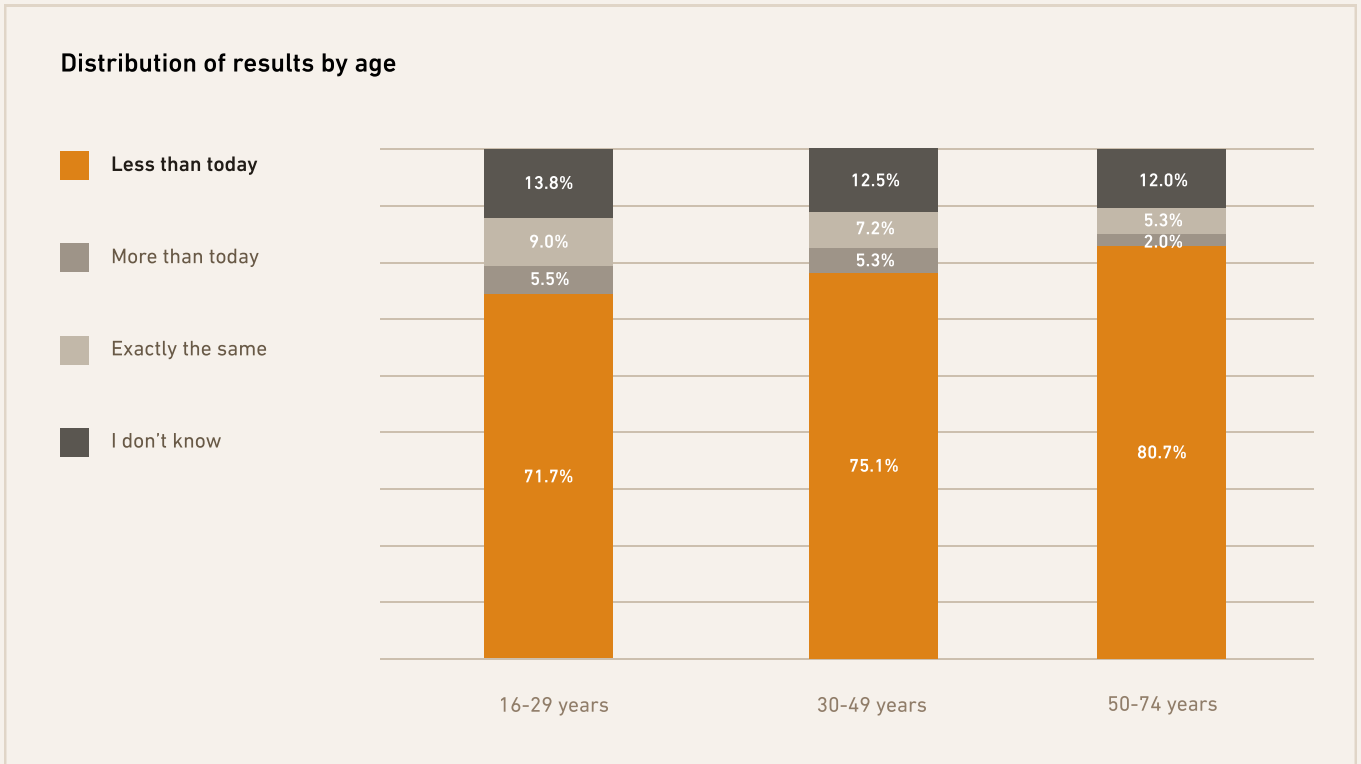
The question on inflation was: «Suppose the inflation rate is 2% per year. After 10 years, how much will your money be able to buy compared to today?».

Here, 76.5% of respondents were able to give the correct answer. In German-speaking Switzerland, the proportion of correct answers is around 7% higher than in French-speaking Switzerland. Here, too, there are clear gender differences: 84.6% of men answered the question correctly, compared with 68.2% of women. As with the question about interest, the proportion of correct answers also increases with the age of the respondent. Once again, education played a significant role, with people with a higher level of education performing significantly better.

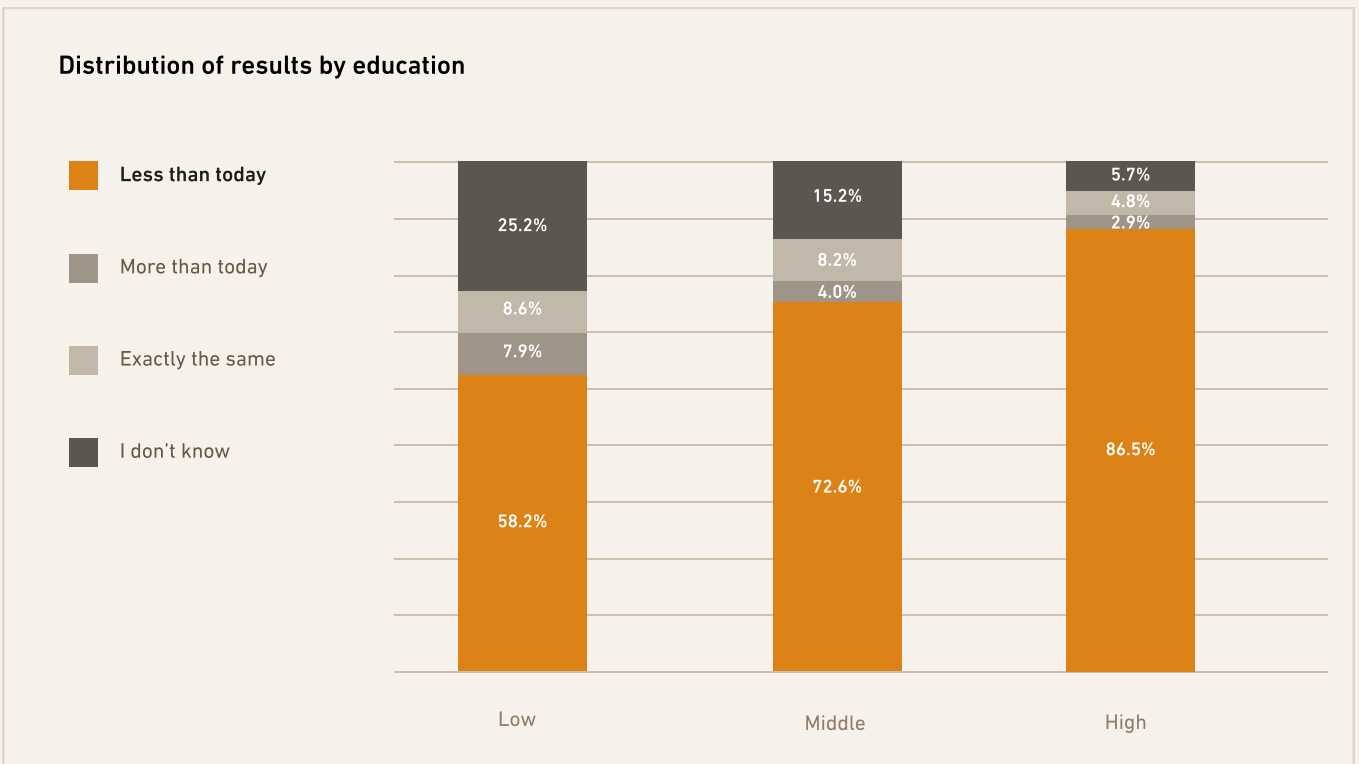
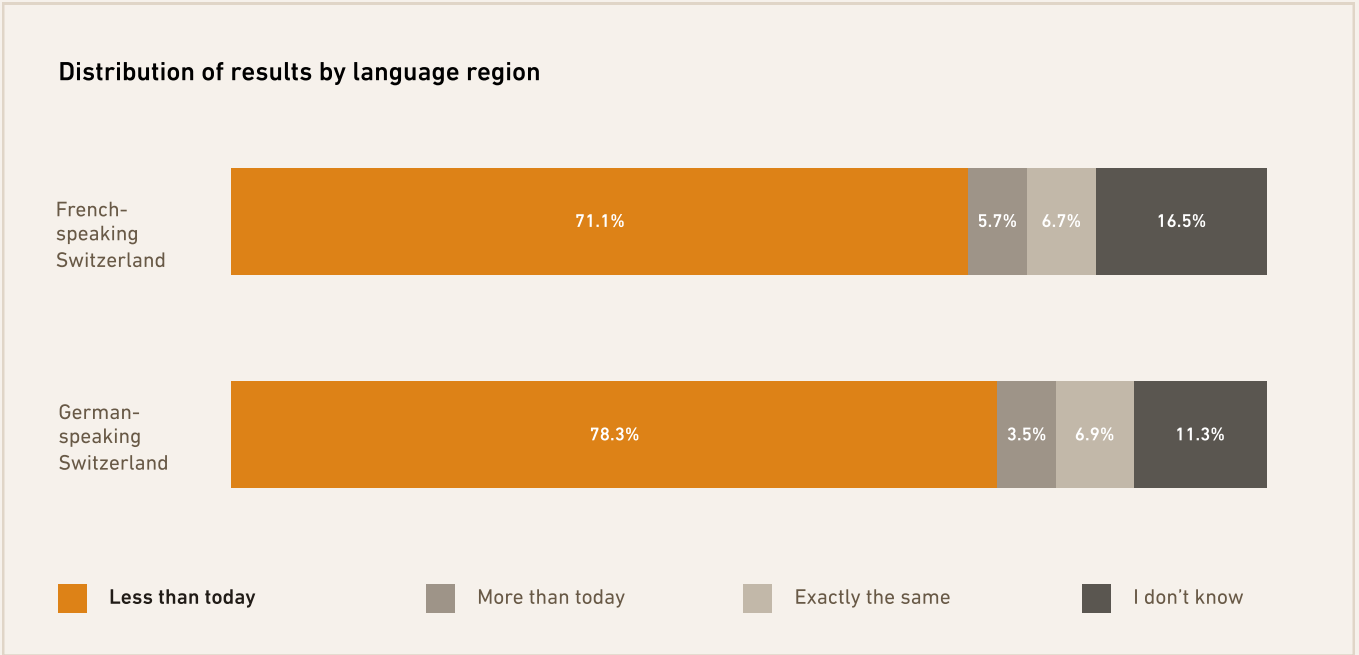
Distribution of results



«Suppose the inflation rate is 2% per year. After 10 years, how much will your money be able to buy compared to today?»



«Suppose the inflation rate is 2% per year. After 10 years, how much will your money be able to buy compared to today?»



«Which of the following investments do you consider to be less risky?»

68.7%

Correct

31.3%

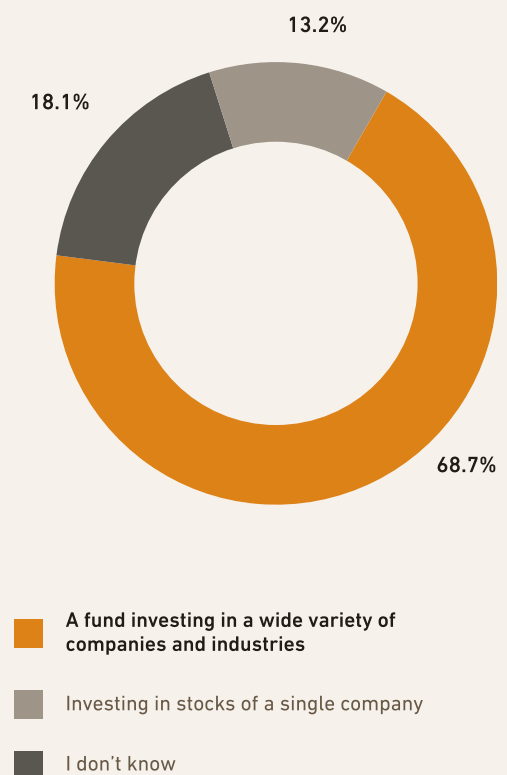
Wrong

Interpretation

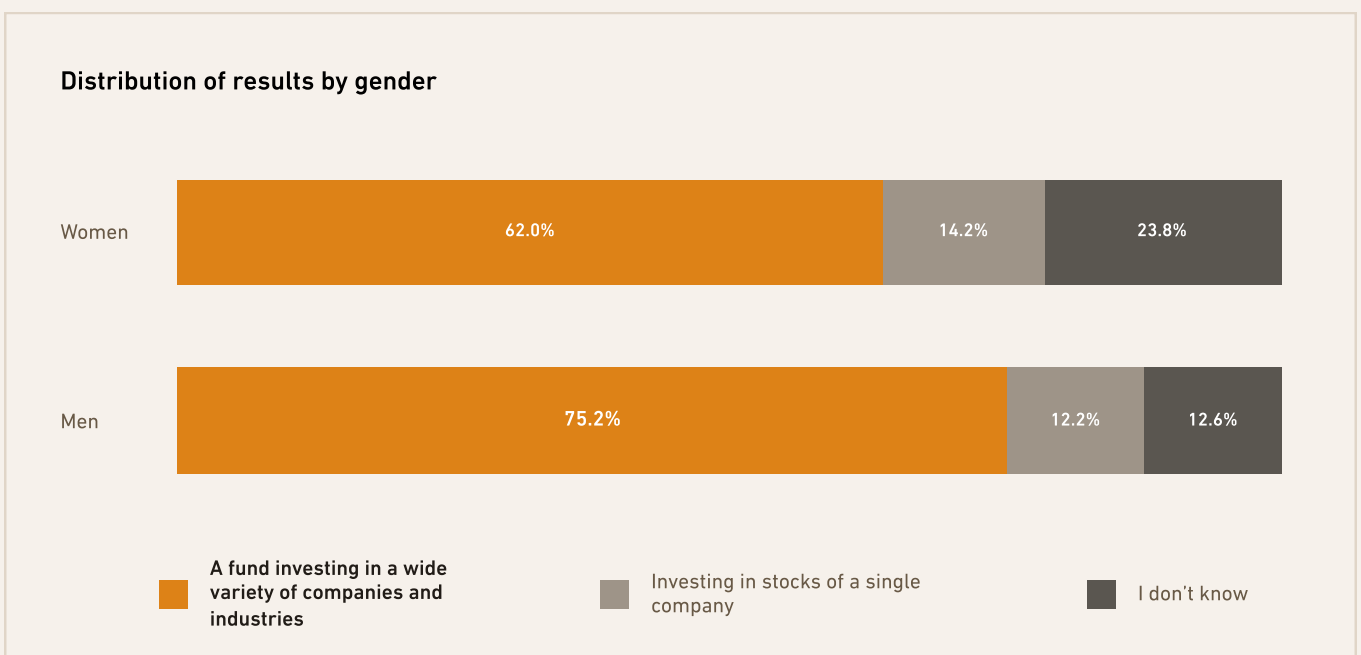
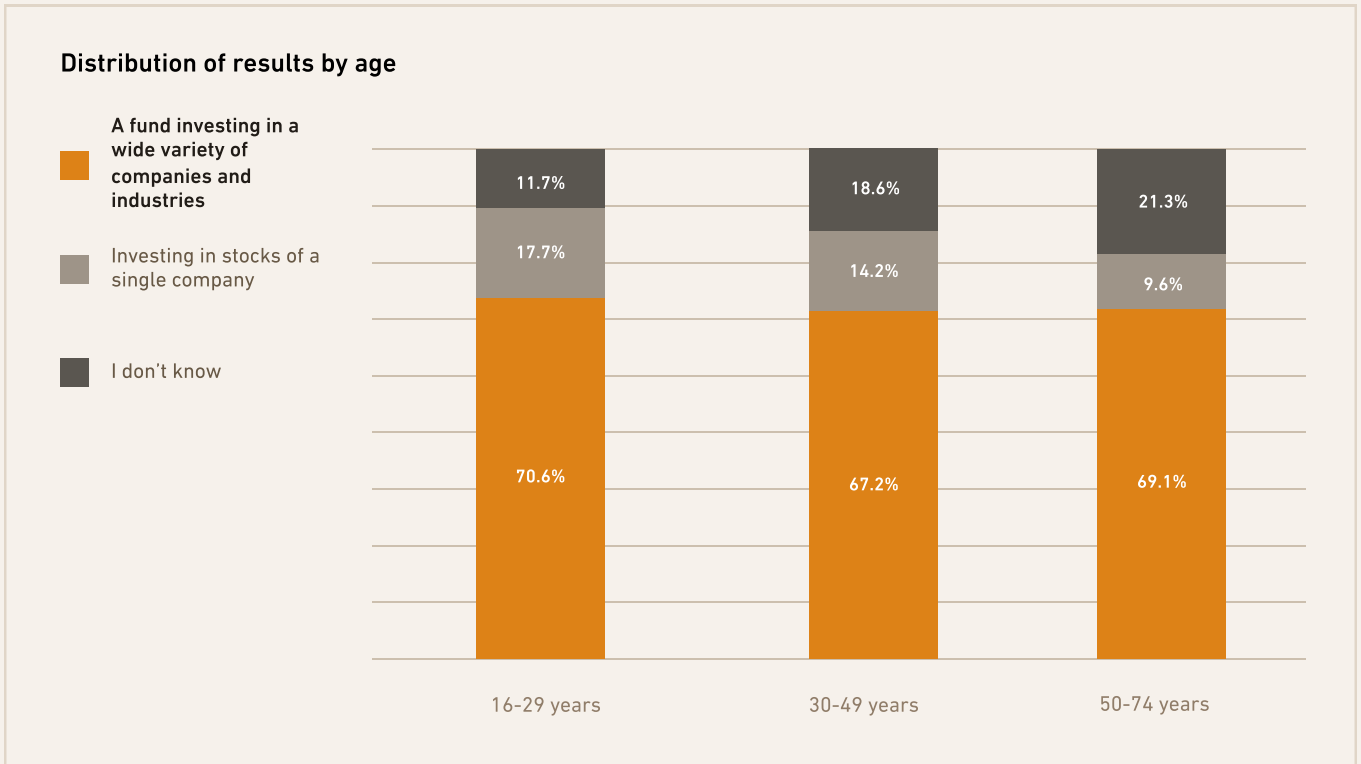
The diversification question – «Which of the following investments do you consider to be less risky?» – was answered correctly by 68.7% of respondents.

The results for this question show no significant differences between the answers from German-speaking Switzerland and French-speaking Switzerland. However, 75.2% of men were able to answer the question correctly, while only 62% of women were able to do so. In this case, the age of the respondents had no influence on the correct answering of the question. However, education plays a significant role: while 49.5% of people with a low level of education were able to answer the question correctly, the figure was 79% for people with a high level of education.

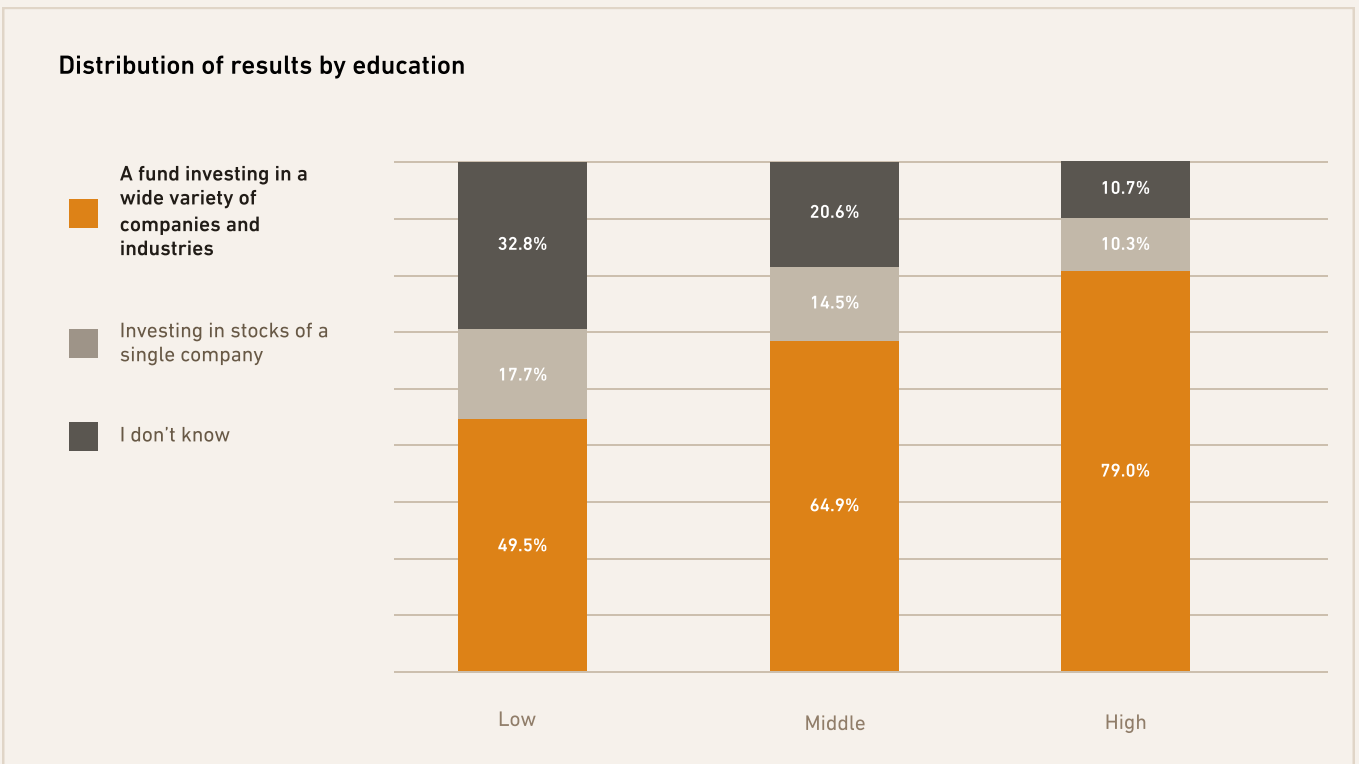
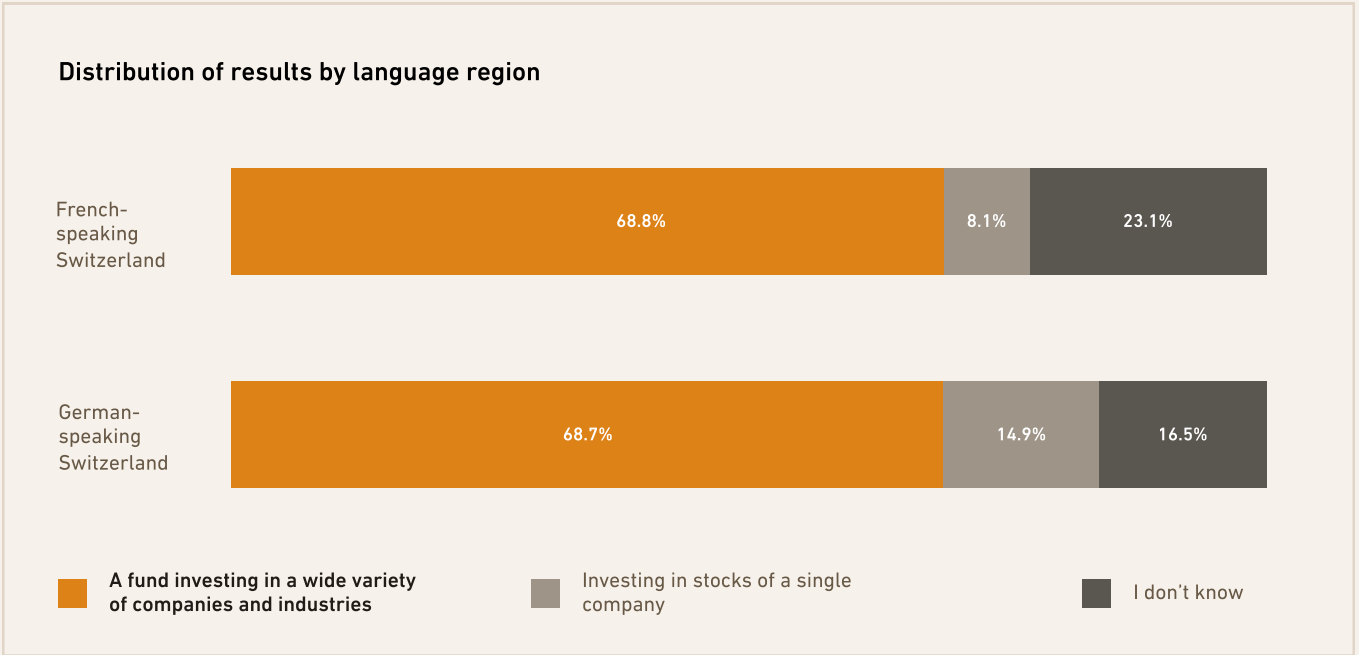
Distribution of results



«Which of the following investments do you consider to be less risky?»



«Which of the following investments do you consider to be less risky?»





With us men, the overconfidence bias is more pronounced. We don't really know our way around, but we do it anyway.



Listen to the podcast:

Talk – What is the state of financial literacy among the Swiss population?

<https://www.truewealth.ch/en/blog/financial-literacy-among-the-swiss-population>



24. September 2024

31:12 minutes



«What happens to my risk tolerance if I need liquid funds of over CHF 250'000 for a house purchase in 3 years?»

36.3%

Correct

63.7%

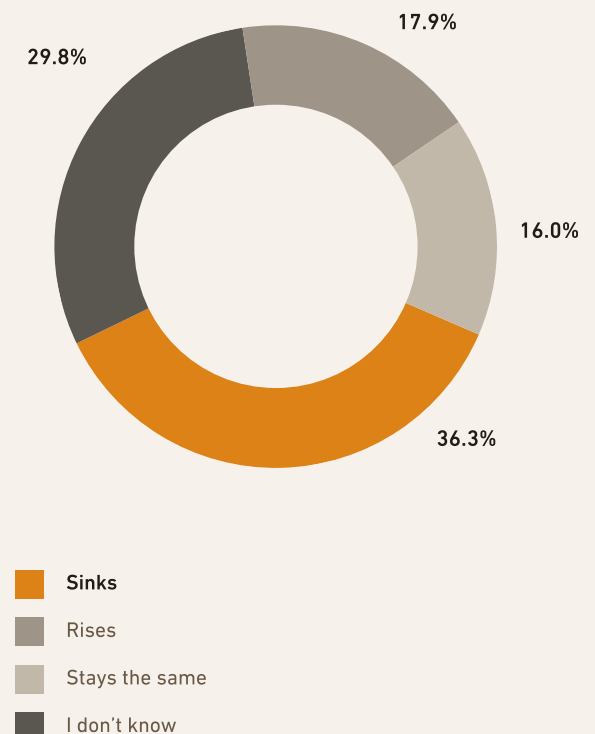
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Interpretation

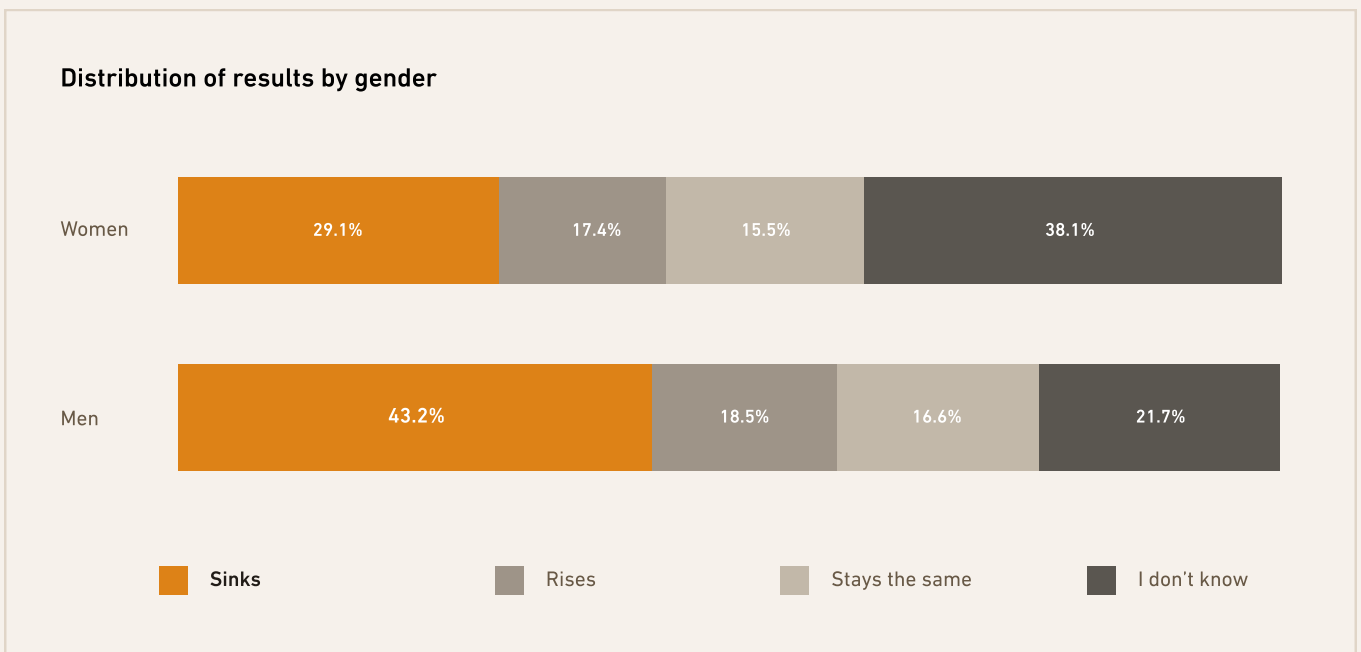
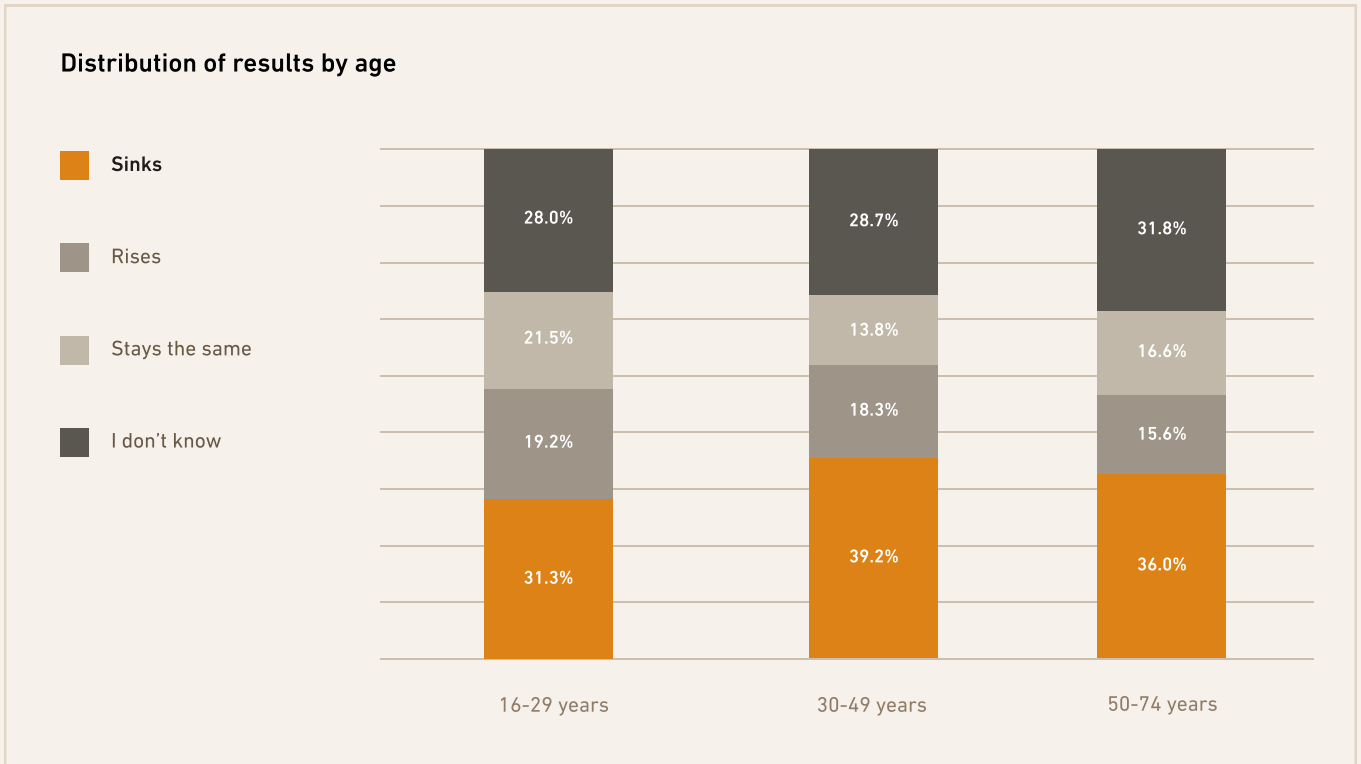
When it comes to risk capacity – «What happens to my risk tolerance if I need liquid funds of over CHF 250'000 for a house purchase in 3 years?» – it turns out that a relatively small proportion of 36.3% were able to answer the question correctly.

It is striking that 29.8% of respondents said they did not know the answer. Men performed better than women on this question, with 43.2% able to answer it correctly, compared with 29.1% of women. In terms of age, the group with the most correct answers was the 30-49 year-olds. Here, too, it can be seen that education has a significant influence on the correct answer, with people with a higher level of education in particular performing significantly better. Gross monthly income also has a significant influence on the answer to the question: 17.3% of people with an income below CHF 4'500 answered the question correctly. For people with an income above CHF 15'000, the figure is 61.3%.

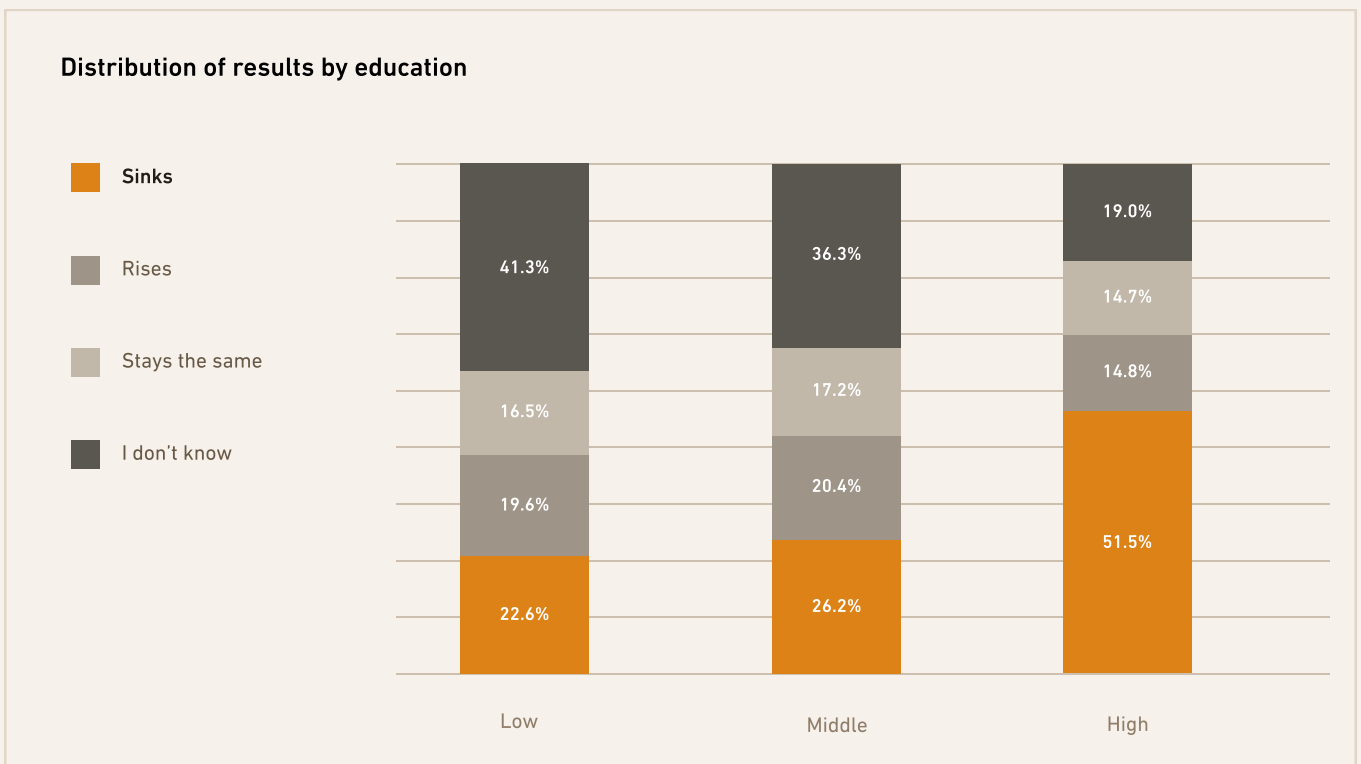
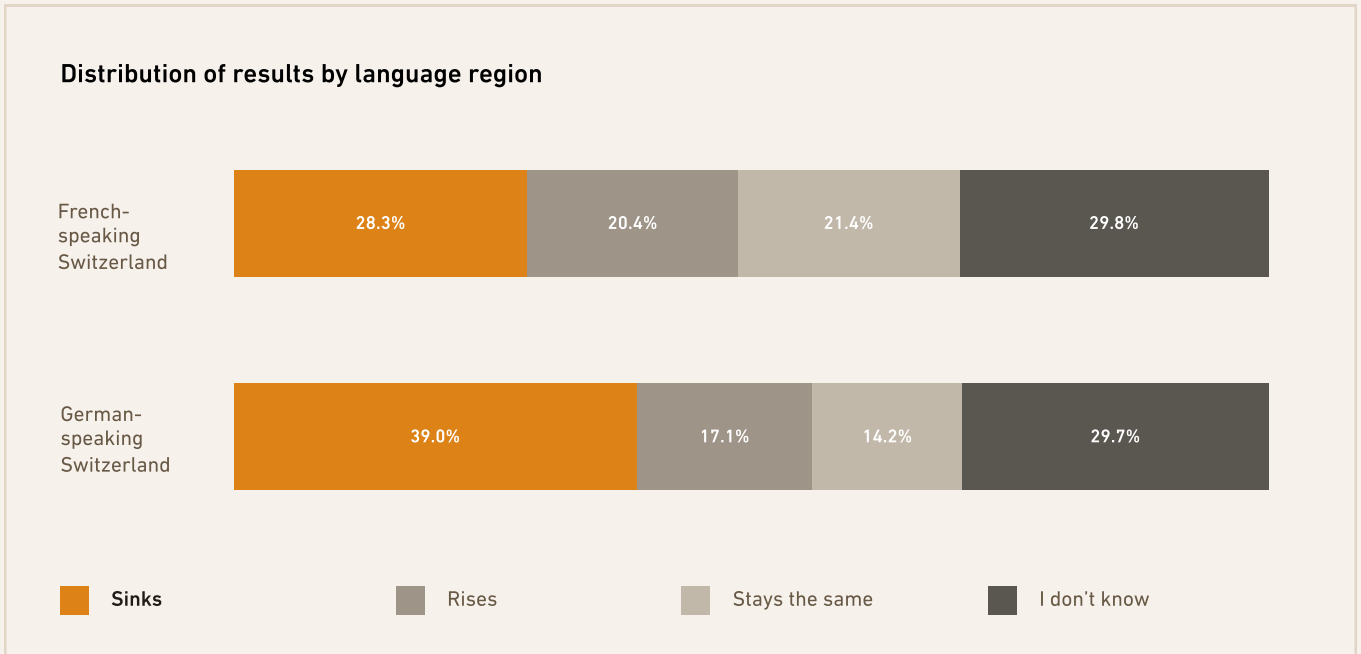
Distribution of results



«What happens to my risk tolerance if I need liquid funds of over CHF 250'000 for a house purchase in 3 years?»



«What happens to my risk tolerance if I need liquid funds of over CHF 250'000 for a house purchase in 3 years?»



«An investment with a higher expected return is likely...»

64.4%
Correct

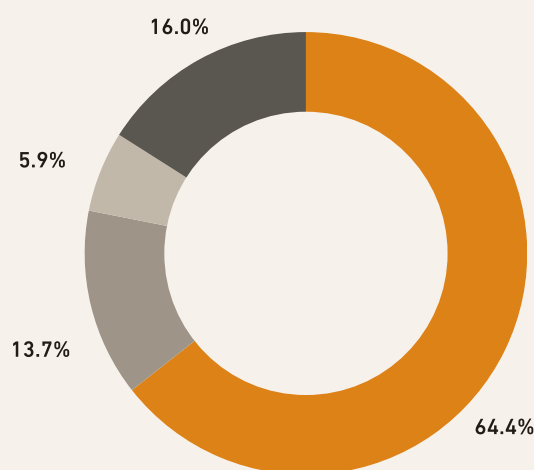
35.6%
Wrong

Interpretation

The question regarding the relationship between risk and return – «An investment with a higher expected return is likely...» – was answered correctly by 64.4% of respondents.

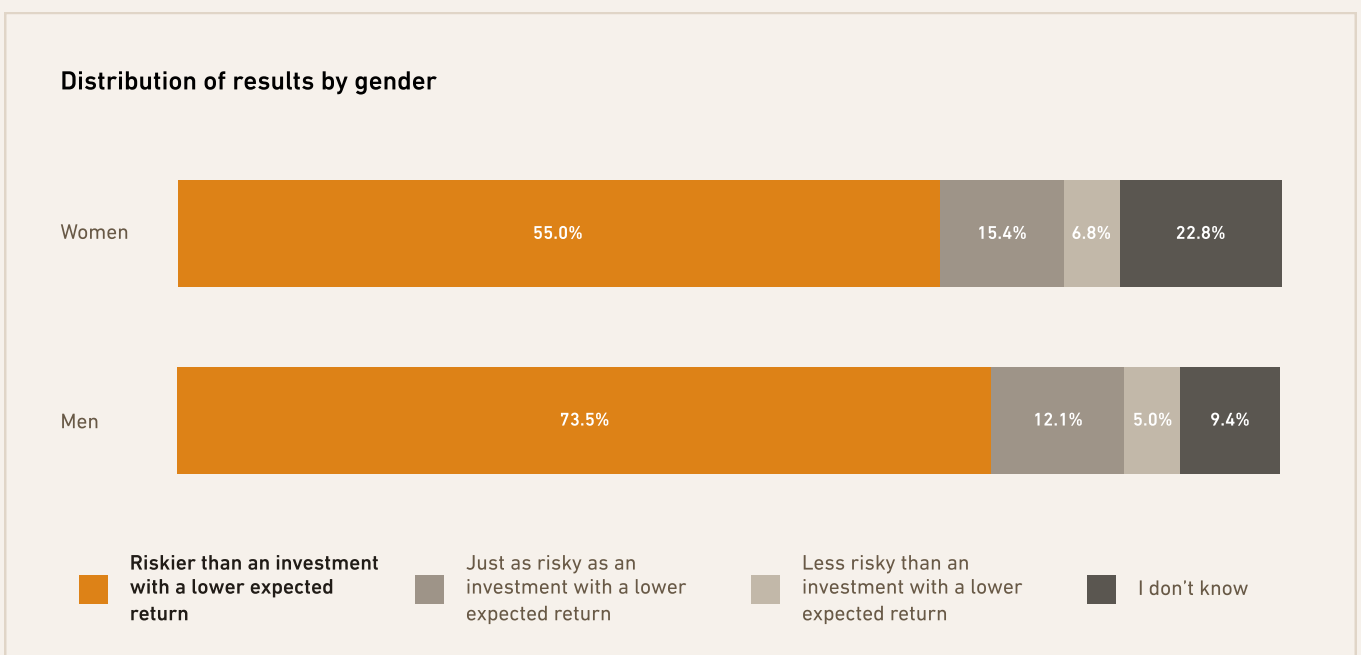
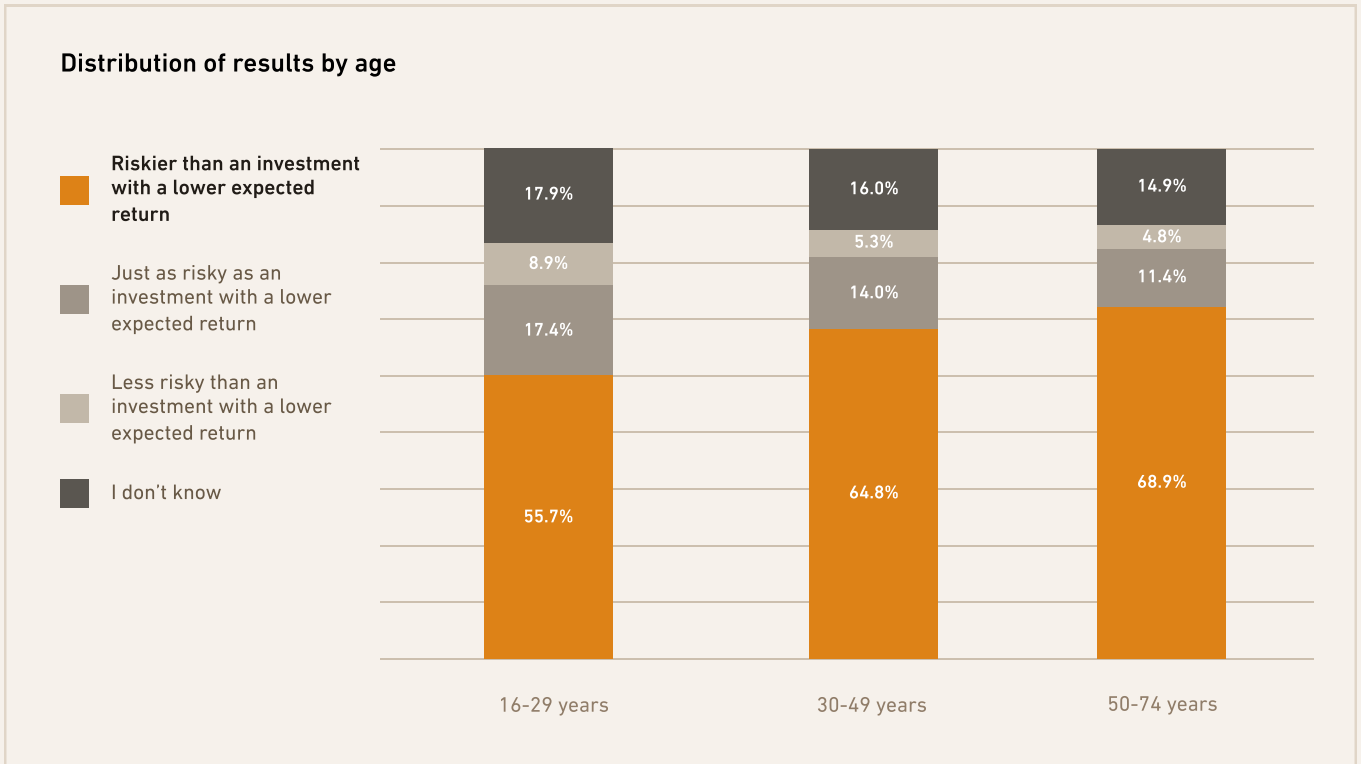
In German-speaking Switzerland, the percentage of correct answers was slightly higher than in French-speaking Switzerland. Gender plays an important role here: men gave the correct answer in 73.5% of cases, while the figure for women was only 55%. Here, too, the percentage of correct answers increases with age. School education also has a significant influence on the result, with people with a higher level of education performing better.

Distribution of results

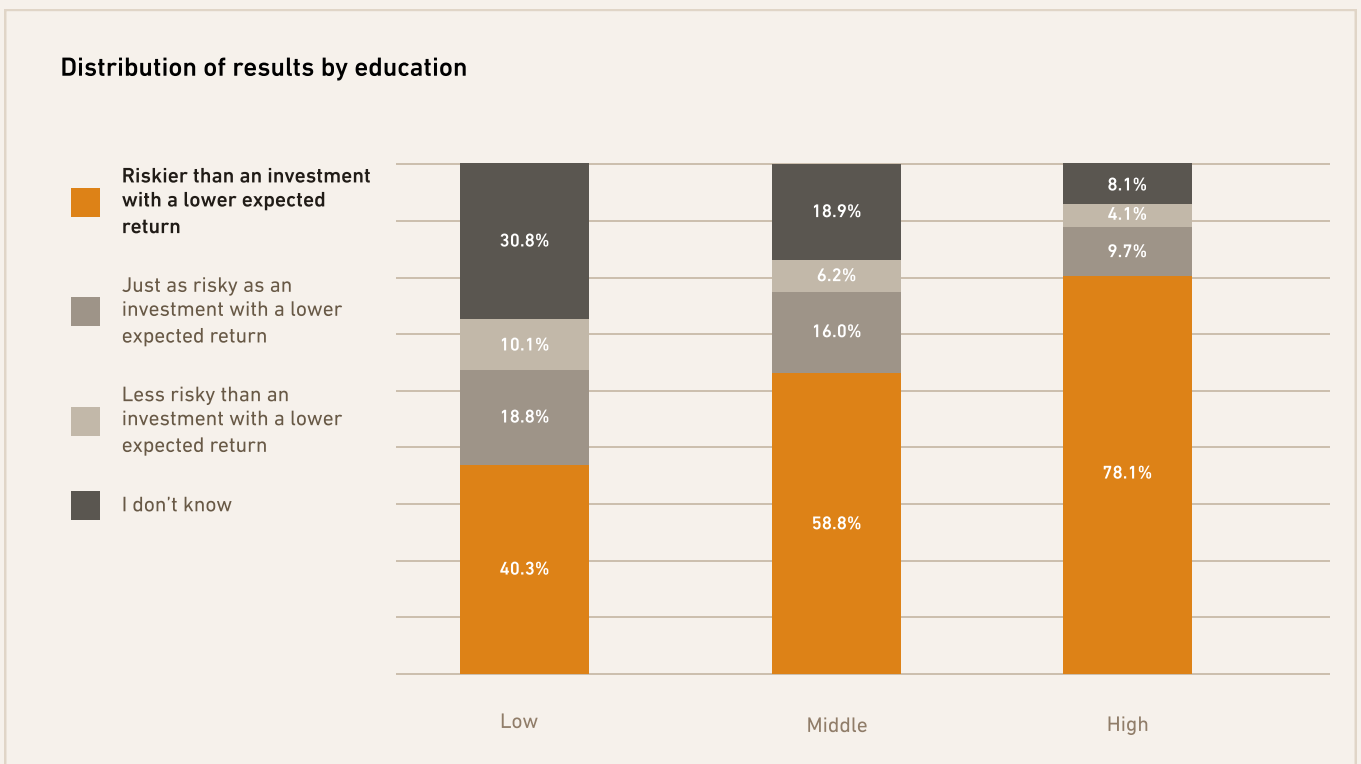
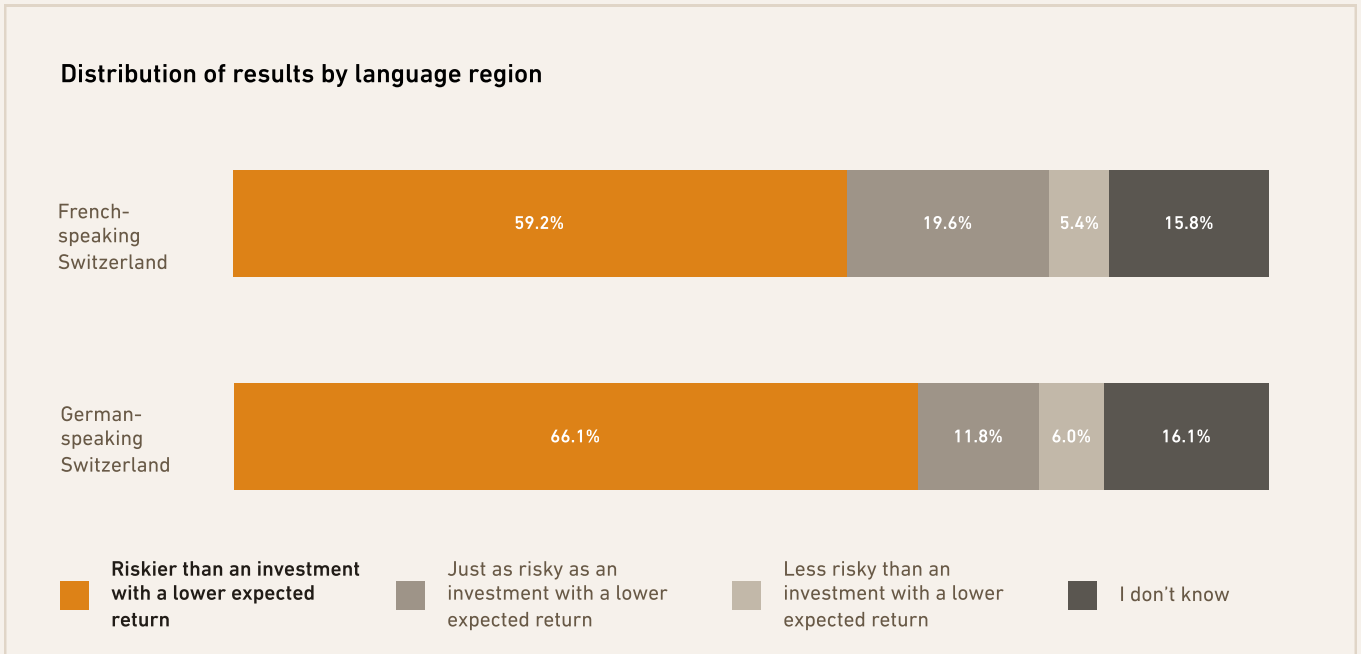


- Riskier than an investment with a lower expected return
- Just as risky as an investment with a lower expected return
- Less risky than an investment with a lower expected return
- I don't know

«An investment with a higher expected return is likely...»



«An investment with a higher expected return is likely...»



«The media increasingly report on a certain investment trend (hype). How does this affect herd behavior when we orient ourselves according to the behavior of others?»

60.8%

Correct

39.2%

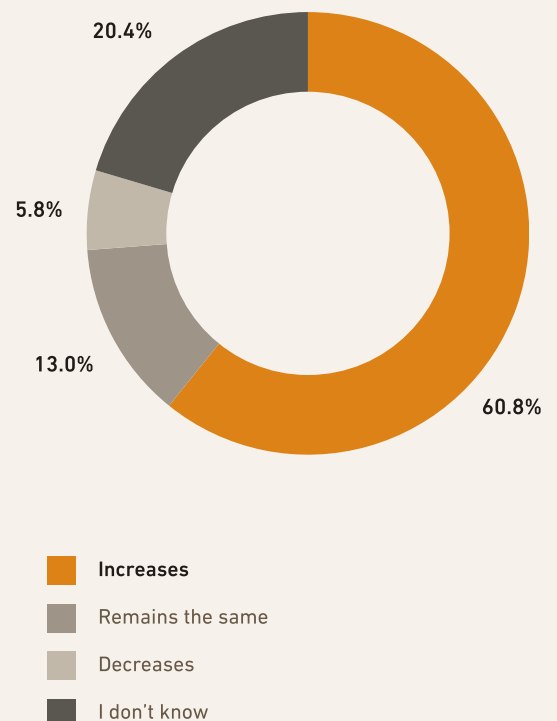
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Interpretation

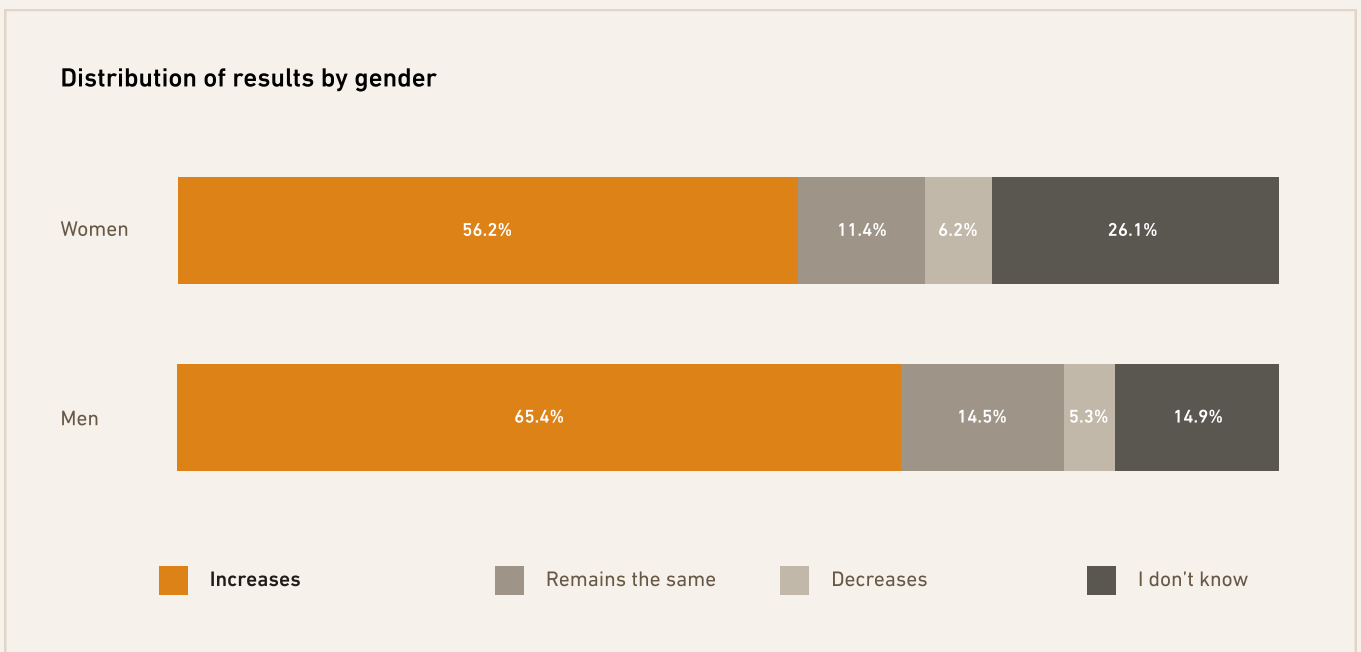
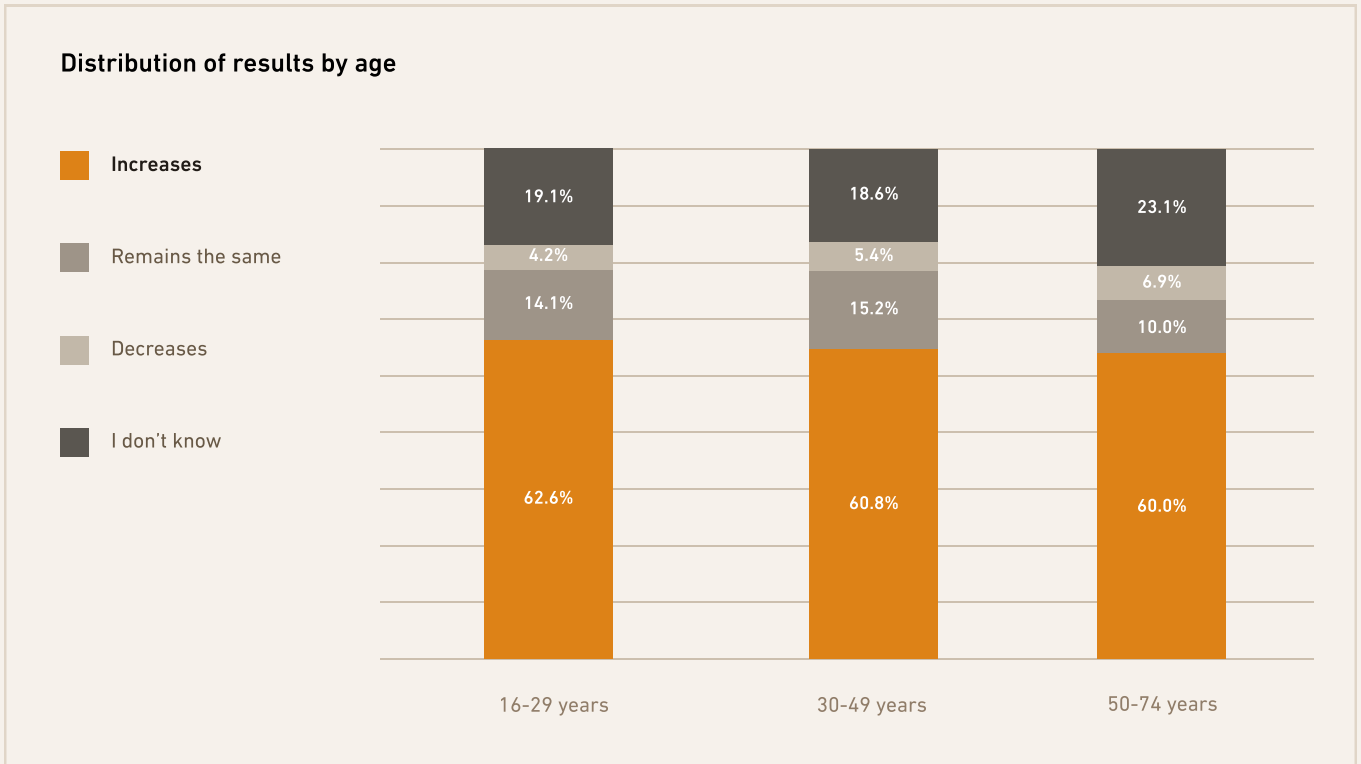
The question on herd behavior was: «The media increasingly report on a certain investment trend (hype). How does this affect herd behavior when we orient ourselves according to the behavior of others?»

This question was answered correctly by 60.8% of respondents, with significantly more correct answers in German-speaking Switzerland than in French-speaking Switzerland. Once again, men performed better than women on this question, with a correct answer rate of 65.4% for men compared with 56.2% for women. Age had no significant influence on this question; younger respondents answered somewhat better.

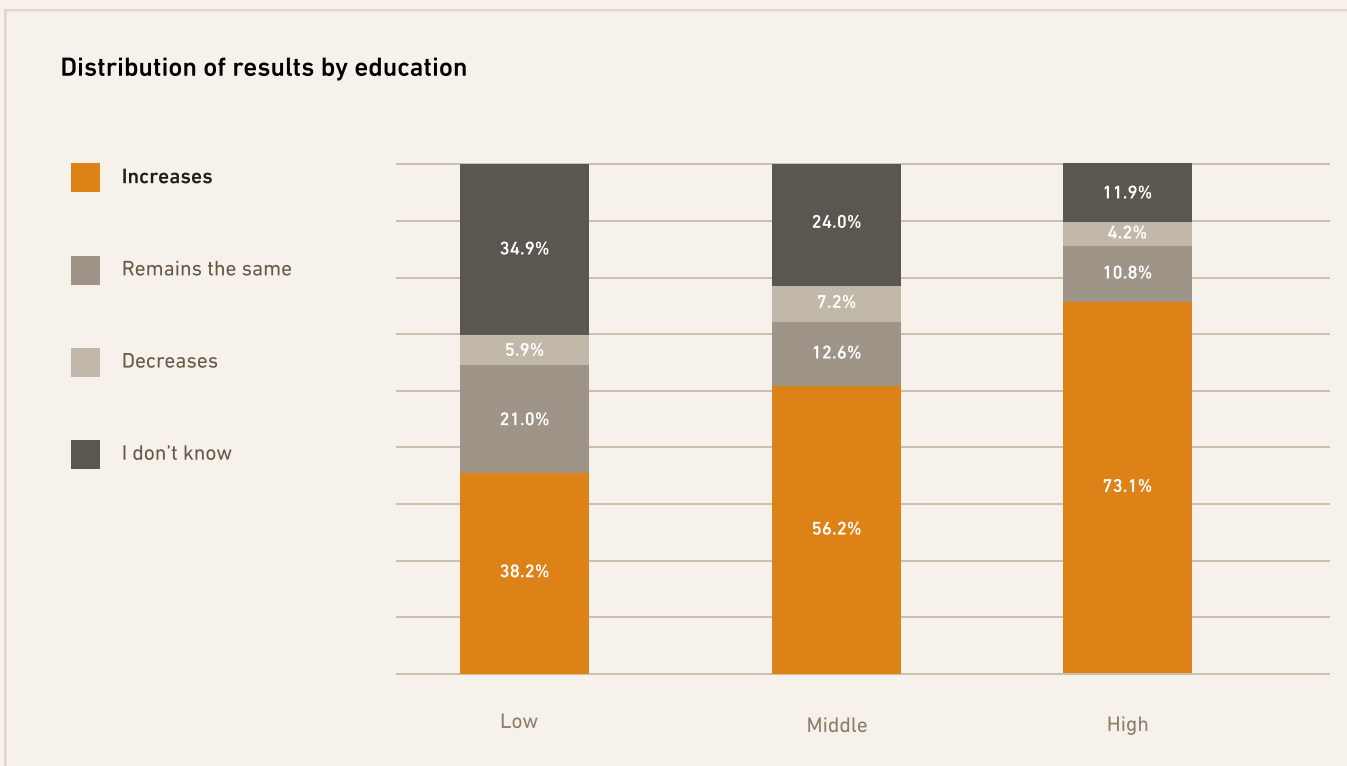
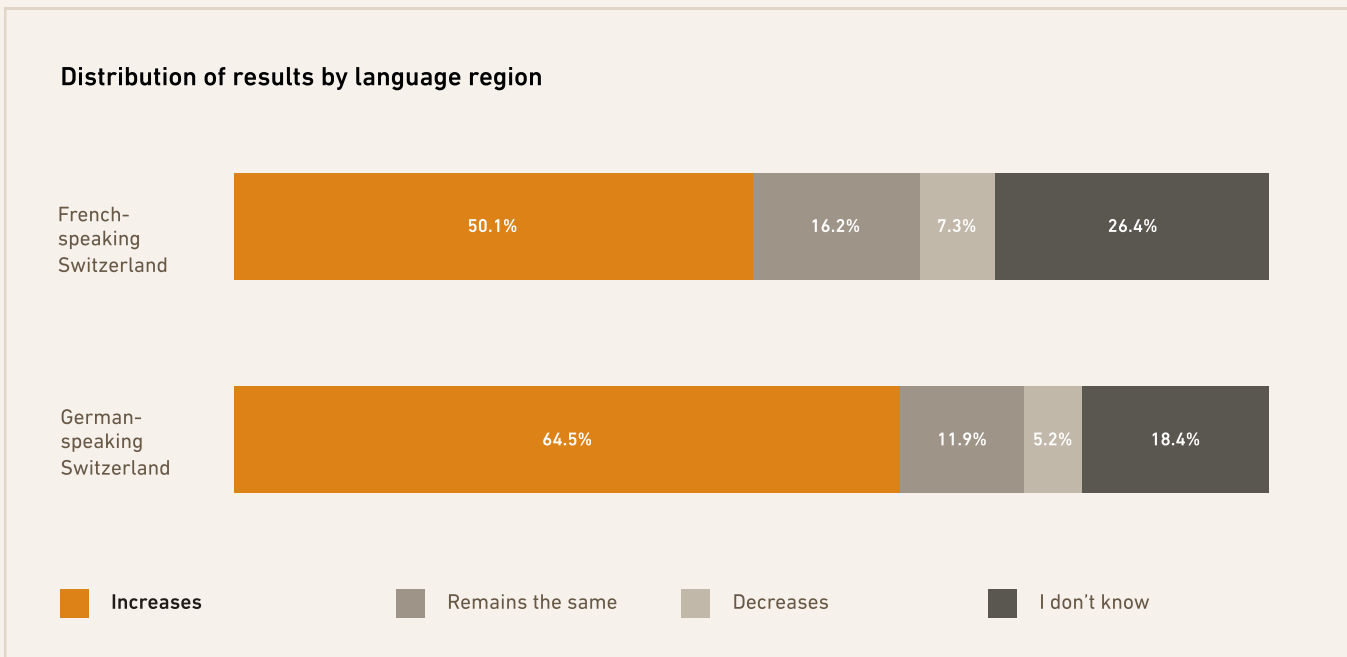
Distribution of results



«The media increasingly report on a certain investment trend (hype). How does this affect herd behavior when we orient ourselves according to the behavior of others?»



«The media increasingly report on a certain investment trend (hype). How does this affect herd behavior when we orient ourselves according to the behavior of others?»





Do you beat the Swiss average?



Test your financial knowledge with all the questions from the True Wealth Financial Literacy Index in an interactive quiz:

truewealth.ch/en/financial-literacy/2024-quiz

«How do unexpectedly rising profit expectations usually affect the stock price of a company?»

70.5%

Correct

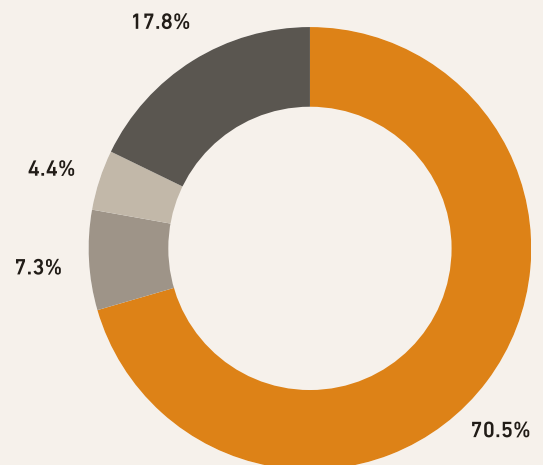
29.5%

Wrong

Interpretation

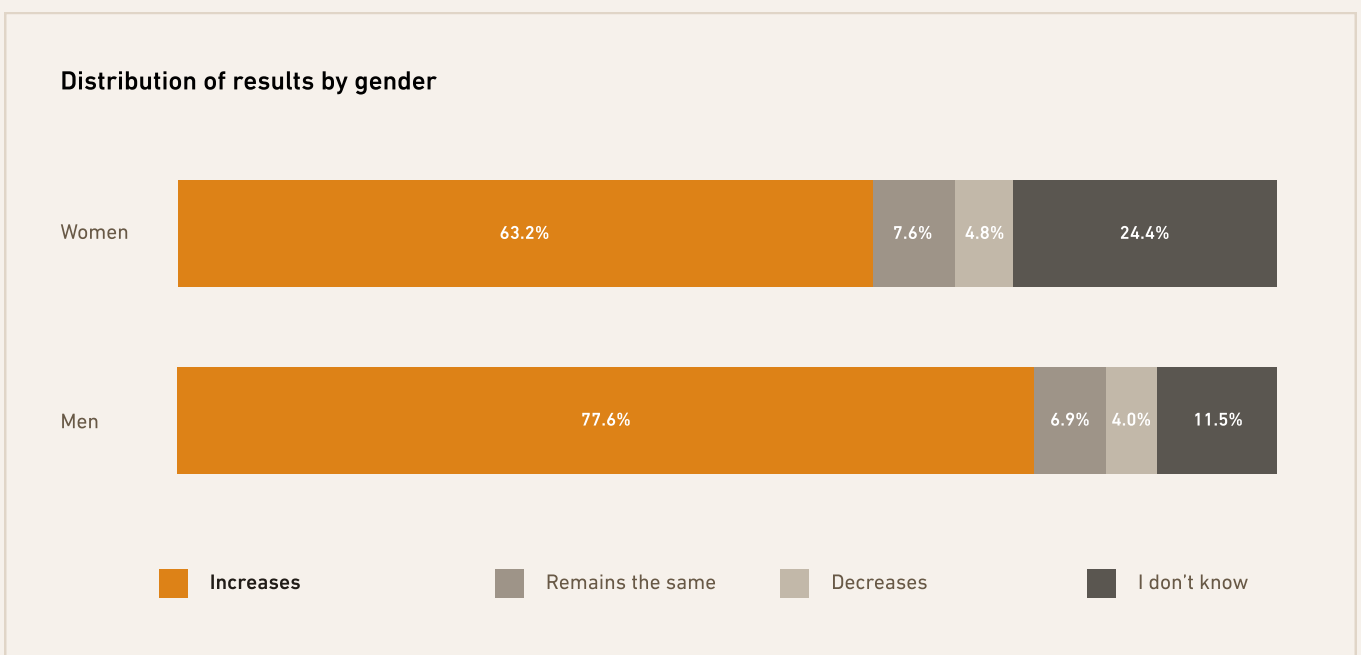
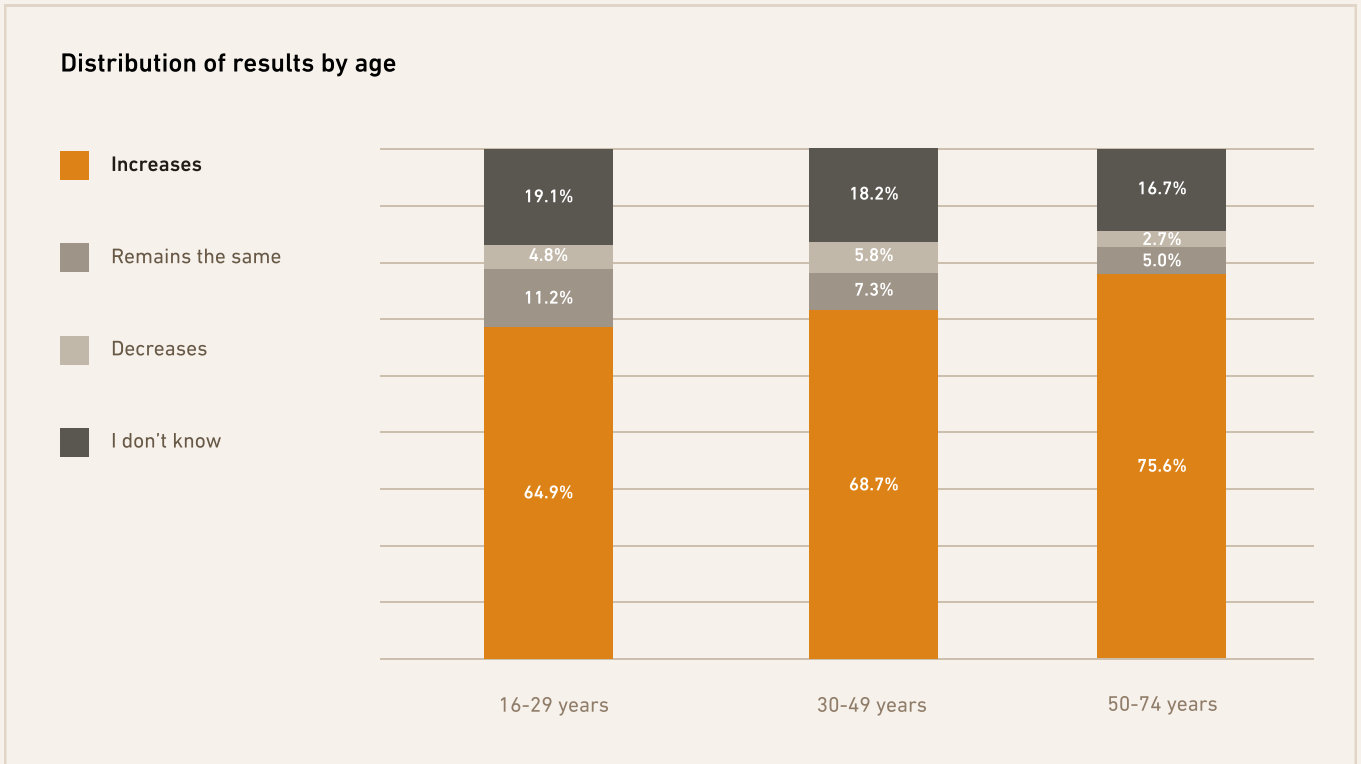
The question «How do unexpectedly rising profit expectations usually affect the stock price of a company?» was answered correctly by 70.5% of respondents. Both gender and age have an influence here: men and older people were more likely to give the correct answer. Again, it can be seen that a higher level of education correlates with a higher probability of correct answers.

Distribution of results

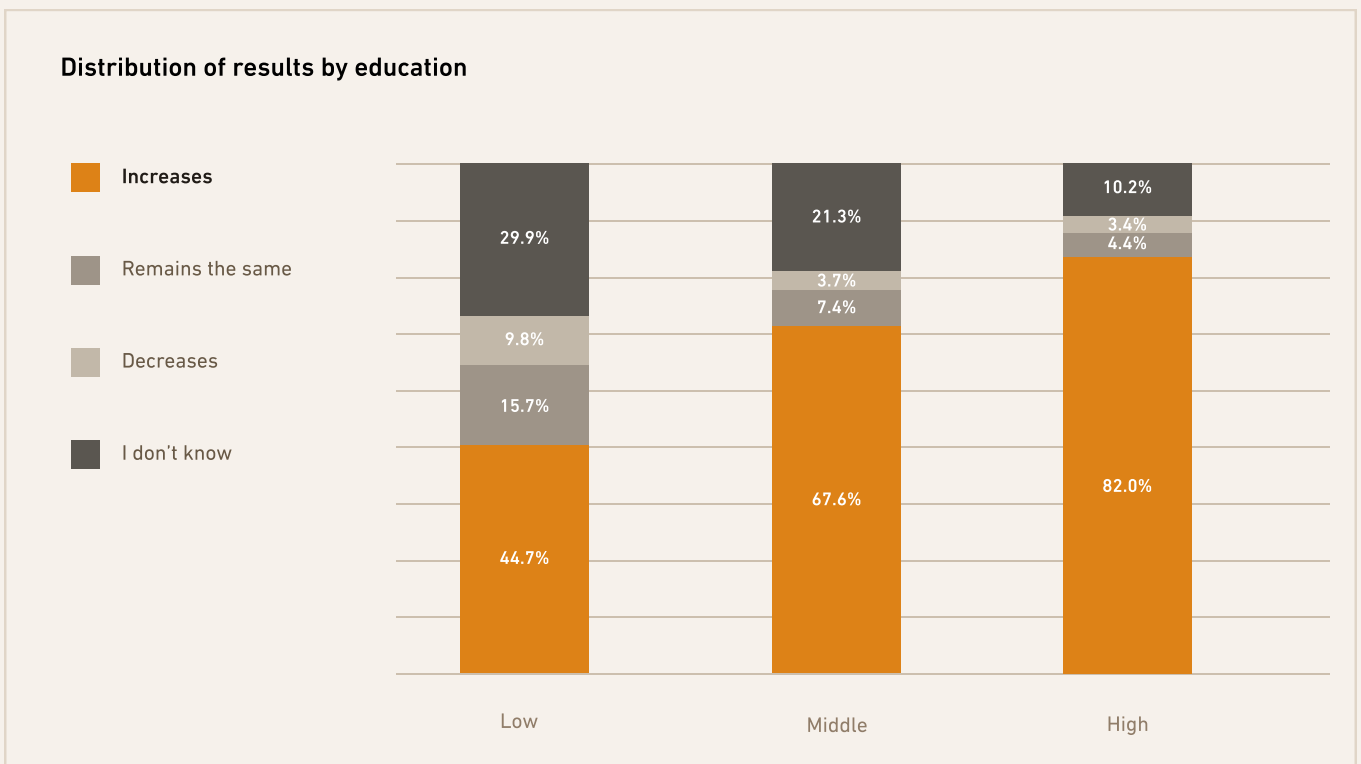
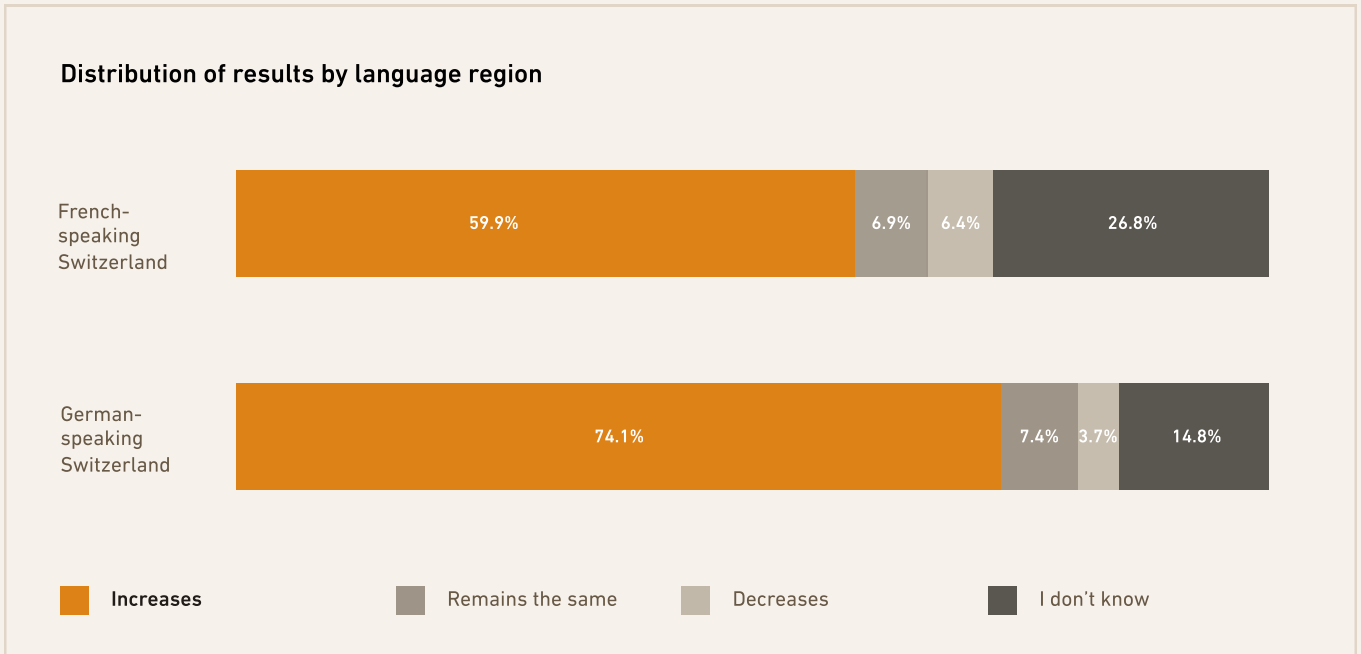


- Increases
- Remains the same
- Decreases
- I don't know

«How do unexpectedly rising profit expectations usually affect the stock price of a company?»



«How do unexpectedly rising profit expectations usually affect the stock price of a company?»



«How does the market value of already issued bonds change when the central bank decides to lower the interest rate?»

20.7%
Correct

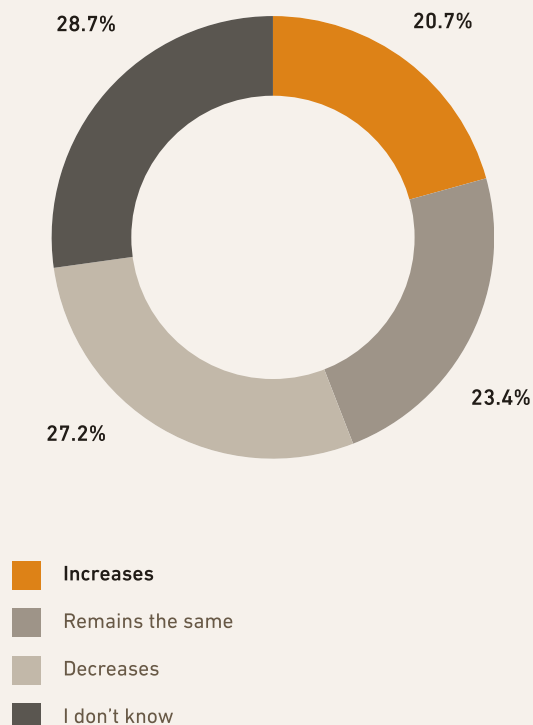
79.3%
Wrong

Interpretation

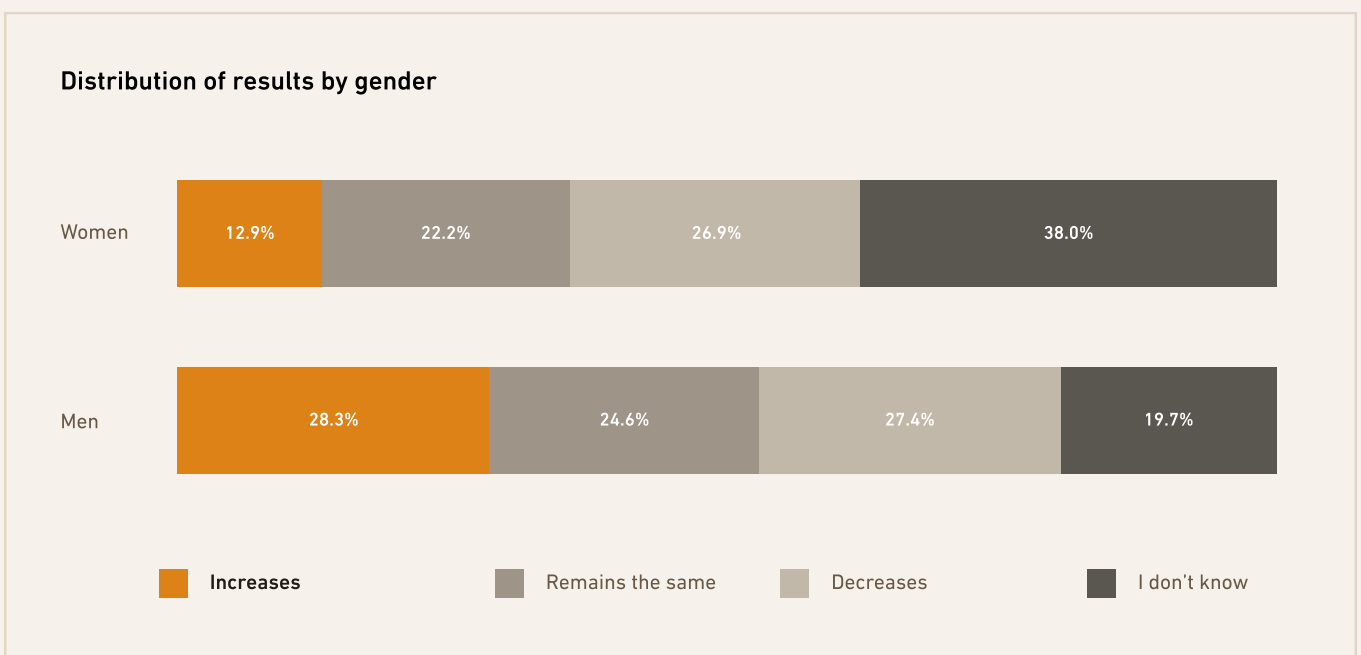
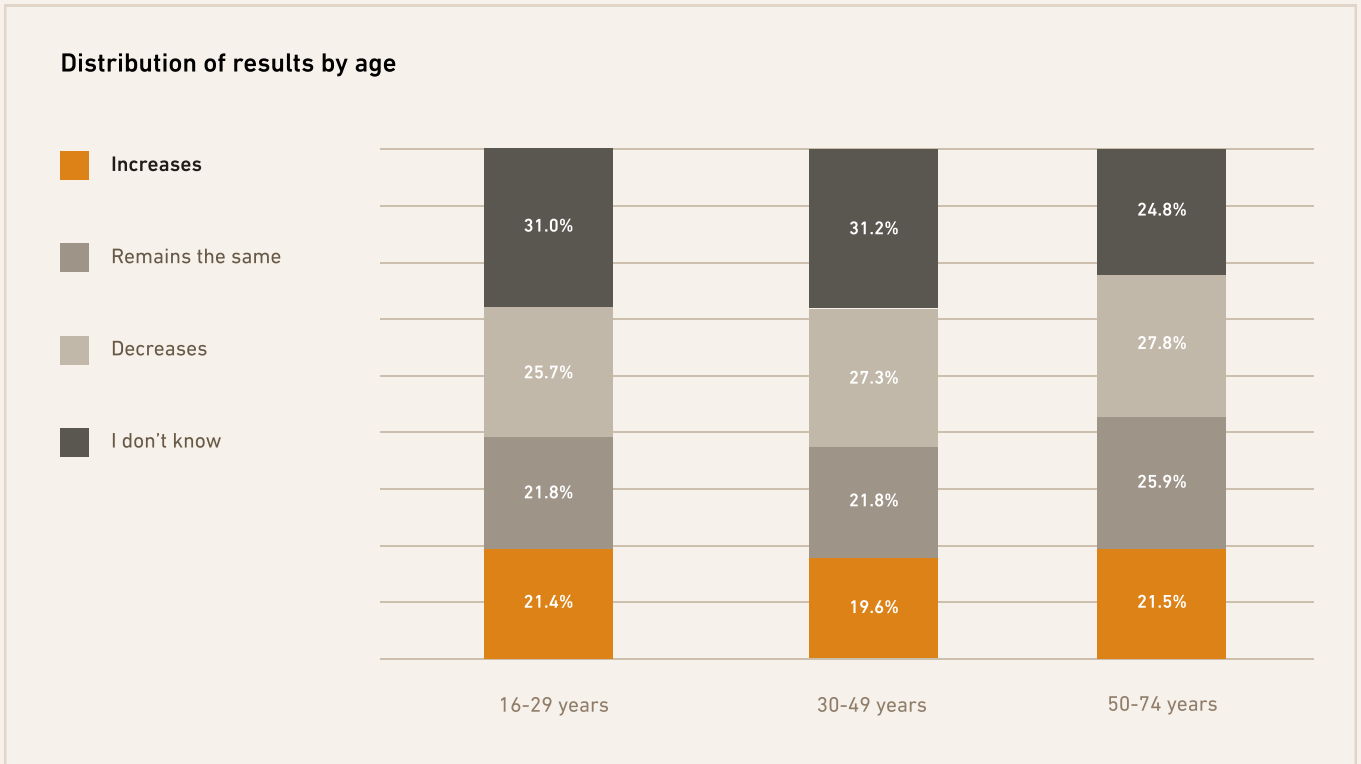
The question of the impact of a reduction in the interest rate on the market value of bonds that have already been issued is not an easy one, especially since the correct answer is counterintuitive at first glance.

The answers are distributed relatively evenly across all the possible answers, which indicates uncertainty. Only 20.7% of respondents were able to give the correct answer, namely that the market value or price of the bond increases. Men perform significantly better here: 28.3% gave the correct answer, compared to only 12.9% of women. Interestingly, the age of the respondents has no influence on their knowledge of bonds. However, there is a positive correlation between the level of education and knowledge of bonds: respondents with a higher level of education were more likely to answer the question correctly.

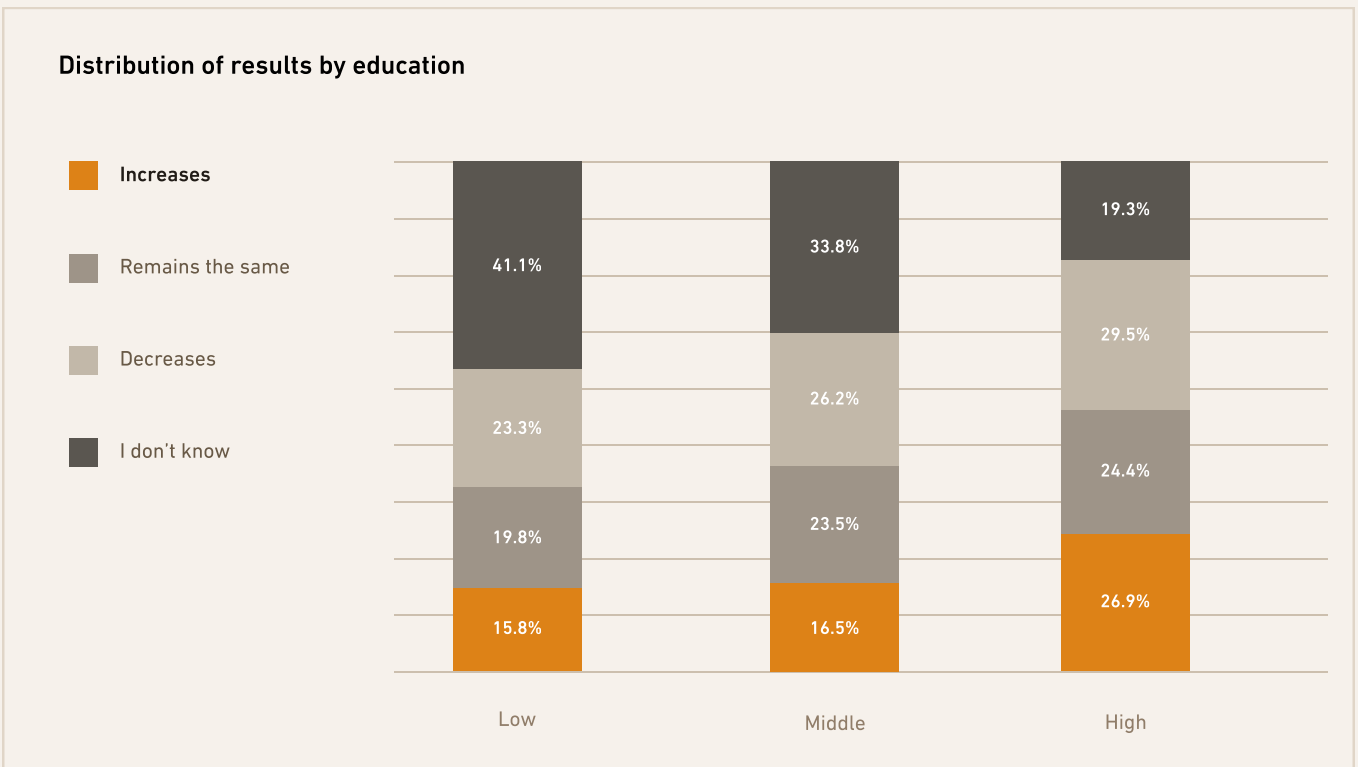
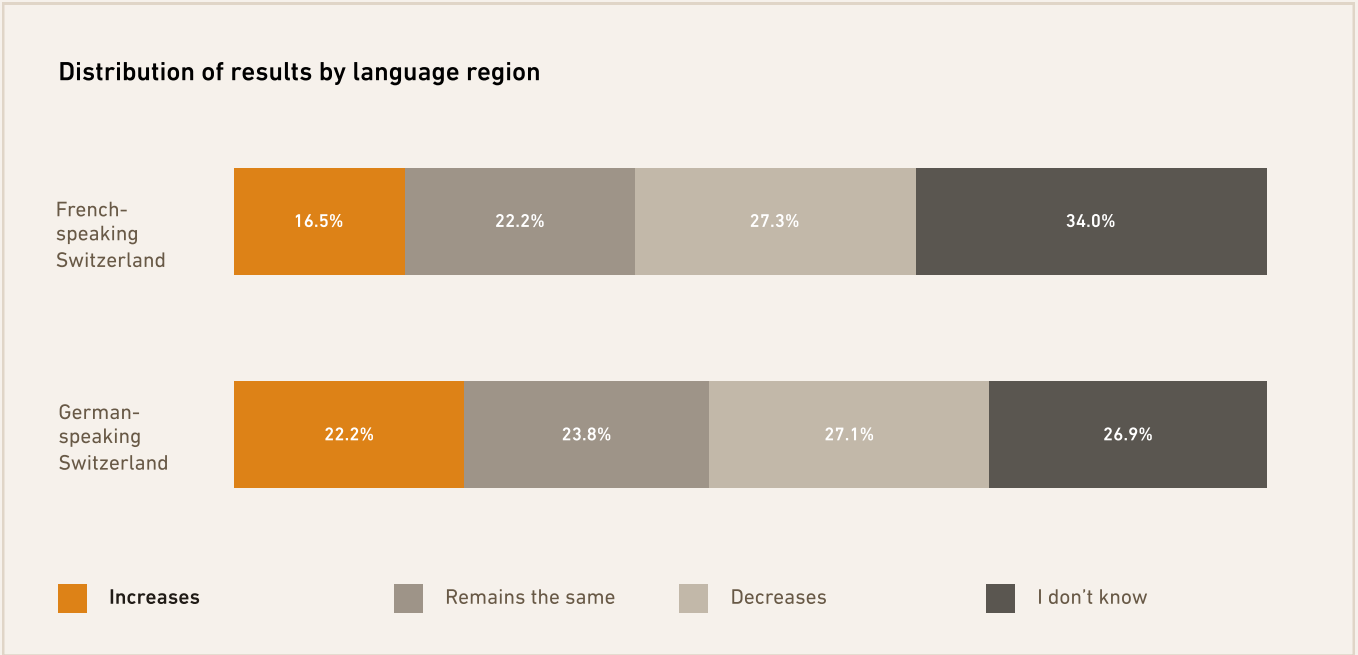
Distribution of results



«How does the market value of already issued bonds change when the central bank decides to lower the interest rate?»



«How does the market value of already issued bonds change when the central bank decides to lower the interest rate?»



«How does the importance of the balance in an account changes in the event of a stock market crash?»

7.7%

Correct

92.3%

Wrong

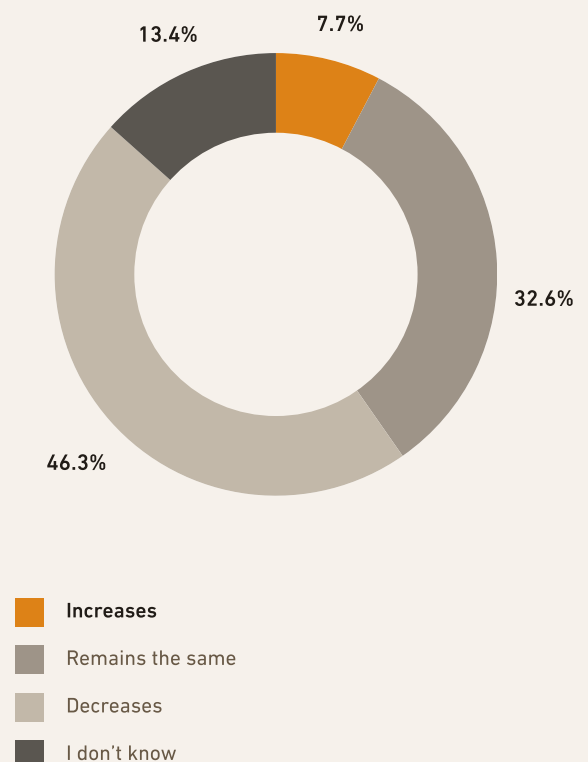
Interpretation

The question about the significance of the balance on the account in the event of a stock market crash is based on the fact that in the event of a stock market crash, the value of cash increases comparatively and the risk premium of risky asset classes is higher than normal in times of market turbulence.

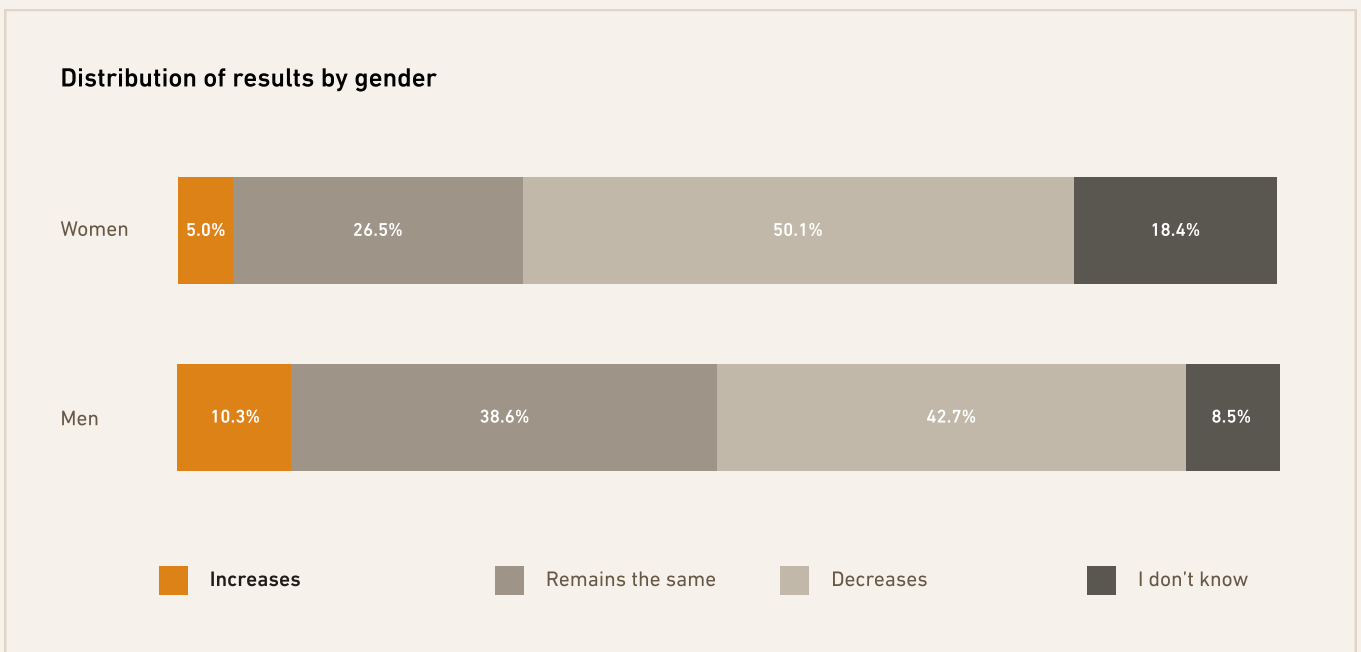
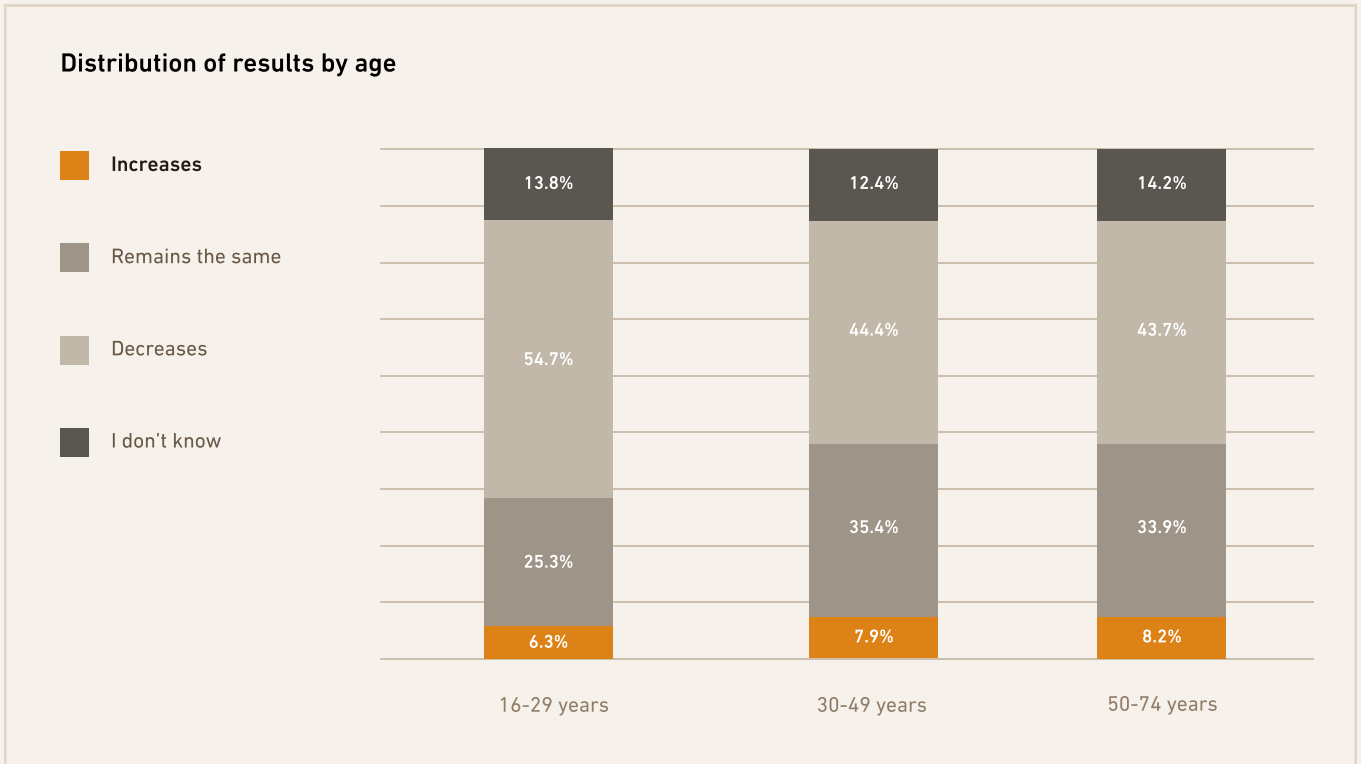
However, we have to cover our eyes in shame when it comes to this question: the word «significance» can trigger different associations and be interpreted in different ways. For example, it can be argued that, from an emotional point of view, cash as an asset class is less significant during a stock market crash than the distressed securities in the portfolio. In any case, only 7.7% of respondents answered the question correctly, which indicates different interpretations of the question.

We will rephrase the question in future editions.

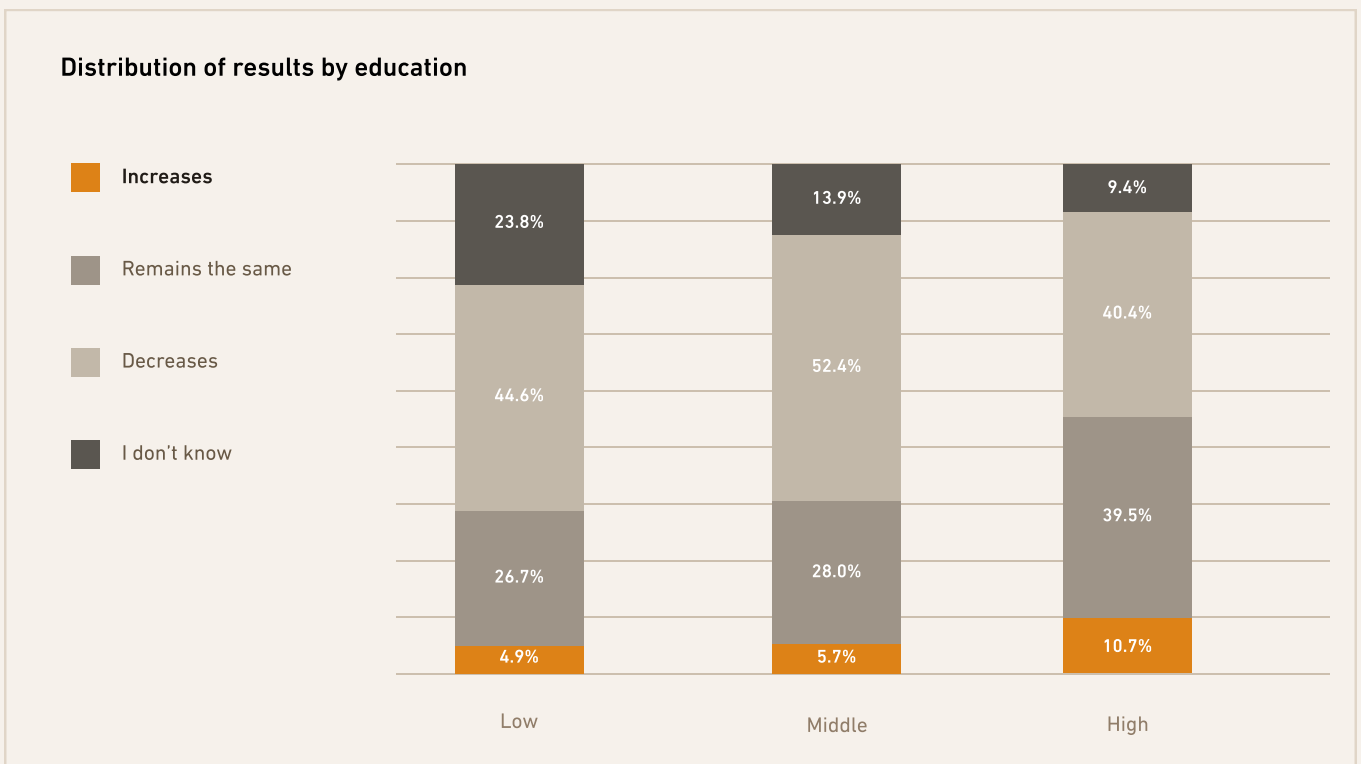
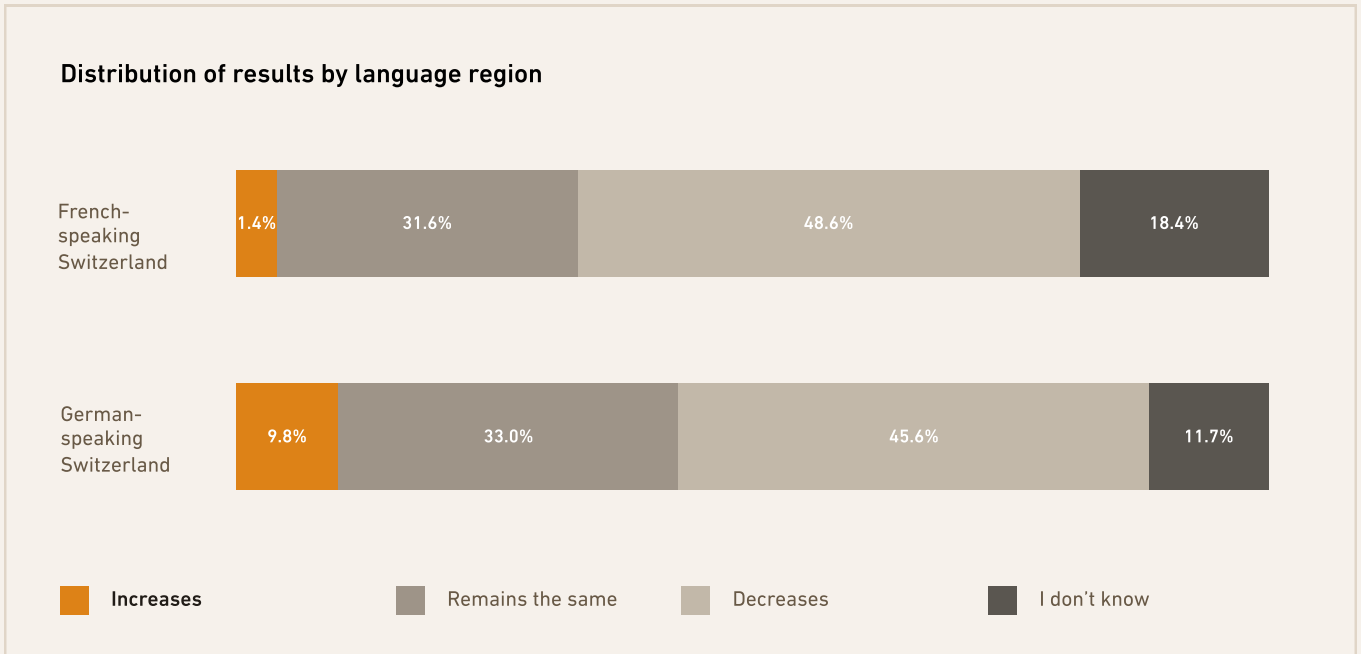
Distribution of results



«How does the importance of the balance in an account changes in the event of a stock market crash?»



«How does the importance of the balance in an account changes in the event of a stock market crash?»



«What is the main advantage of most ETFs compared to actively managed investment funds?»

29.3%

Correct

70.7%

Wrong

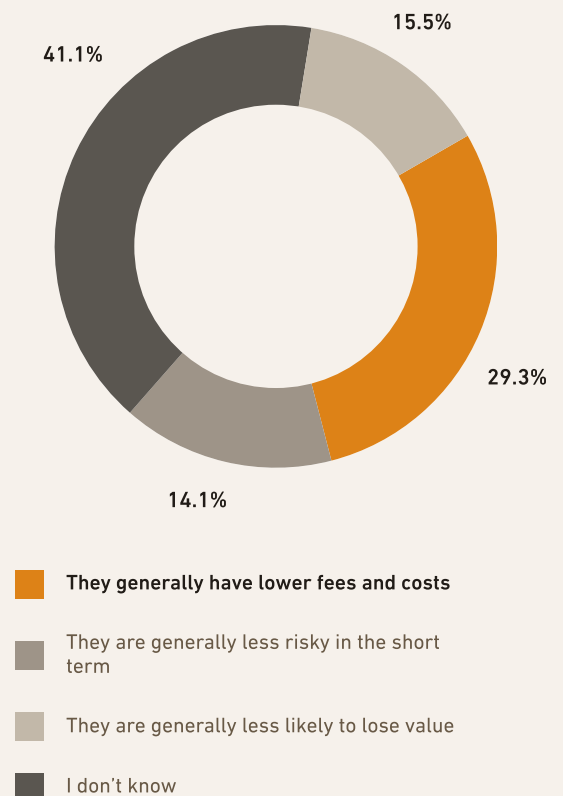
Interpretation

The question regarding the main difference between ETFs and actively managed investment funds was answered correctly by 29.3% of respondents overall.

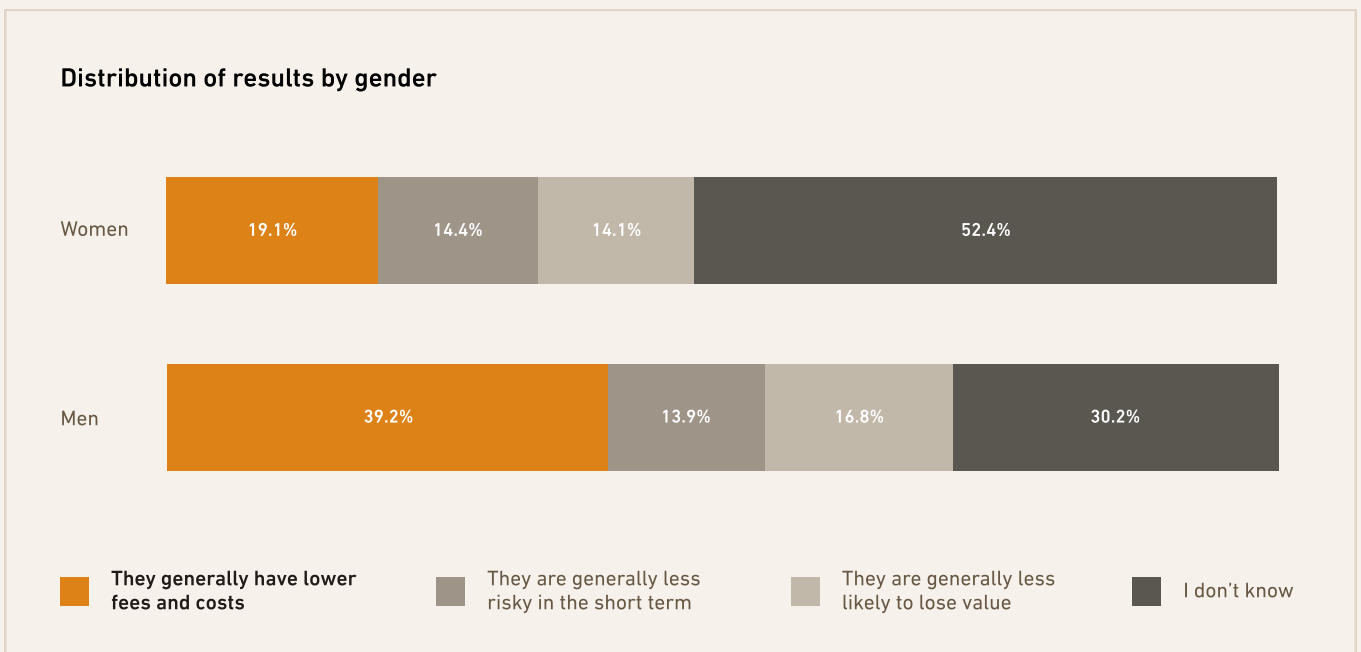
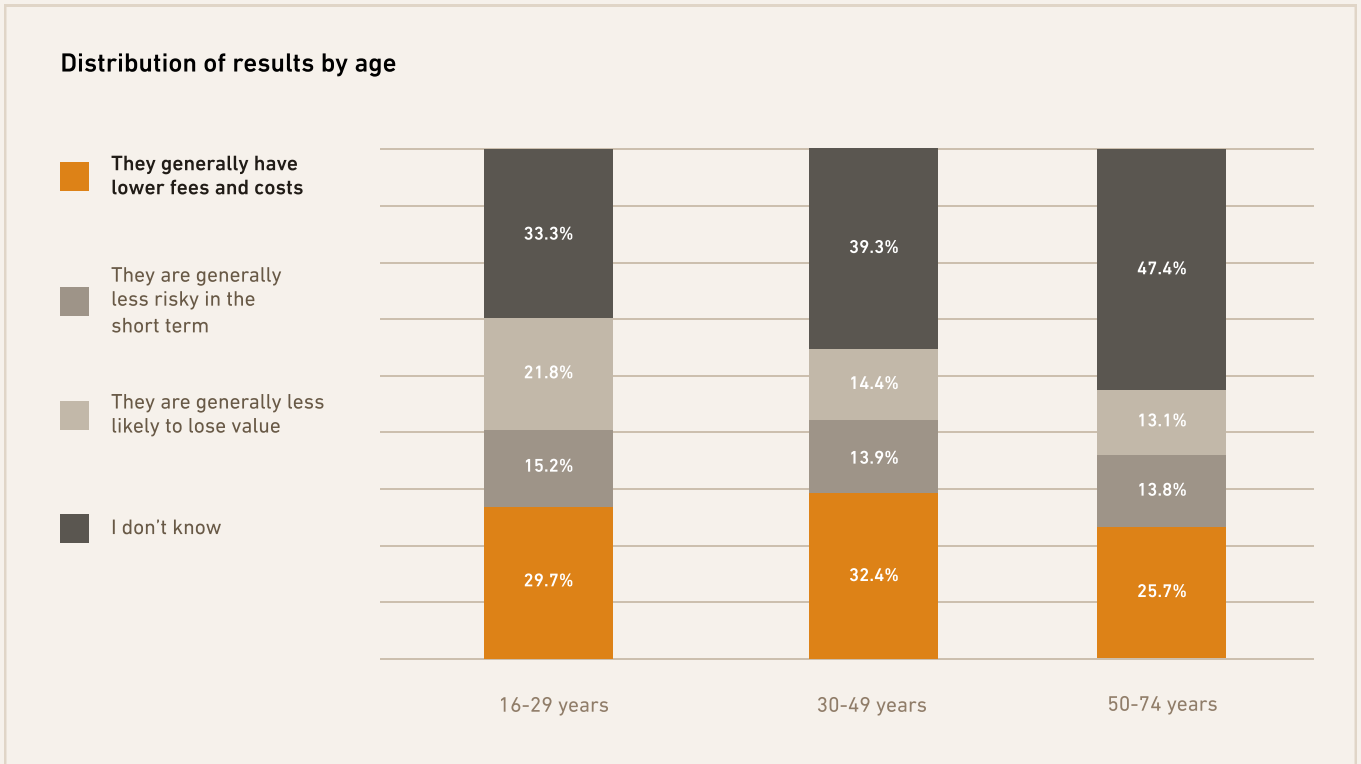
What is striking is that the proportion of correct answers is significantly higher in German-speaking Switzerland (33%) than in French-speaking Switzerland (18.3%). There is also a clear difference between the genders: 39.2% of men gave the correct answer, but only 19.1% of women. As in other areas, the proportion of correct answers increased with the level of education.

But what is most interesting is that, in contrast to other questions, younger generations were better at answering this question than older cohorts, which can be attributed to greater familiarity with more modern investment instruments.

Distribution of results

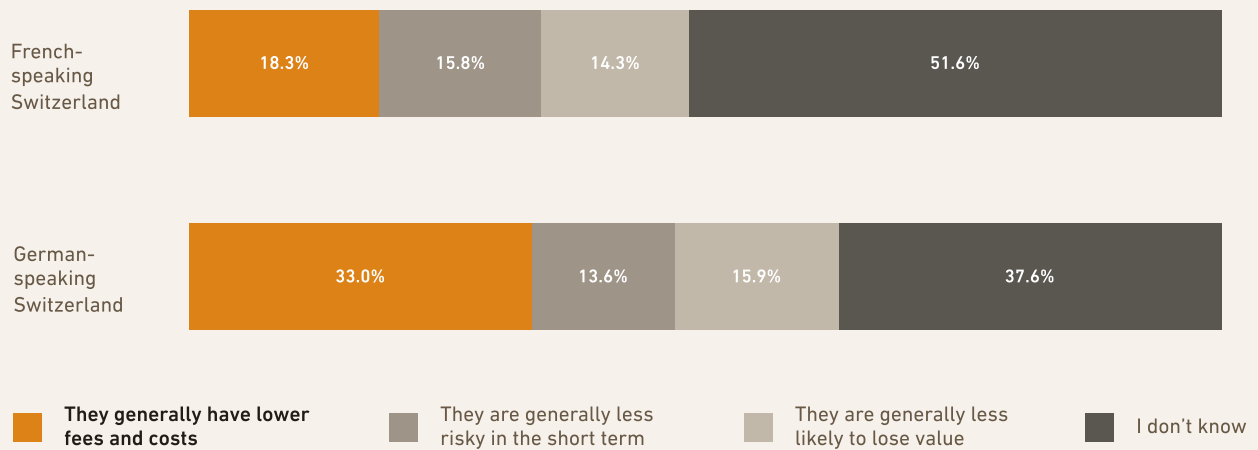


«What is the main advantage of most ETFs compared to actively managed investment funds?»

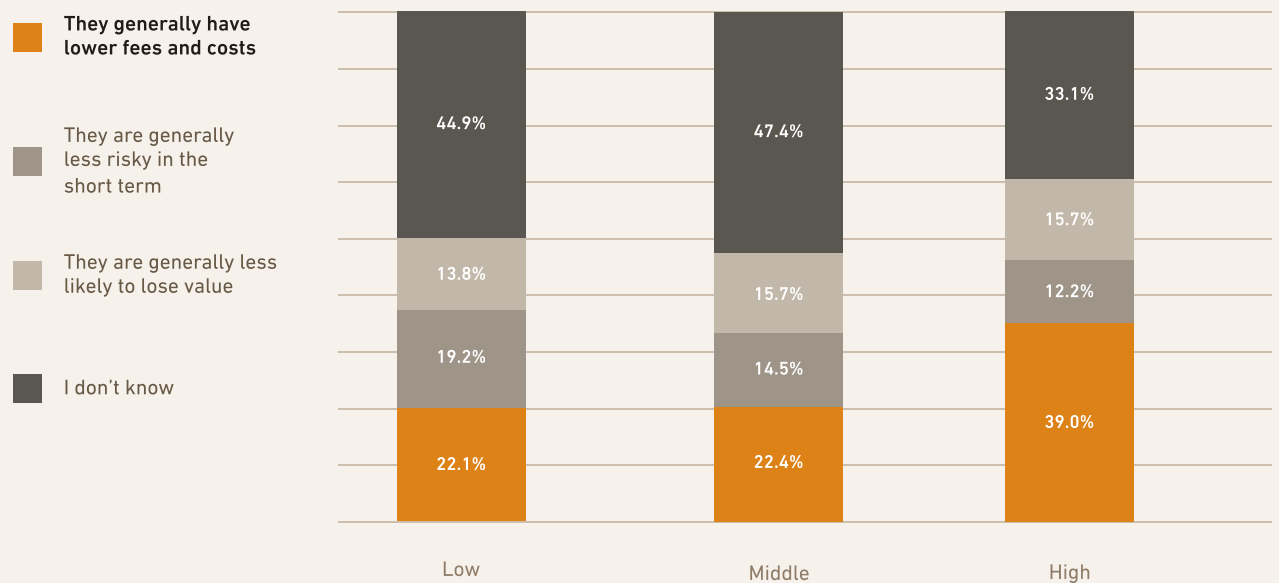


«What is the main advantage of most ETFs compared to actively managed investment funds?»

Distribution of results by language region



Distribution of results by education



05



Methodology

Study design

This study was conducted by GfK Switzerland AG on behalf of True Wealth. The results of the True Wealth Financial Literacy Index 2024 are based on a representative survey of 2'010 residents from German- and French-speaking Switzerland.

The fieldwork was conducted between July 25 and August 6, 2024. The 2'010 respondents were selected from an online GfK panel to be representative of the Swiss population (16 to 74 years old). The sample is population-representative by language region x gender x age (3 age groups) interlocked quoted.

The questionnaire comprised 10 questions. The 95% confidence interval is in the range of +/- 0.4 to +/- 2.2. The aim of the study is to measure the current level of financial literacy in Switzerland and to identify areas where there is a need for education.

About this report

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Michael J. Kendzia is the program director for the Bachelor in International Management at the ZHAW School of Management and Law. He studied economics and business administration at the University of Cologne and the Warsaw School of Economics and received his doctorate from the University of Cologne in 2010.



GfK

GfK Switzerland AG (IHA-GfK AG until December 2008), based in Rotkreuz, is the largest market research institute in Switzerland. Since 1999, it has been part of the German GfK Group in Nuremberg, one of the five largest market research organizations in the world.



True Wealth

True Wealth was founded in 2013 by Oliver Herren, co-founder of Digitec Galaxus AG, and Felix Niederer, a physicist and portfolio manager. The online platform has consistently automated all processes of modern wealth management and offers its customers a cost-effective asset management solution. True Wealth manages more than 1.5 billion Swiss francs in customer assets.



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