

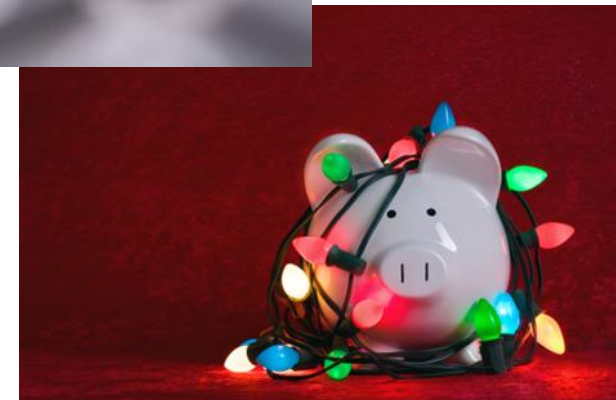
ILRES

OECD/INFE 2023 International Survey of Adult Financial Literacy

December 2023

FONDATION BBIL
pour l'éducation financière

cssf
Commission de Surveillance
du Secteur Financier



Introduction

Financial literacy has been recognized at a global level as a core life skill, one that is essential for the empowerment of individuals and for supporting individual and societies' financial well-being (G20, 2021). Financial literacy policies and programmes also can improve financial well-being by helping individuals to make informed decisions and develop greater control and confidence over personal financial matters.

Collecting reliable and internationally comparable data to measure financial literacy levels of populations is a crucial way to develop and evaluate effective financial education policies and programmes.

The OECD International Network on Financial Education (OECD/INFE) is committed to measuring and assessing financial literacy levels around the globe through coordinated measurement exercises. Thirty-nine countries and economies, including OECD Member countries, participated in this third coordinated measurement exercise using the globally recognised OECD/INFE 2022 Toolkit for Measuring Financial Literacy and Financial Inclusion (OECD, 2022) to measure financial literacy levels among their adult populations.

This is the first measure for Luxembourg.

The survey in Luxembourg



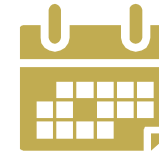
Sample

The survey was conducted with
1017 residents aged 18 to 79
(including 186 aged 18 to 29).



Data collection

Interviews were conducted **online** via
MyPanel of ILRES.



Interviewing period

From the 15th to the 30th of December
2022.

Financial Literacy

Financial Literacy: definition

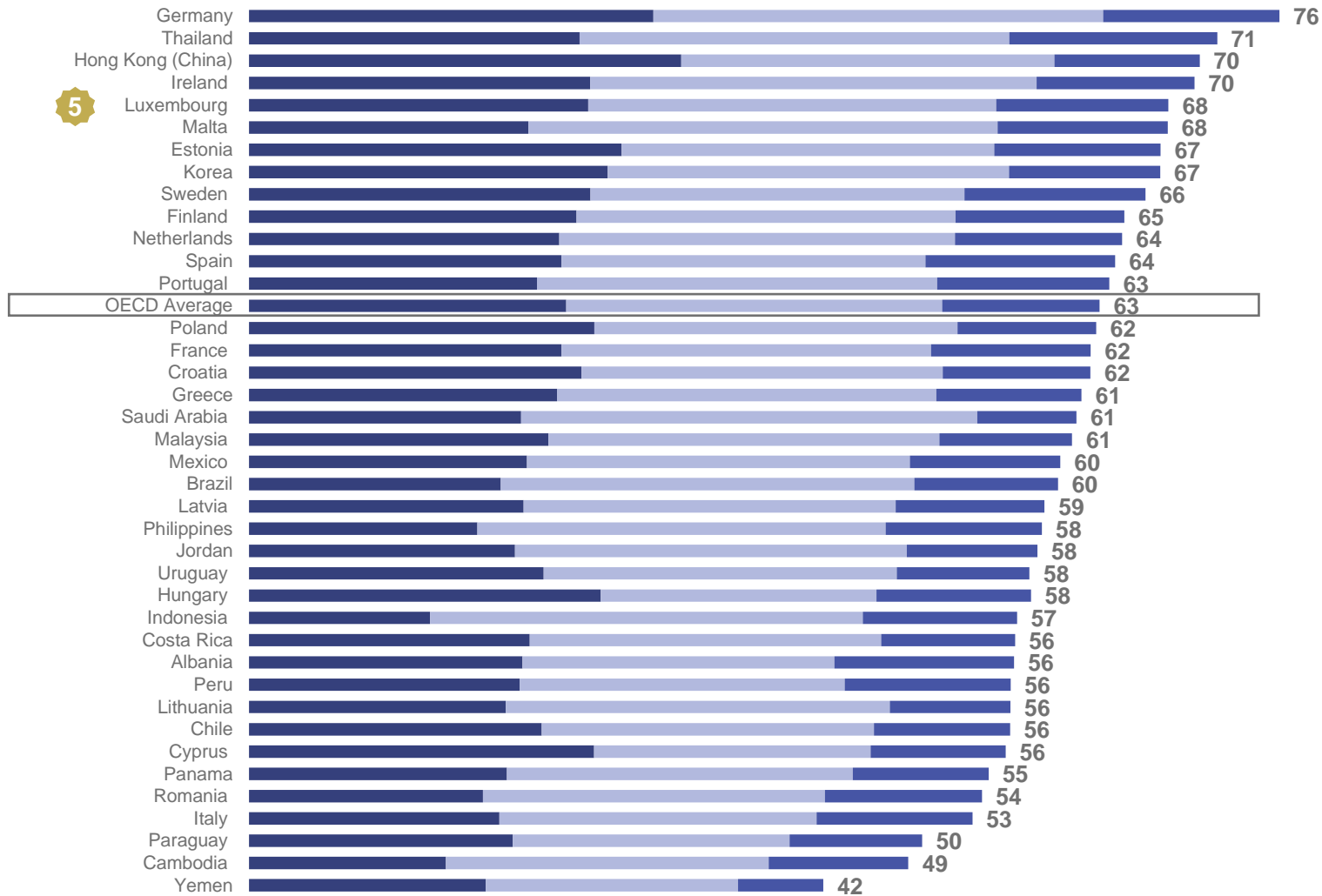
OECD (2022): **Financial literacy** is a combination of “**financial awareness, knowledge, skills, attitudes and behaviours** necessary to make sound financial decision and ultimately achieve financial well-being”.



The scores range from 0 to 100.
Higher scores reflect higher levels of financial literacy.

** More details in the next sections*

Financial Literacy: average scores

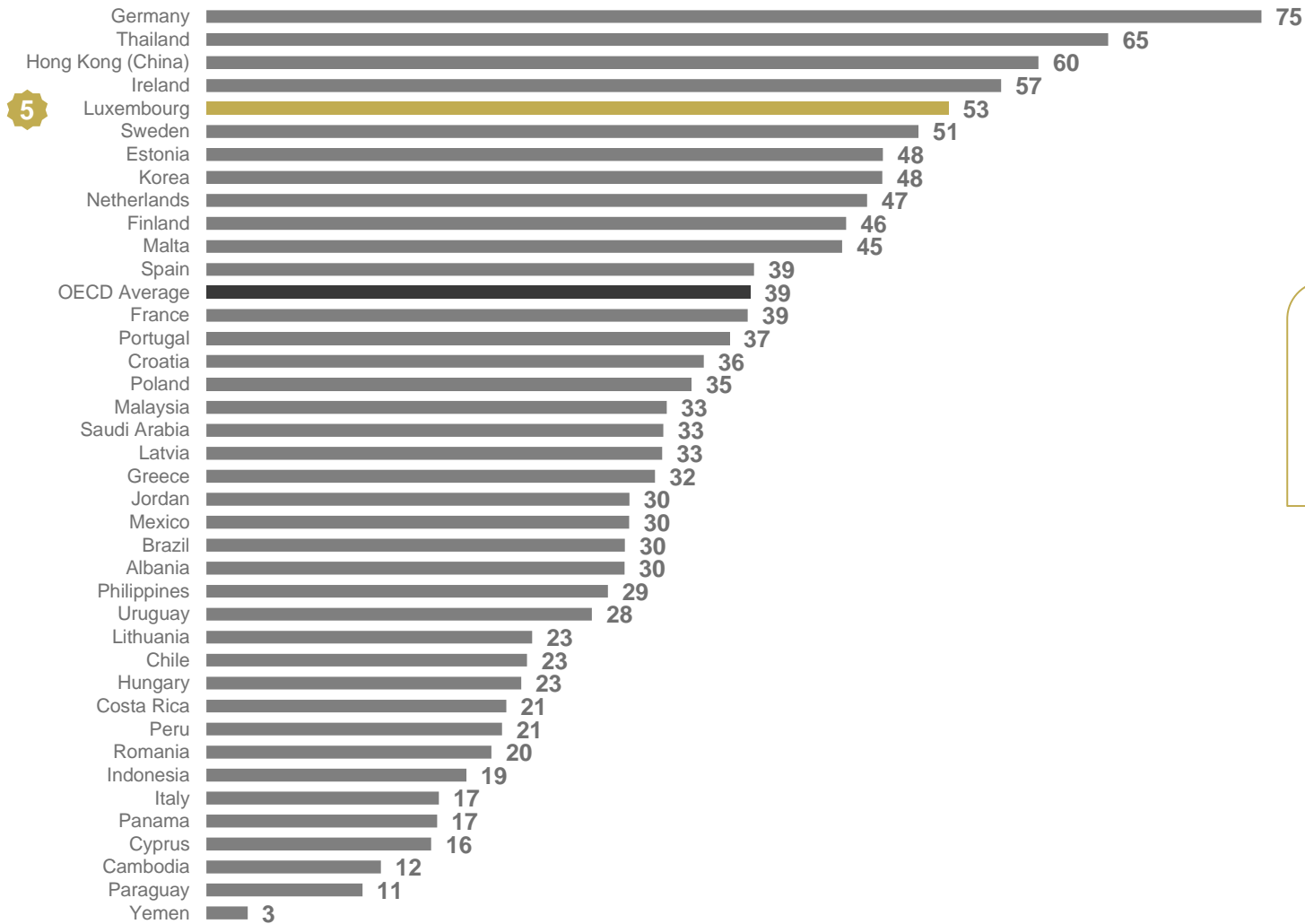


Luxembourg has a rather high financial literacy score.

- Financial Knowledge Score
 - Financial Behaviour Score
 - Financial Attitudes Score
- Financial Literacy Score**

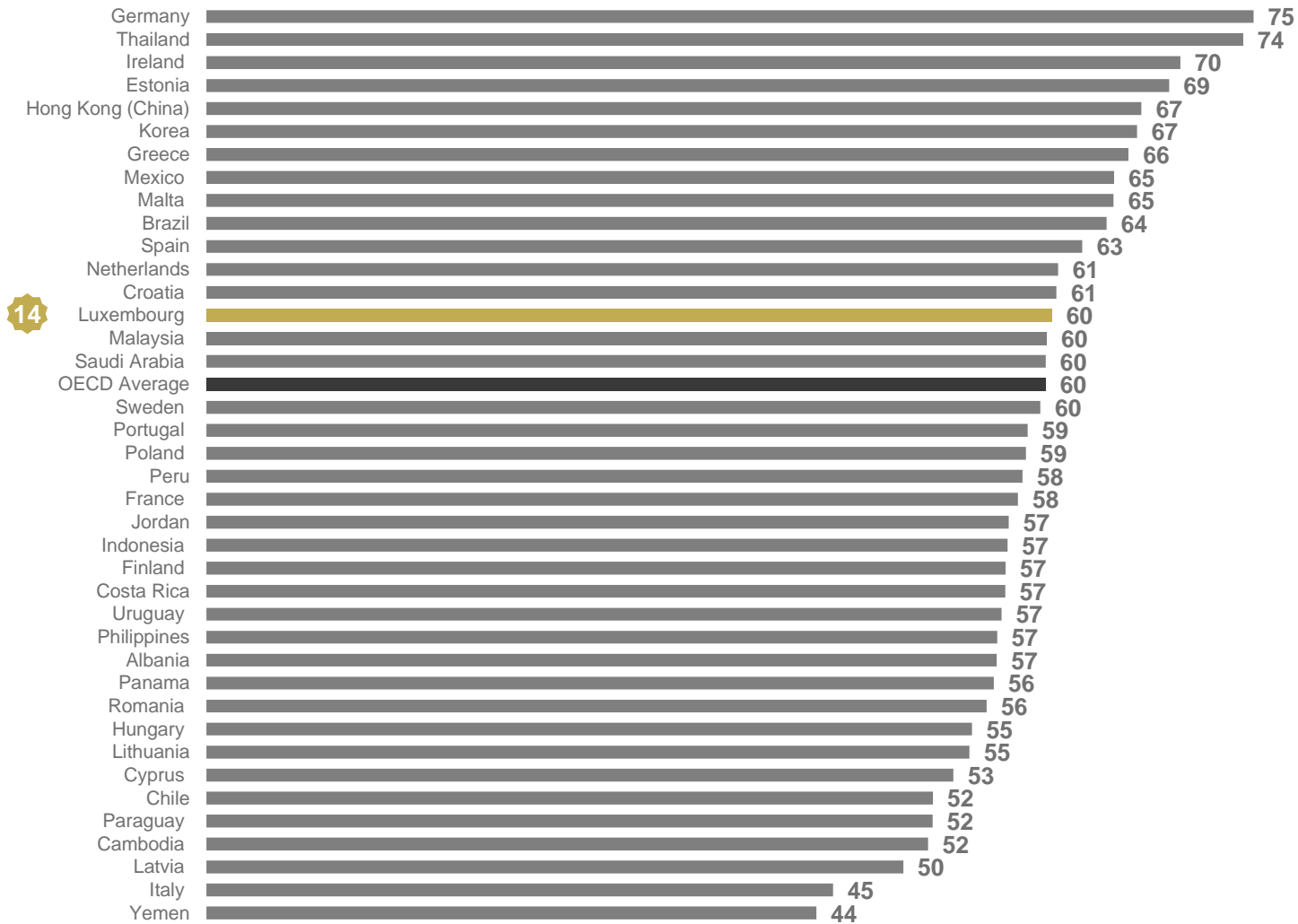
Financial Literacy: percentage of adults reaching the minimum target score

In %



This result corresponds to the percentage of adults who scored 70 points or more (out of 100) on financial literacy: just over half of the adults in Luxembourg.

Financial Literacy: focus on the adults aged 18-29 years old



The financial literacy level of the youngest in Luxembourg is lower than that of the rest of the population and reaches the OECD average score for young people.

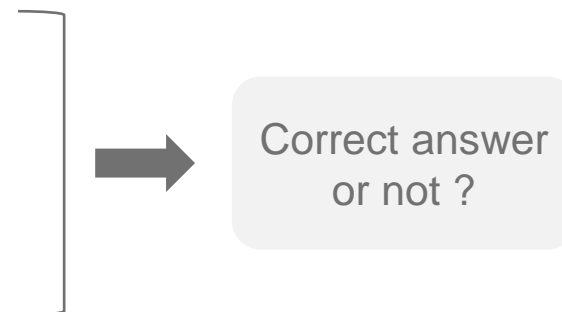
Financial knowledge

Financial knowledge: definition

OECD: Financial knowledge can be considered as **having a basic knowledge of financial concepts** and the ability to apply **numeracy skills** in financial contexts.

7 test questions about:

- Inflation (definition and understanding of time value of money)
- Benefits of long-term saving/investing
- Interest
- Risk



The financial knowledge score is computed as the number of correct answers.
Raw financial knowledge scores range from 0 to 7 and are rescaled to be out of 100.
Higher scores reflect higher levels of financial knowledge.

Financial knowledge: 7 test questions

Time value of money

Five brothers are going to be given a gift of €1,000 in total to share between them.

Now imagine that the brothers have to wait for one year to get their share of the €1,000 and inflation stays at 3%. In one year's time will they be able to buy:

- More with their share of the money than they could today
- The same amount
- Less than they could buy today
- It depends on the types of things that they want to buy

Interest on a loan

You lend €25 to a friend/acquaintance one evening and he gives you €25 back the next day. How much interest has he paid on this loan? (in %)

0

Simple interest calculation

Imagine that someone puts €100 into a no fee, tax free savings account with a guaranteed interest rate of 2% per year. They don't make any further payments into this account and they don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made? (in €)

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Compound interest calculation

And how much would be in the account at the end of five years. Remembering there are no fees or tax deductions? Would it be:

- More than €110
- Exactly €110
- Less than €110
- Impossible to tell from the information given

Risk and return

An investment with a high return is likely to be high risk

- True
- False

Definition of inflation

High inflation means that the cost of living is increasing rapidly

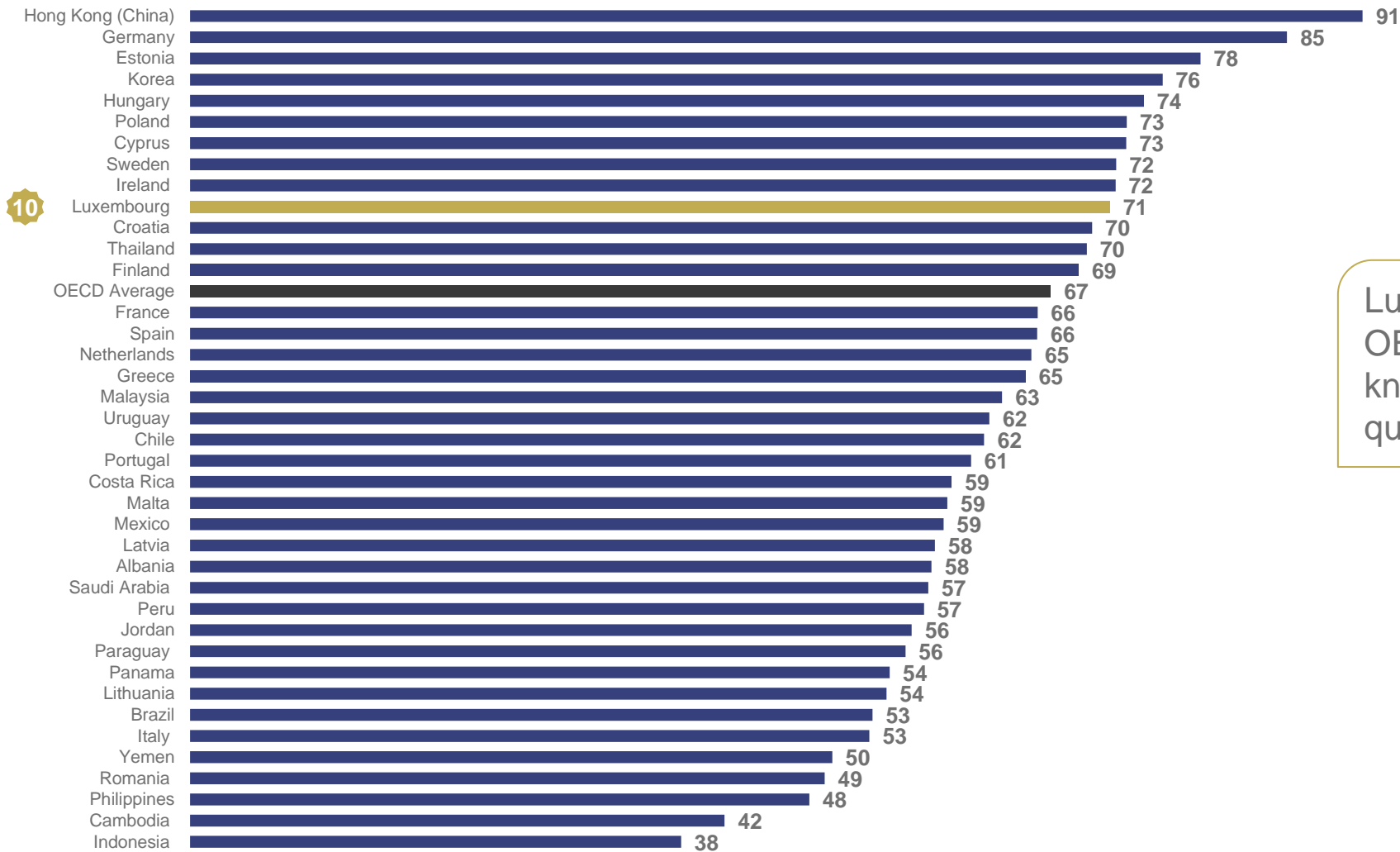
- True
- False

Risk diversification

It is usually possible to reduce the risk of investing in the stock market by buying a wide range of stocks and shares

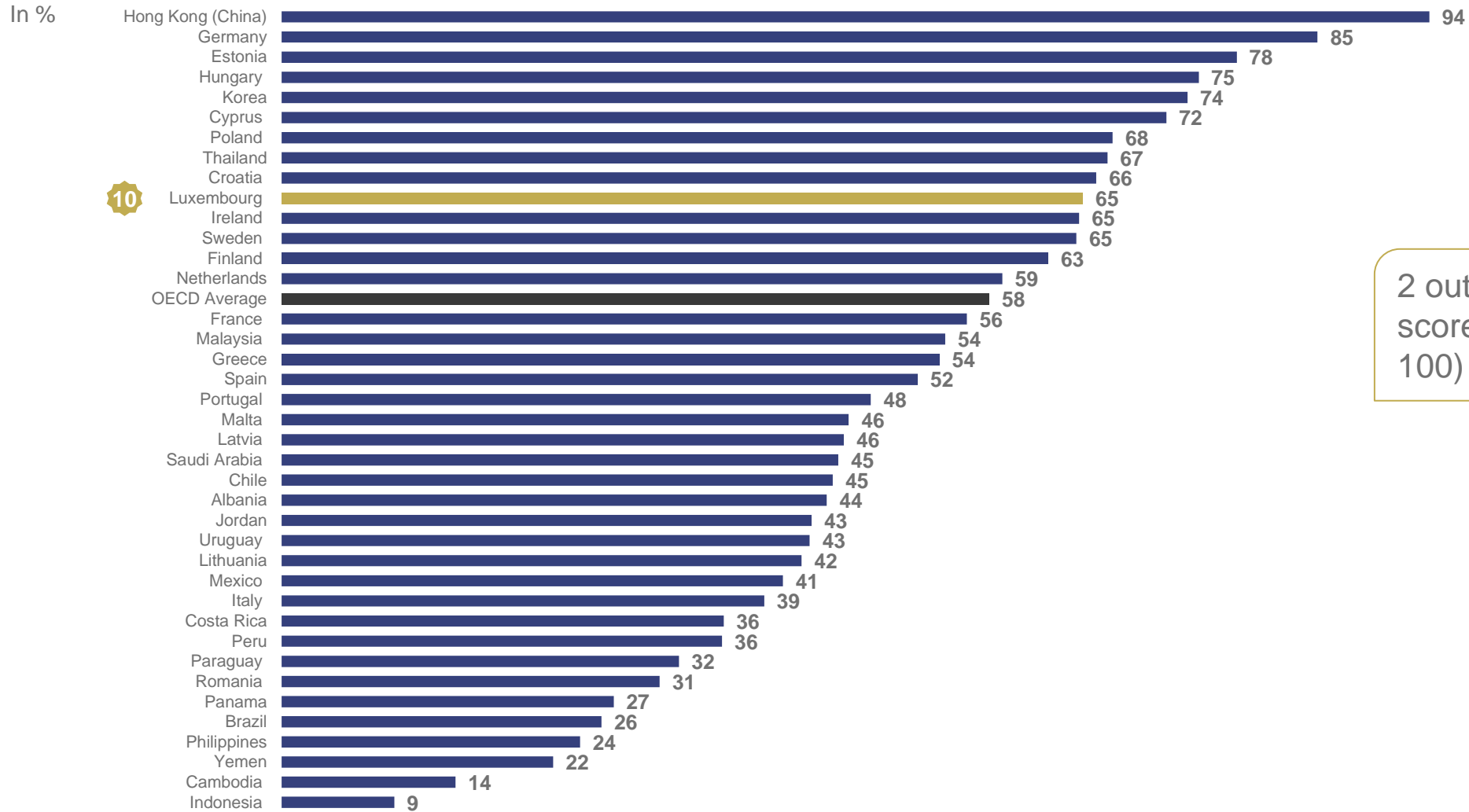
- True
- False

Financial knowledge: average scores



Luxembourg is just above the OECD average on financial knowledge, although the questions were basic.

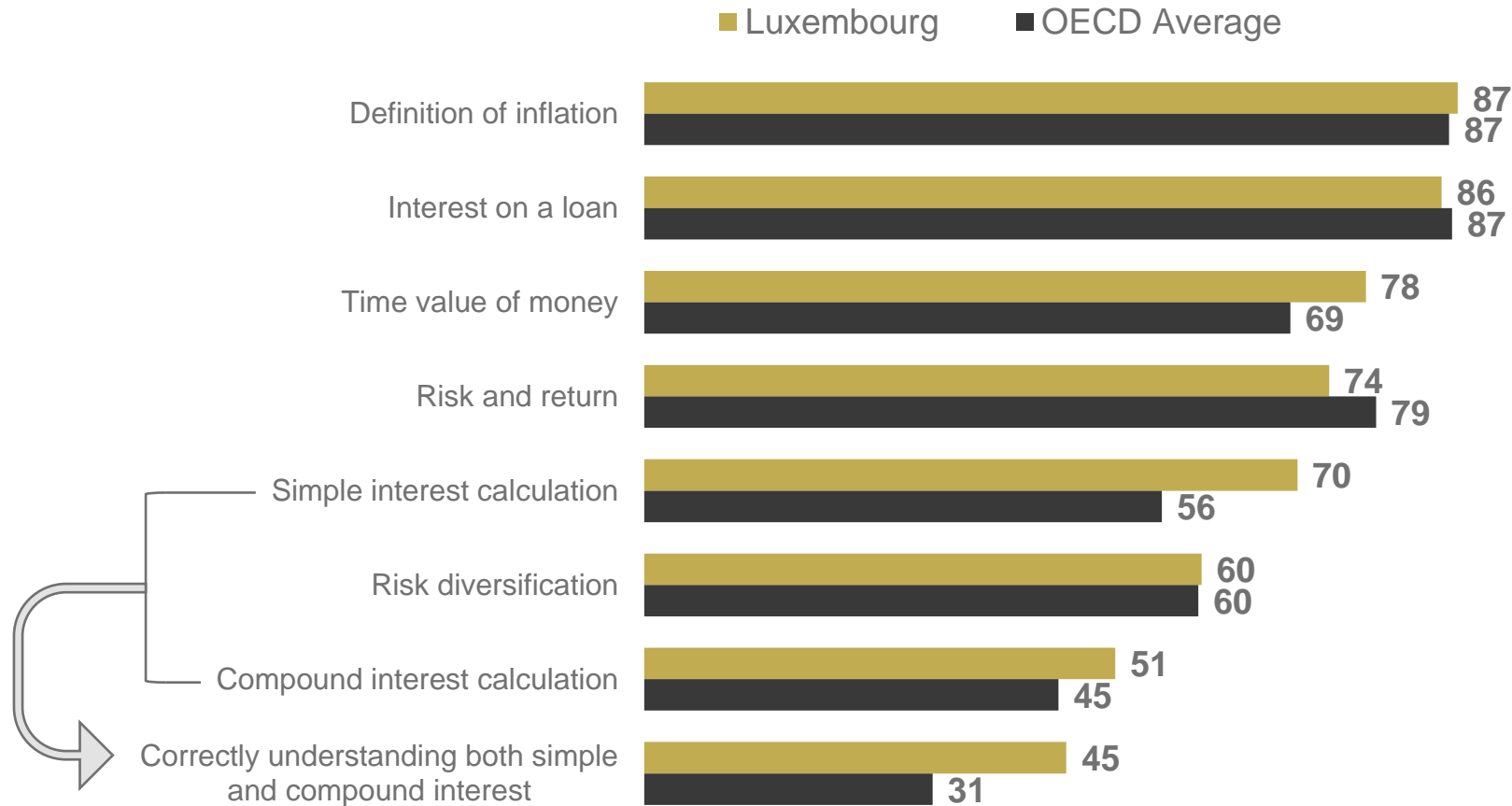
Financial knowledge: percentage of adults reaching the minimum target score



2 out of 3 adults in Luxembourg scored 70 points or more (out of 100) on financial knowledge.

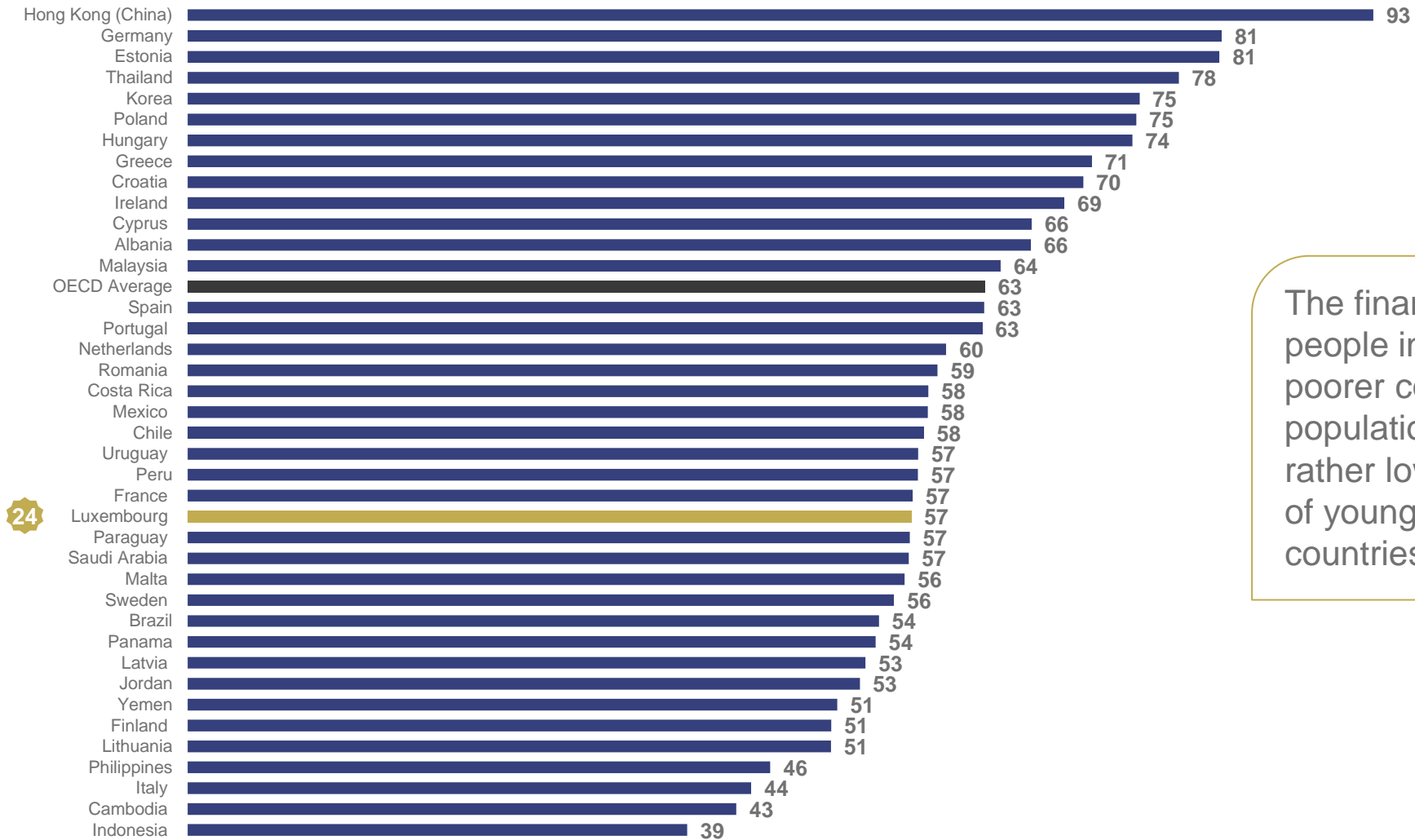
Percentage of adults who correctly answered each financial knowledge question

In %



Compared to OECD average, Luxembourg's strengths are the time value of money and the calculation of interests.

Financial knowledge: focus on the adults aged 18-29 years old



The financial knowledge of young people in Luxembourg is not only poorer compared to the rest of the population but its level is also rather lower than the average score of young people in other OECD countries.

Financial behaviour

Financial behaviour: definition

OECD: Individuals' **behaviours and actions** affect their **financial situation and well-being** in both the **short- and long- term**.

A variety of questions are included in this score:

- Keeping track of money flows
- Saving and long-term planning
- Making considered purchases



The financial behaviour score is computed as a count of the number of “financially savvy” behaviours. Raw financial behaviour scores range from 0 to 9 and are rescaled to be out of 100. Higher scores reflect higher levels of financially savvy behaviour.

“Financially savvy” behaviours

Keeps track of money in the short term

Personally or jointly responsible for money management and actively keeping track of money

Did not borrow to make ends meet

Or did not face a shortfall

Closely watches personal financial affairs

I keep a close personal watch on my financial affairs

✓ Agree

Pays bills on time

I pay my bills on time

✓ Always or almost

Actively saves

At least one type of active saving in the past 12 months

Sets long-term financial goals

I set long term financial goals and strive to achieve them

✓ Agree

Makes considered purchases

Before I buy something I carefully consider whether I can afford it

✓ Always or almost

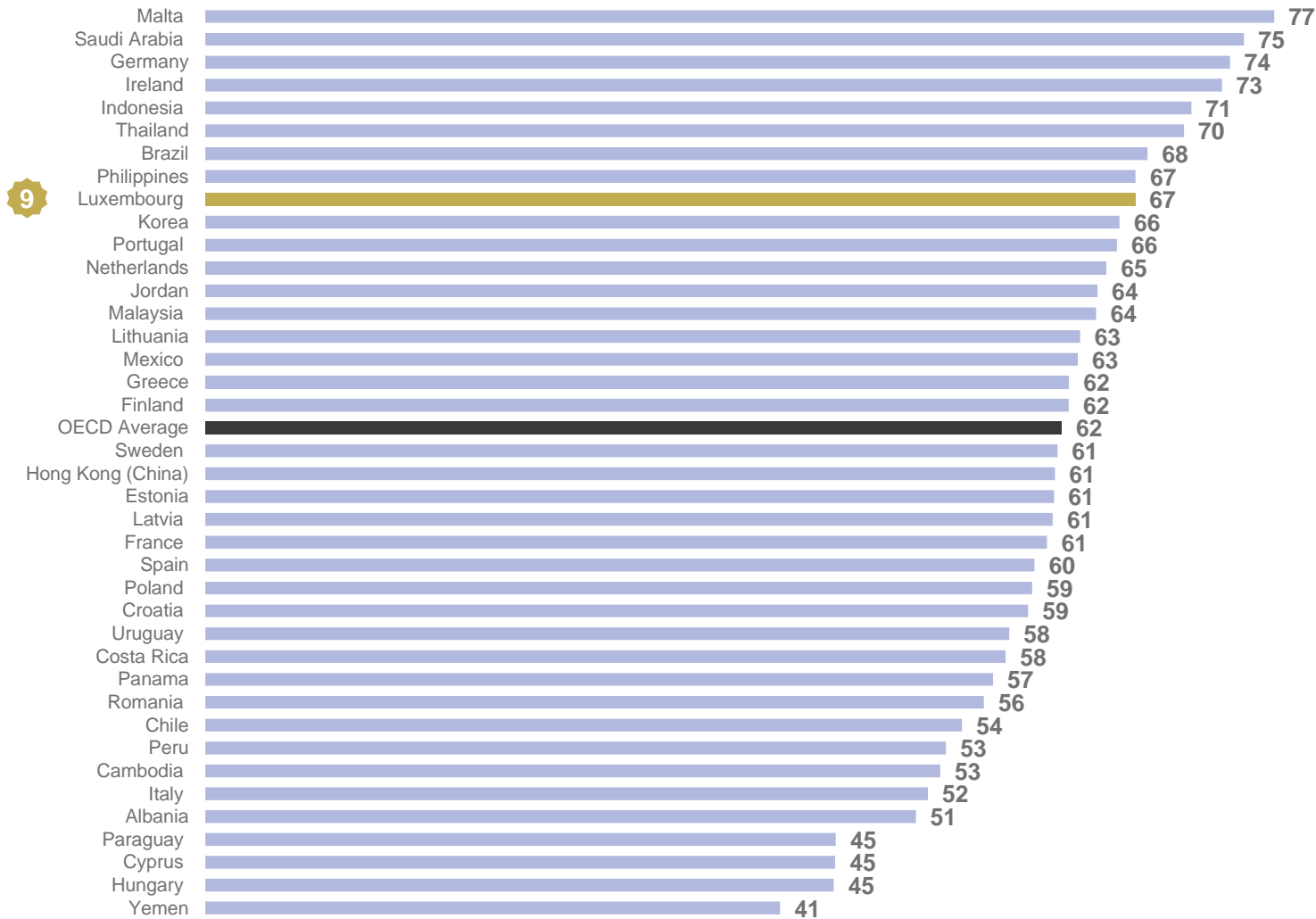
Compared financial products across providers

- ✓ I considered several options from different companies before making my decision
- ✓ I looked around but there were no other options to consider

Sought advice

- ✓ Used independent info or advice
- ✓ Some attempt to make informed decision (from non-independent sources)

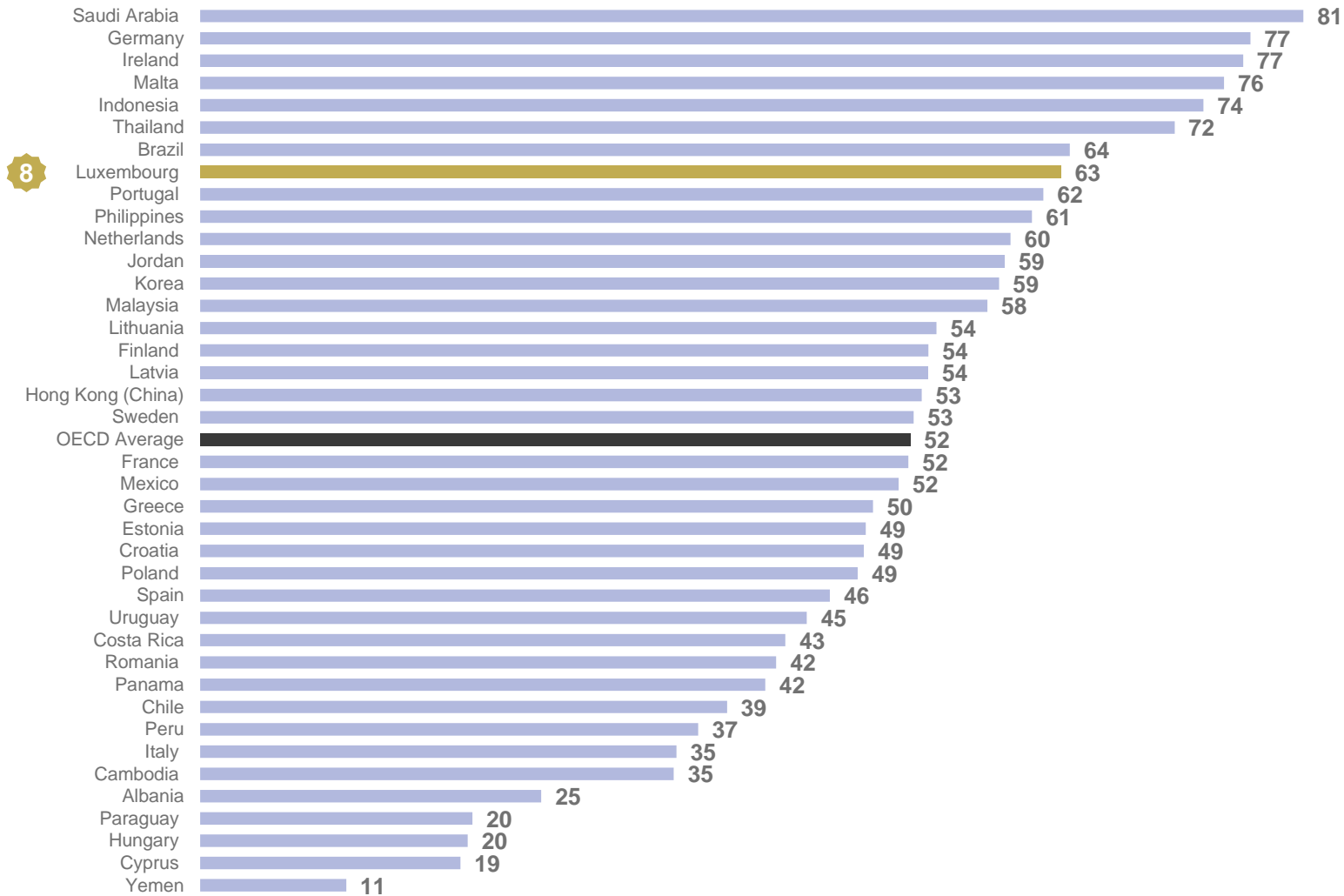
Financial behaviour: average scores



The behaviour of the adults in Luxembourg is better than OECD average, but not among the best ones.

Financial behaviour: percentage of adults reaching the minimum target score

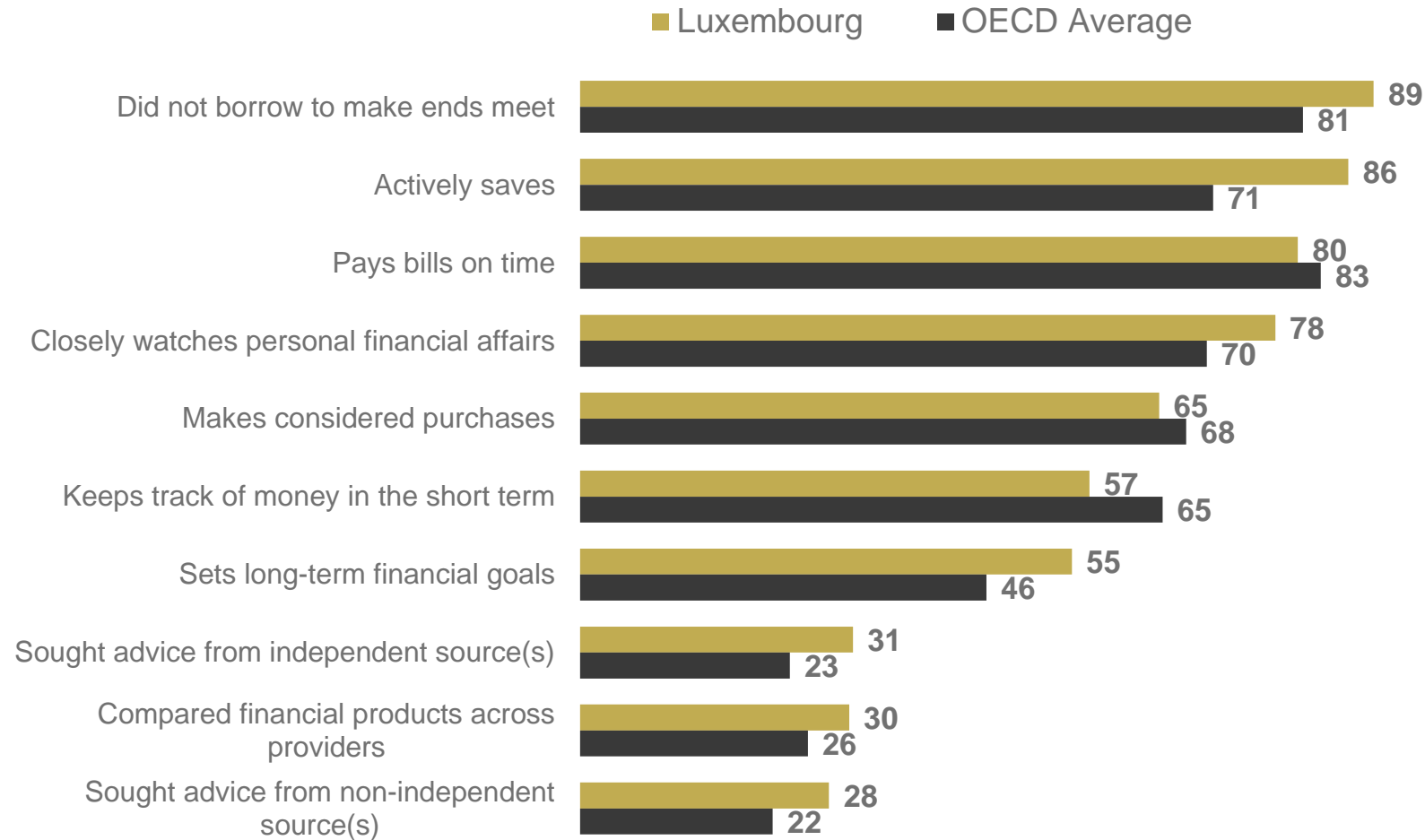
In %



Just over 6 out of 10 adults in Luxembourg have “financially savvy” behaviours.

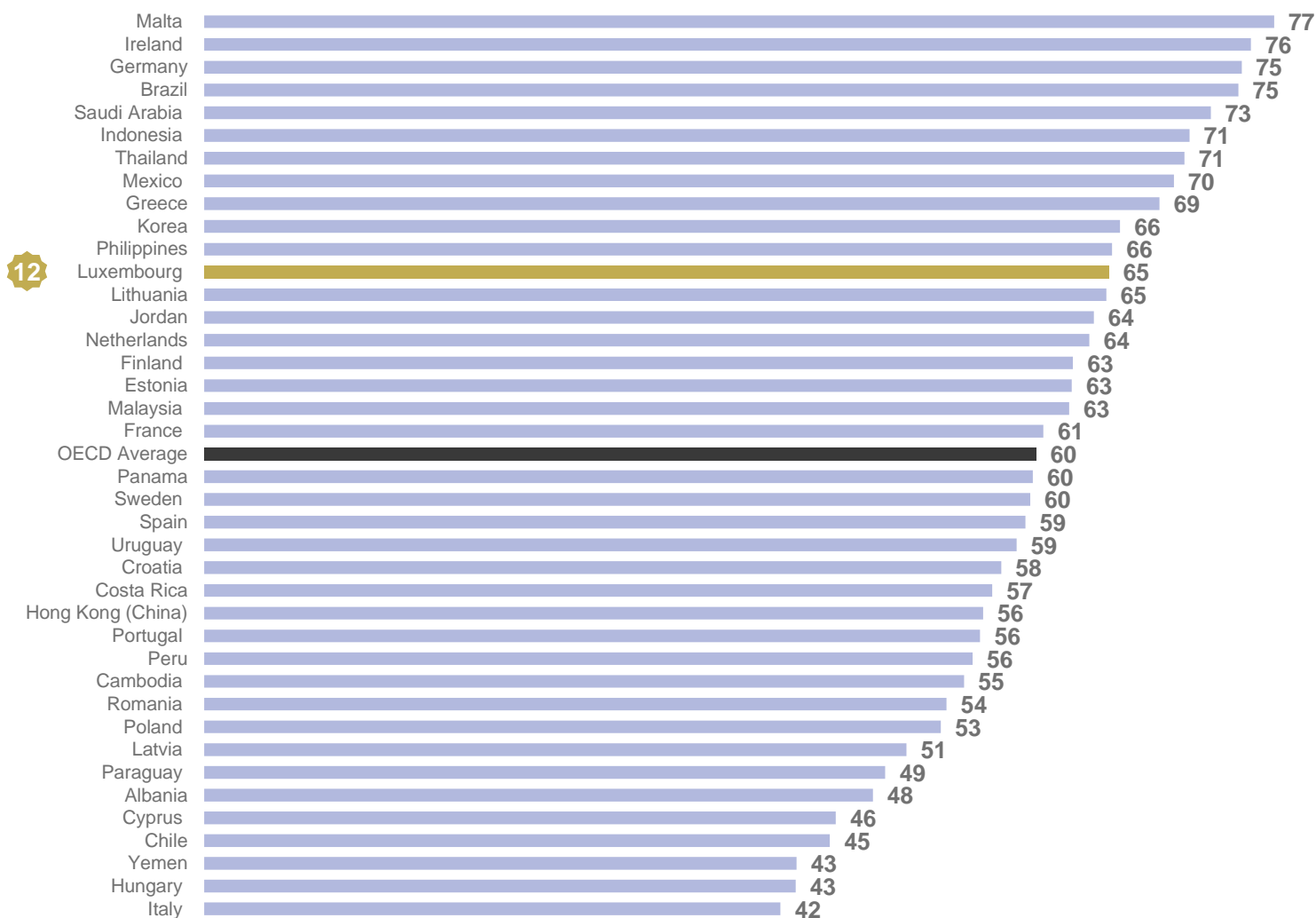
Percentage of adults who reported each financial behaviour

In %



Luxembourg's strengths are saving and long-term planning. But keeping track of money flows could be improved.

Financial behaviour: focus on the adults aged 18-29 years old



Luxembourg's young people also scored lower than the rest of the population in terms of behaviour, but the results are better than the OECD average.

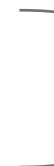
Financial attitudes

Financial attitudes: definition

OECD: Whatever the knowledge and ability to act, **attitudes towards money** can also influence decisions and behaviours.

2 statements in the questionnaire:

- “I find it more satisfying to spend money than to save it for the long-term”
- “I tend to live for today and let tomorrow take care of itself”

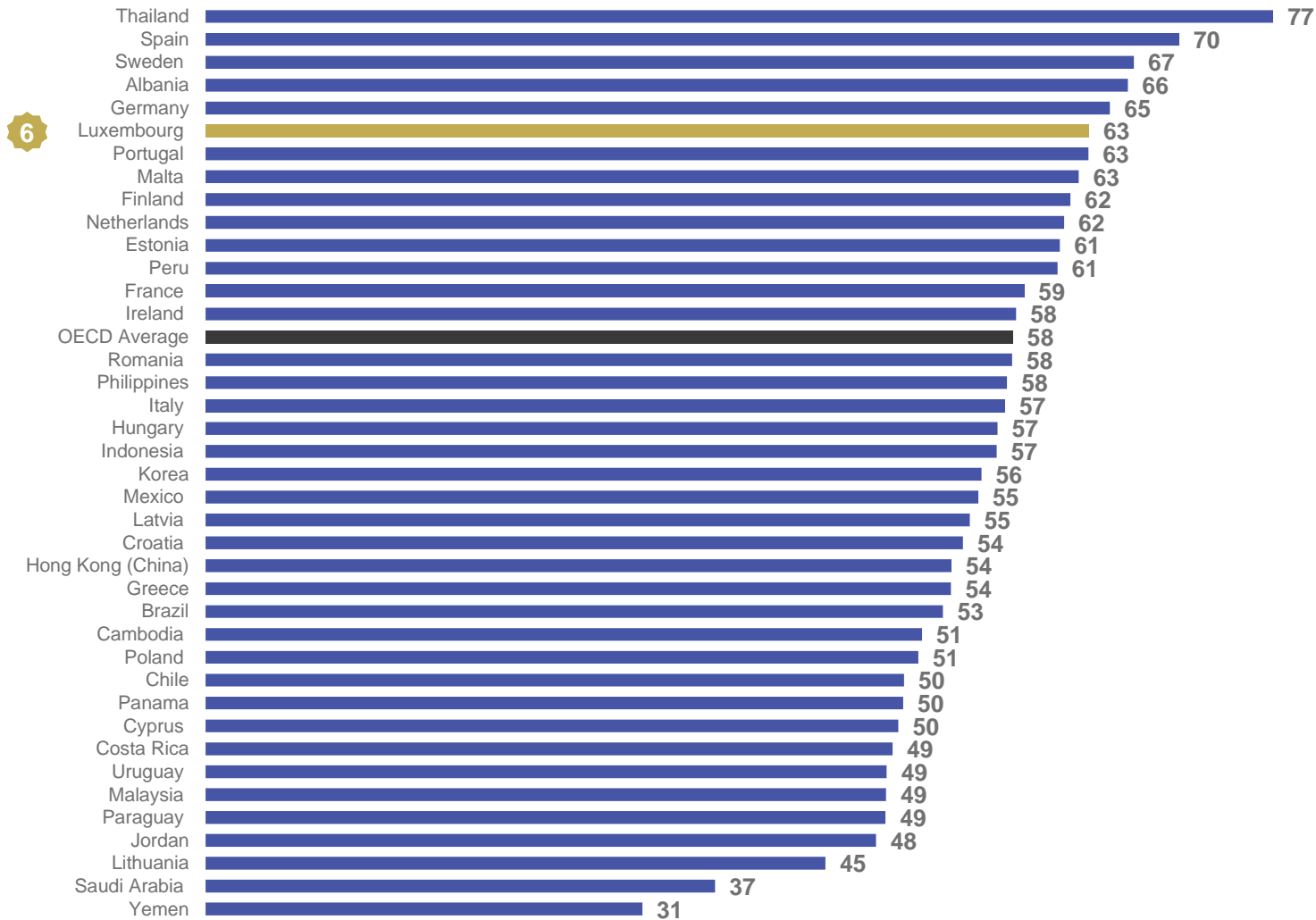


Agree or disagree ?



The financial attitude score is computed as an average across these 2 attitude questions. It ranges from 0 to 100. Higher scores reflect higher levels of financially literature attitudes.

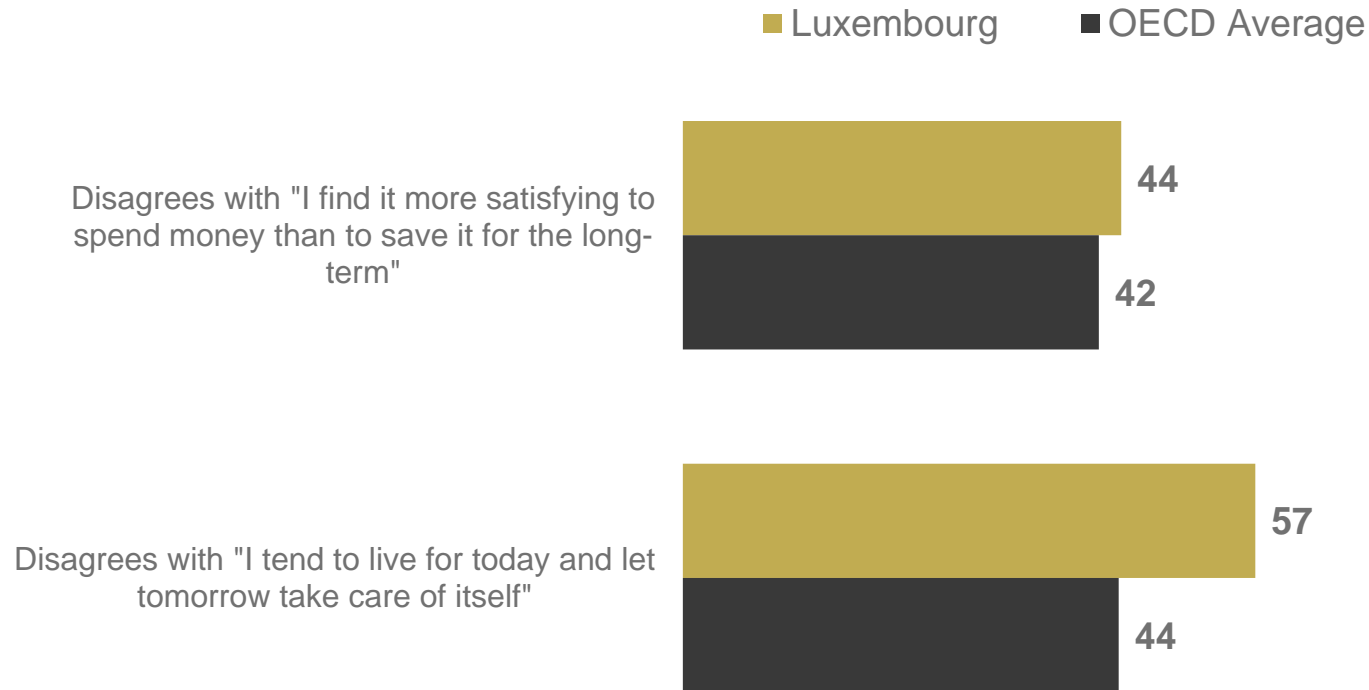
Financial attitudes: average scores



In terms of financial attitudes, Luxembourg is quite good.

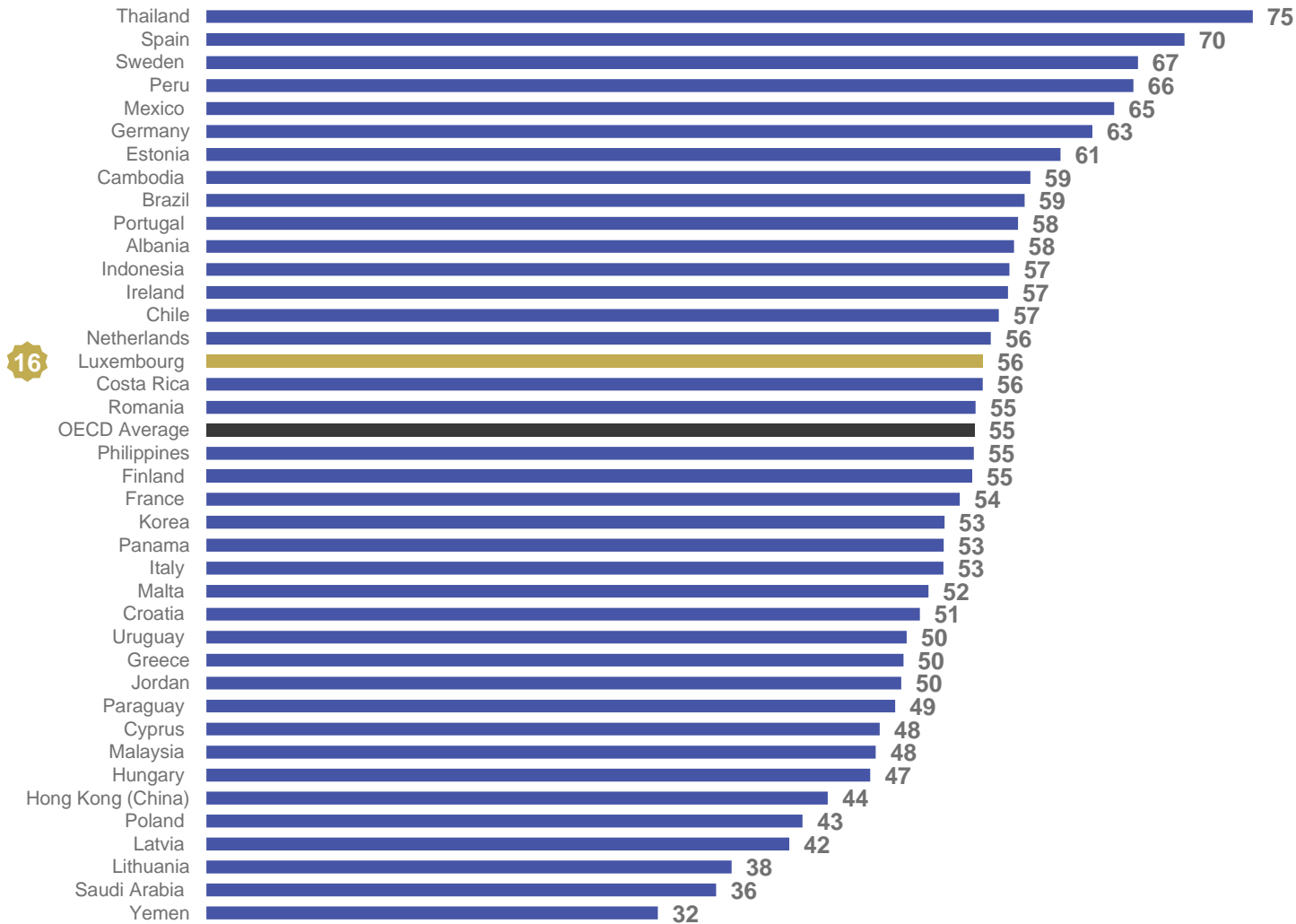
Percentage of adults who display long-term financial attitudes

In %



Adults in Luxembourg live less for today than the others.

Financial attitudes: focus on the adults aged 18-29 years old



The youngest in Luxembourg also scored lower than the rest of the population in terms of financial attitudes but are at the same level as the youngest in the OECD countries.

Context for understanding financial literacy levels

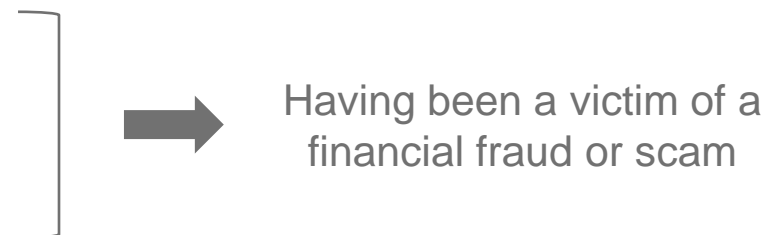
Financial product holding and experiences in the financial marketplace

The questionnaire includes several questions to investigate the extent to which people are **aware** of and **use various types of financial products** to determine whether and how individuals are included in the financial sector and are active financial consumers:

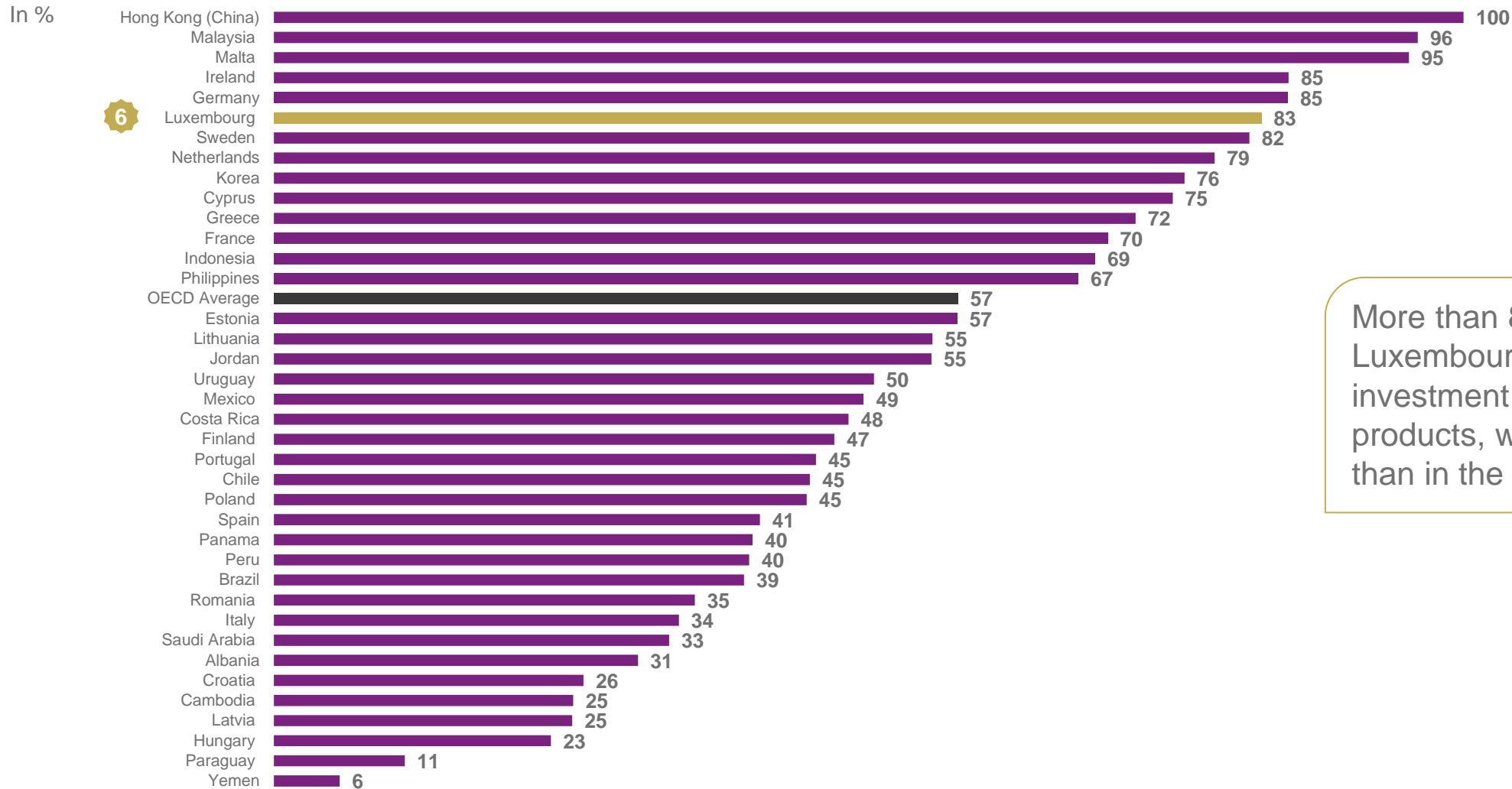
- Savings, investment or retirement products (pension or retirement product, investment account, savings account, stocks and shares, bonds, crypto-assets, financial products labelled as sustainable, or “ESG”, or “green”)
- Credit products (mortgage or home-loan, loan secured on property, unsecured bank loan, car loan, credit card, microfinance loan)

In addition, respondents were asked if they had **experienced various types of issues** associated with **accessing and using financial products and services**:

- If they have been a victim of a phishing scam
- If they have been a victim of an investment scam
- If they had been scammed into providing personal information
- If they had been subject to an unauthorized transaction



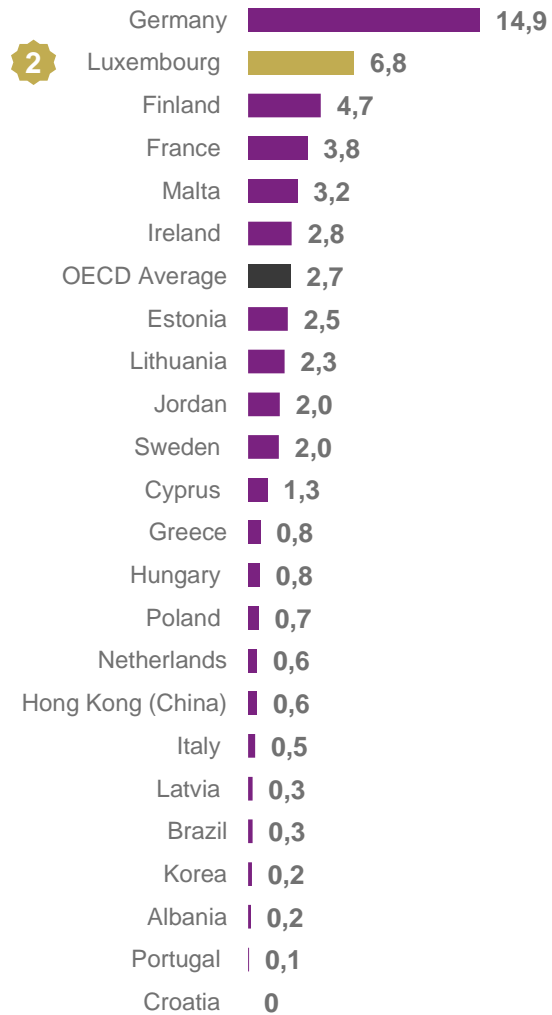
Percentage of adults who hold savings, investment or retirement products



More than 8 out of 10 adults in Luxembourg hold savings, investment or retirement products, which is much higher than in the OCDE countries.

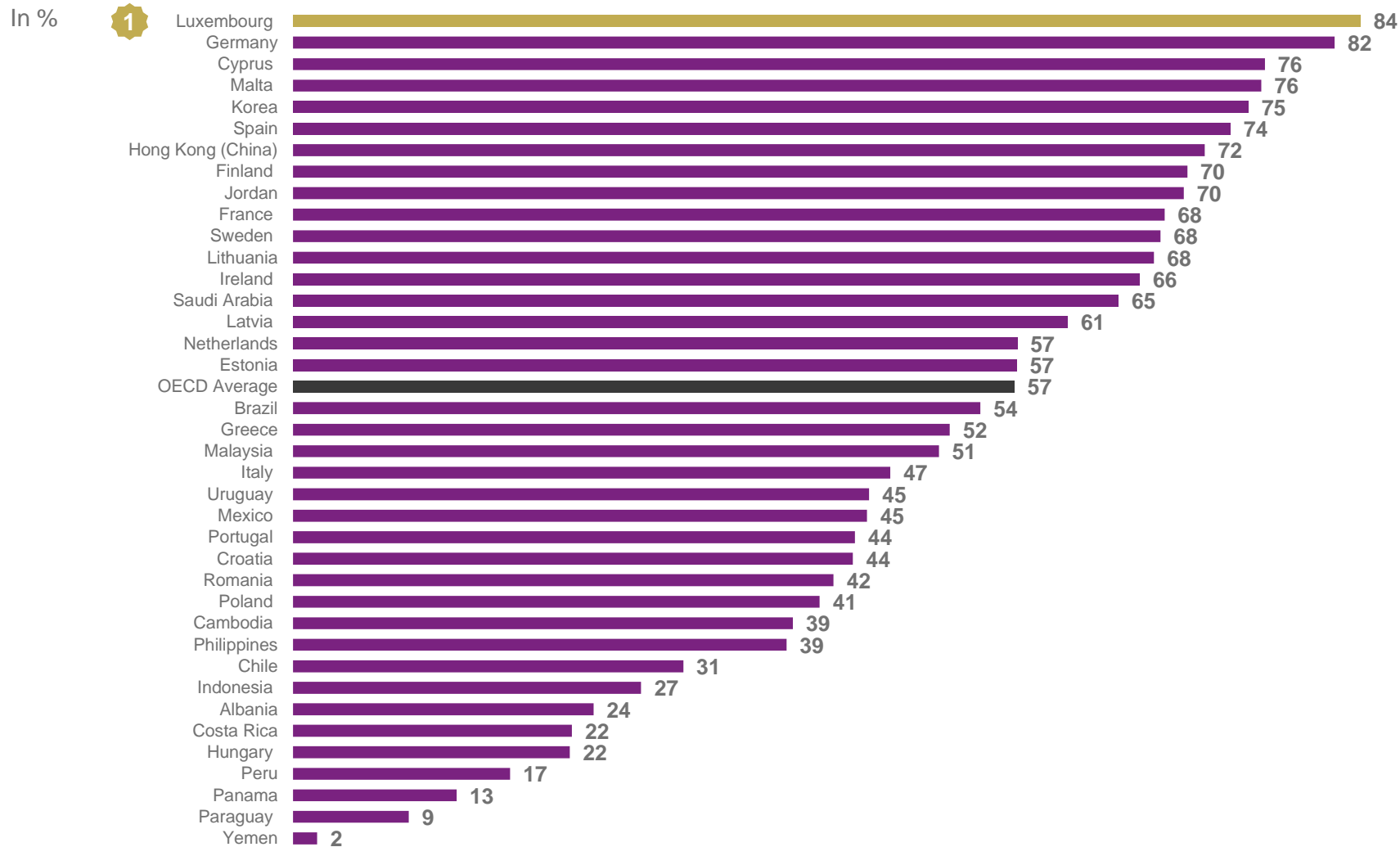
Percentage of adults who hold sustainable finance products

In %



Luxembourg belongs to the countries with the highest level of sustainable finance products holding.

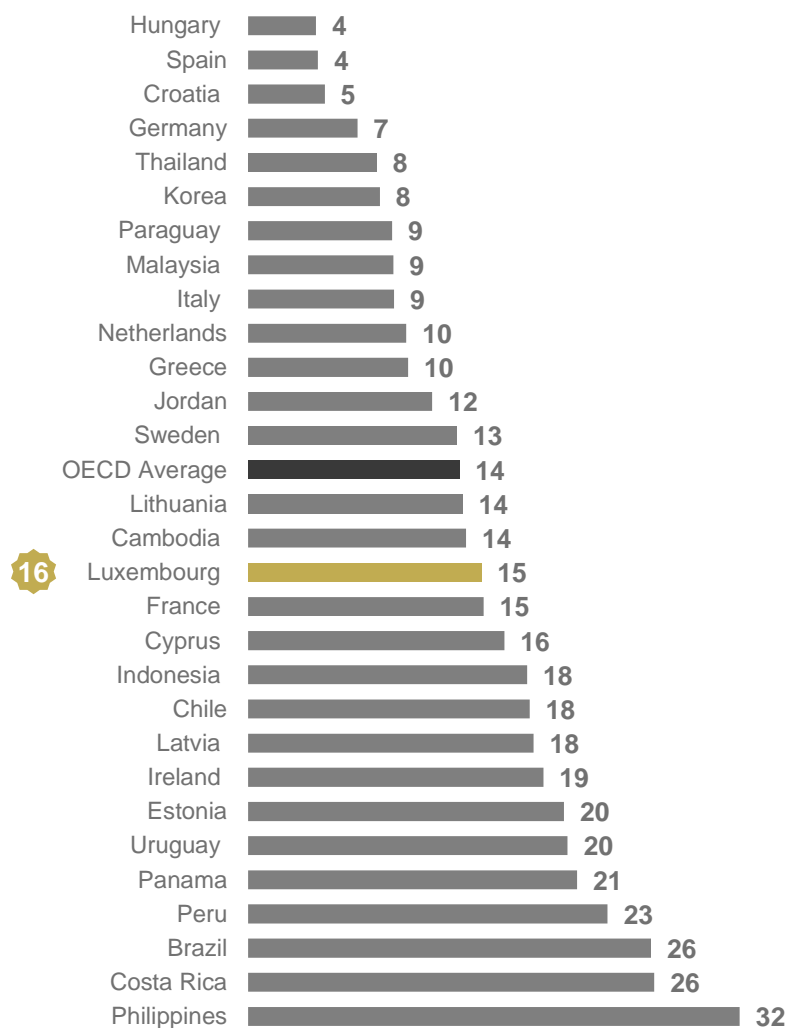
Percentage of adults who hold credit products



Luxembourg is the country where the highest percentage of the population holds a credit.

Percentage of adults who have been a victim of a financial fraud or scam

In %

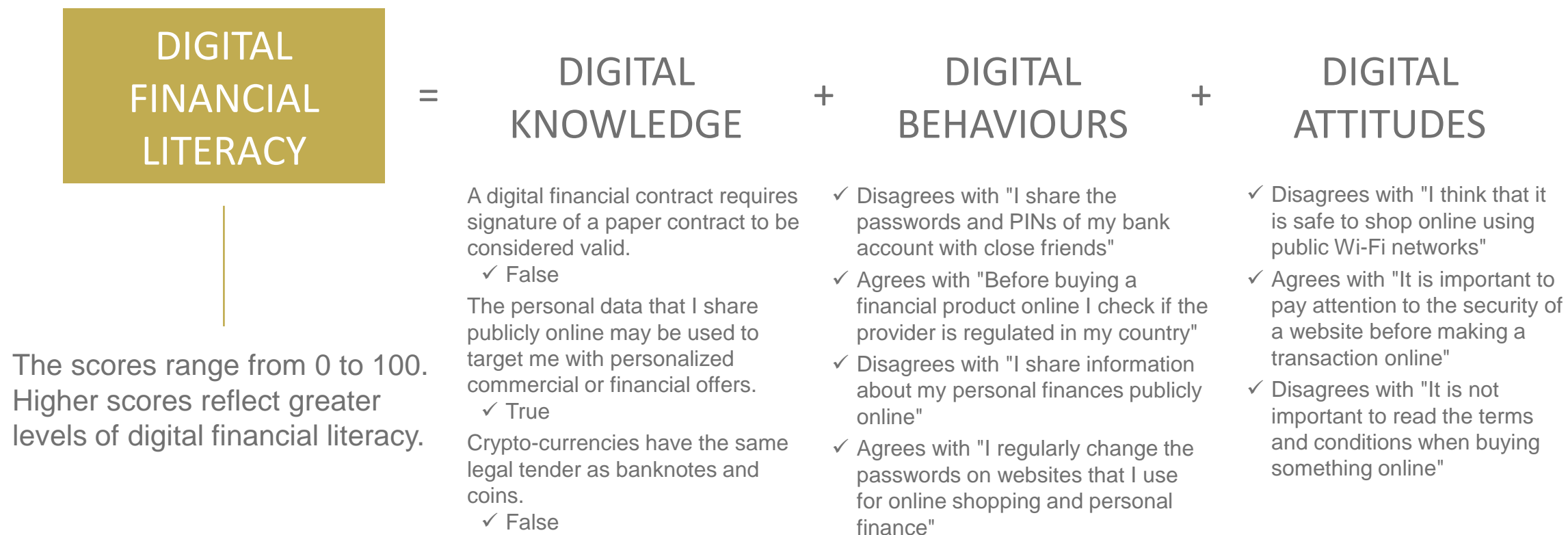


An average percentage of adults in Luxembourg have been victims of financial fraud or scam.

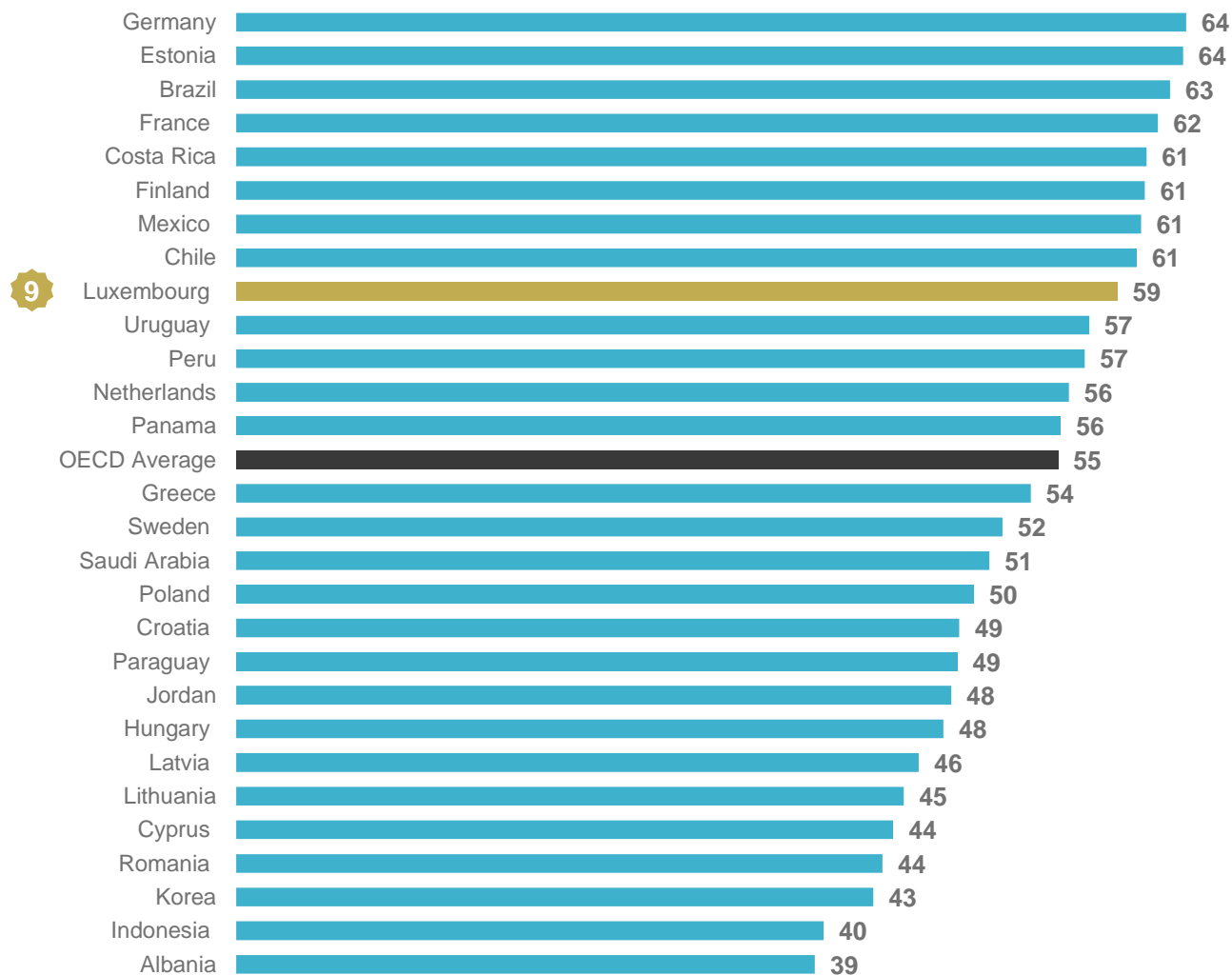
Digital financial literacy

Digital financial literacy: definition

Overall digital financial literacy scores are constructed in a similar way to the overall financial literacy scores.



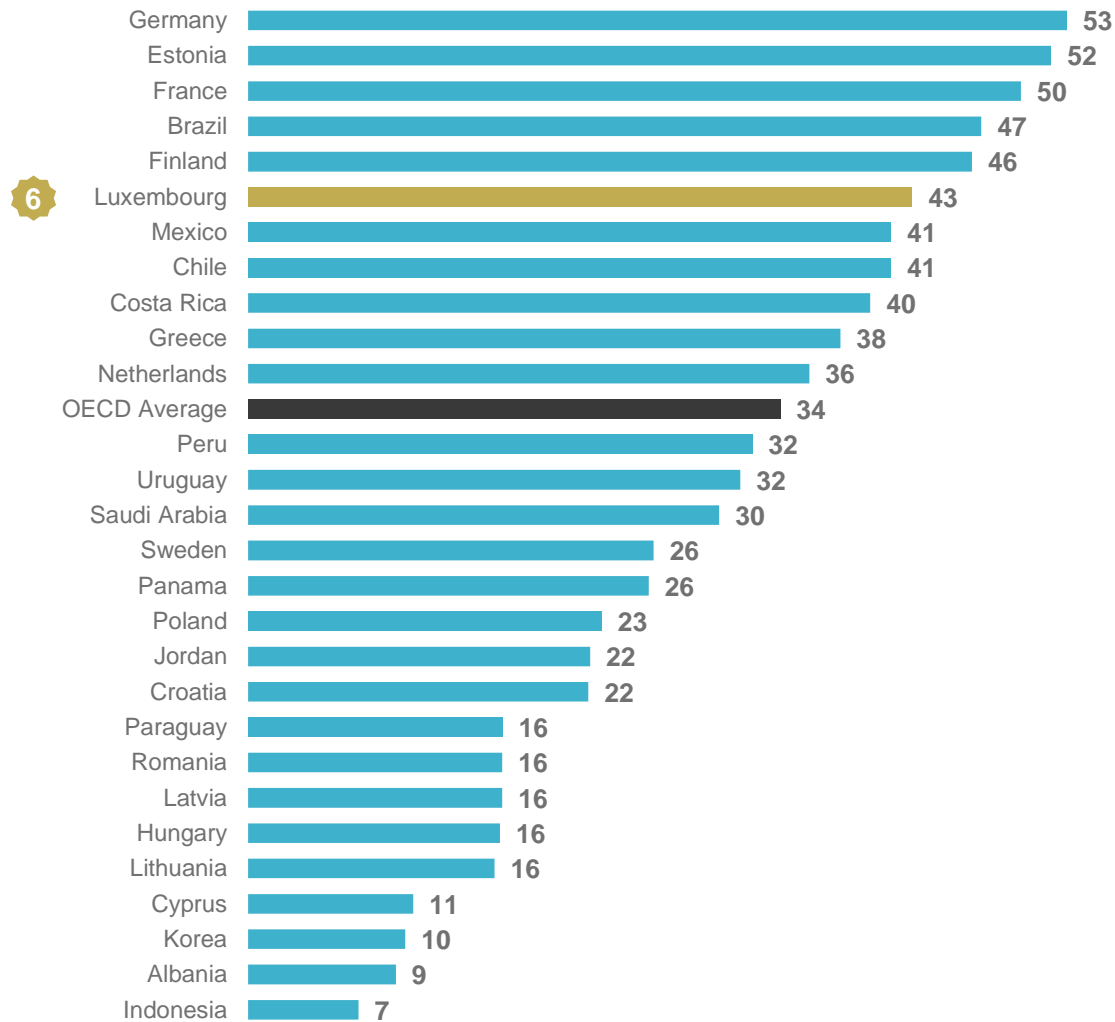
Digital financial literacy: average scores



Regarding the digital financial literacy, Luxembourg has not the best score but has a better one than OECD average.

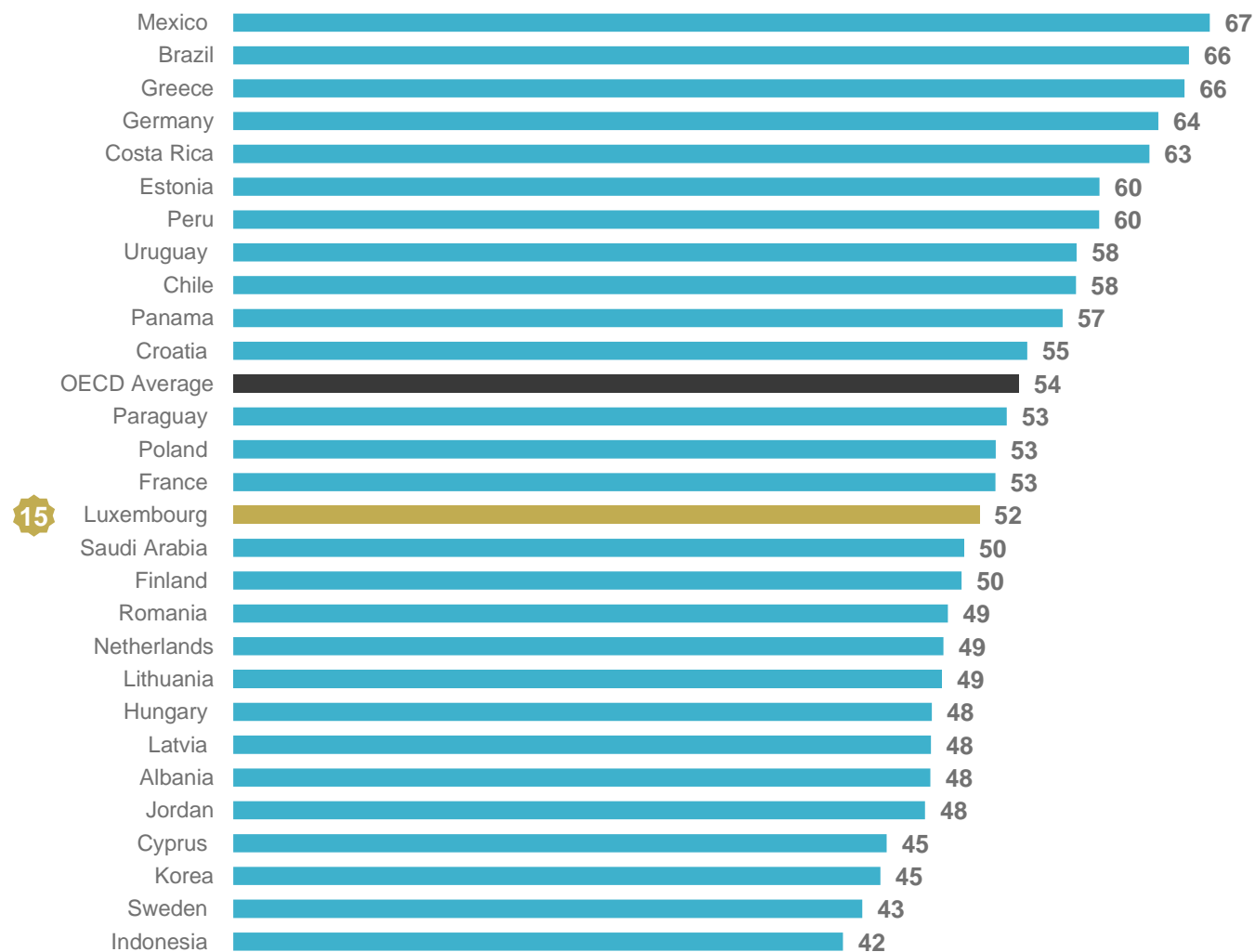
Digital financial literacy: percentage of adults reaching the minimum target score

In %



The percentage of adults who scored 70 points or more (out of 100) on digital financial literacy is low in most countries: not even half of the population in Luxembourg.

Digital financial literacy: focus on the adults aged 18-29 years old



The score on digital financial literacy for young adults aged 18-29 in Luxembourg is not only lower than that of the rest of the population but it is also slightly below the OECD average.

Percentage of adults who disagree with the statement "I share the passwords and PINs of my bank account with close friends"

In %



There is even so 1 out of 10 adults in Luxembourg who shares passwords and PINs of bank account with close friends.

Context for understanding digital financial literacy levels

Digital activities and digital financial services

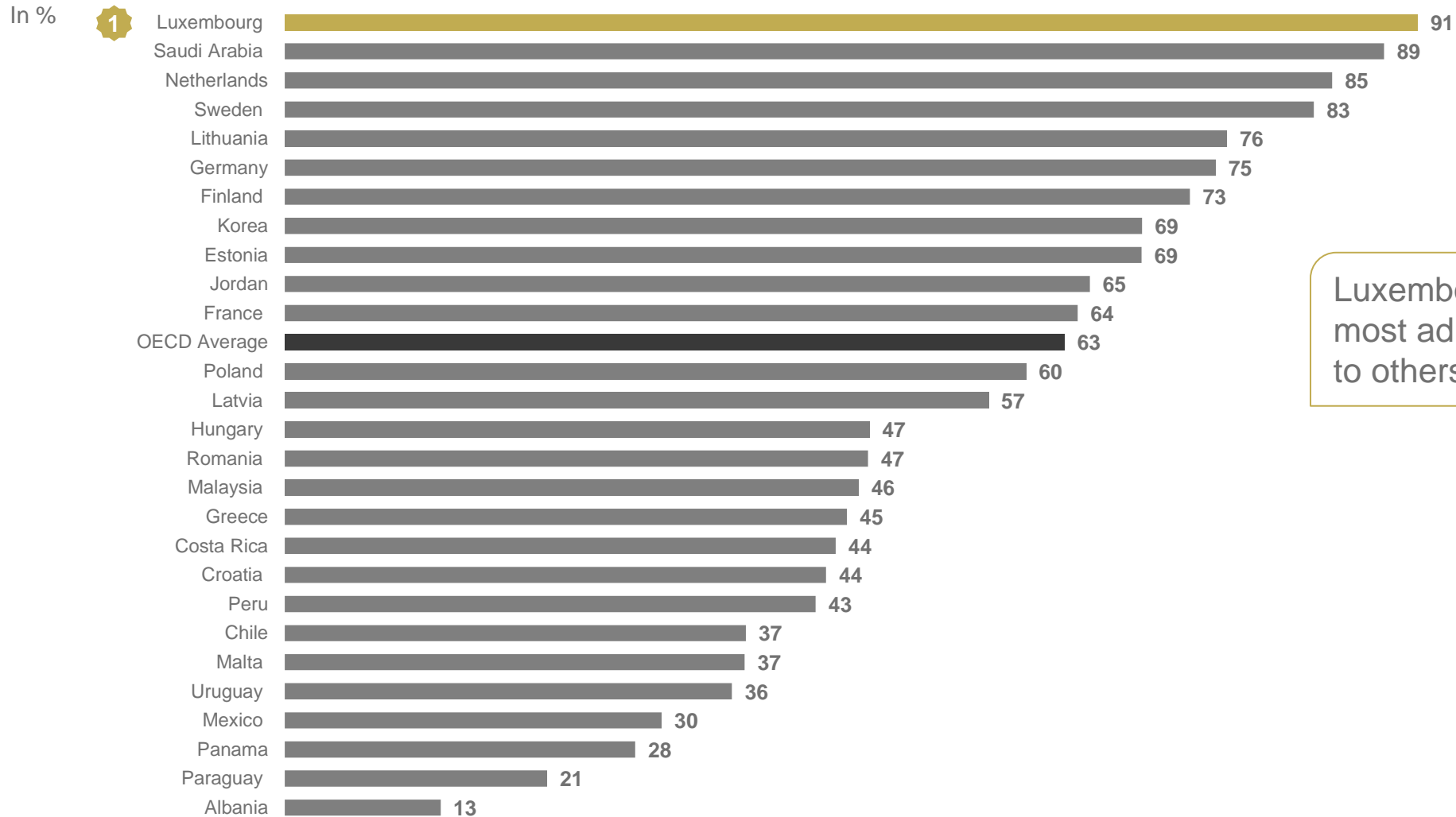
Many **financial services** can be **acquired and managed online**, including via mobile phones.

The questionnaire includes questions to see whether and to what extent adults use digital financial services, for example the money transfer to others online.

New digital assets such as **crypto-assets** have rapidly expanded in recent years. As they can be highly volatile, it is important for individuals to **understand the main features and the risks** associated with these digital assets.

- Holding crypto-assets
- Knowledge about crypto-currencies

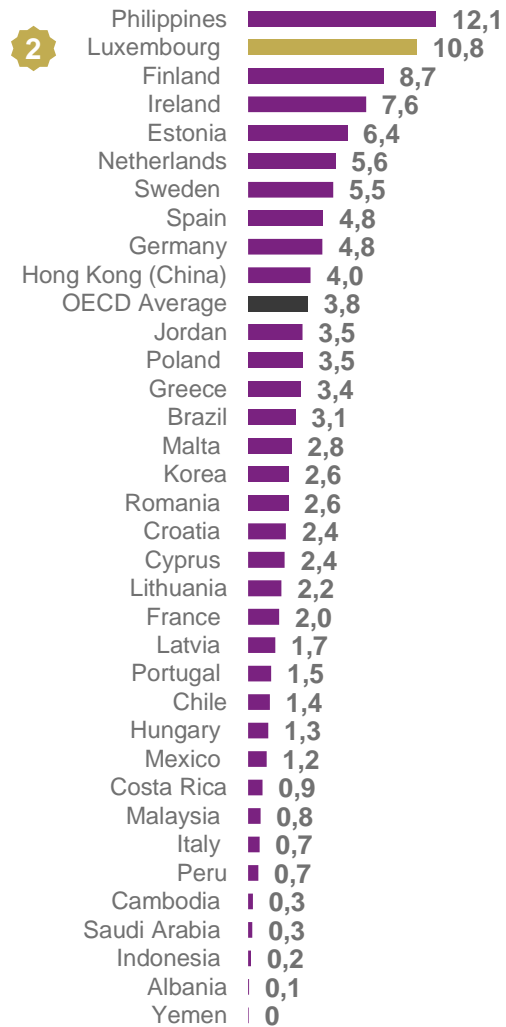
Percentage of adults who have transferred money to others online



Luxembourg is the country where the most adults have transferred money to others online.

Percentage of adults who hold crypto-assets

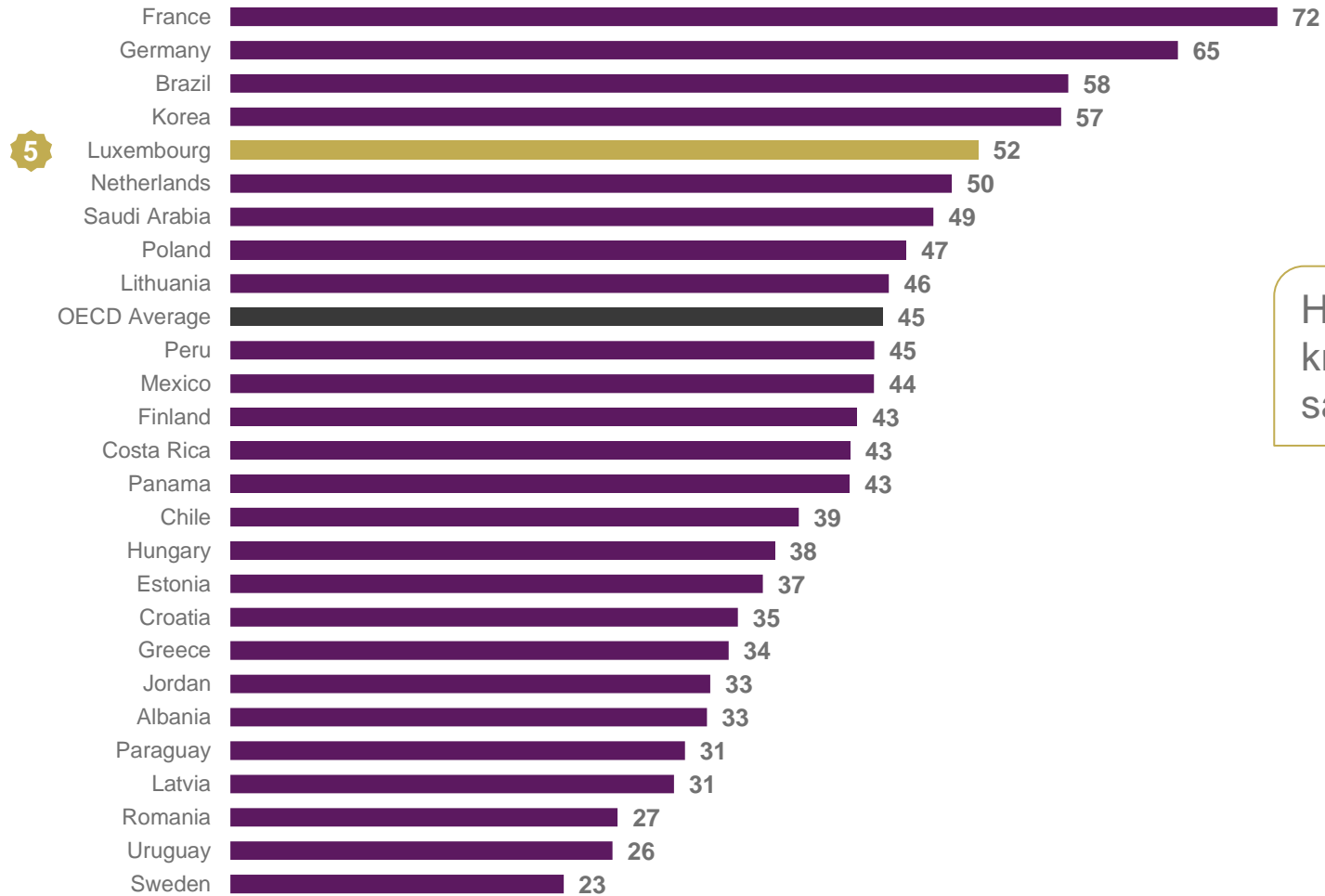
In %



1 out of 10 adults in Luxembourg says he holds crypto-assets ; it's the 2nd higher rate among the countries surveyed.

Percentage of adults who understand the difference between crypto-currencies and bank notes

In %



However only 1 out of 2 adults in Luxembourg knows that crypto-currencies have not the same legal tender as banknotes and coins.

Financial well-being

Financial well-being: definition

Financial well-being has to do with the extent to which individuals can meet their current financial needs and commitments (and whether they can do so comfortably), they can cope with negative financial shocks, they feel secure about their own financial future, and they have the ability to make choices that allow them to meet their future financial goals.

12 questions/statements cover the different components of this score:

- 4 are related to financial resilience (objective angle) and rescaled to range from 0 to 50
- 8 are related to subjective elements and rescaled to range from 0 to 50



The objective and subjective components are added together: the financial well-being score range from 0 to 100. Higher scores reflect higher levels of financial well-being.

Financial well-being: questions

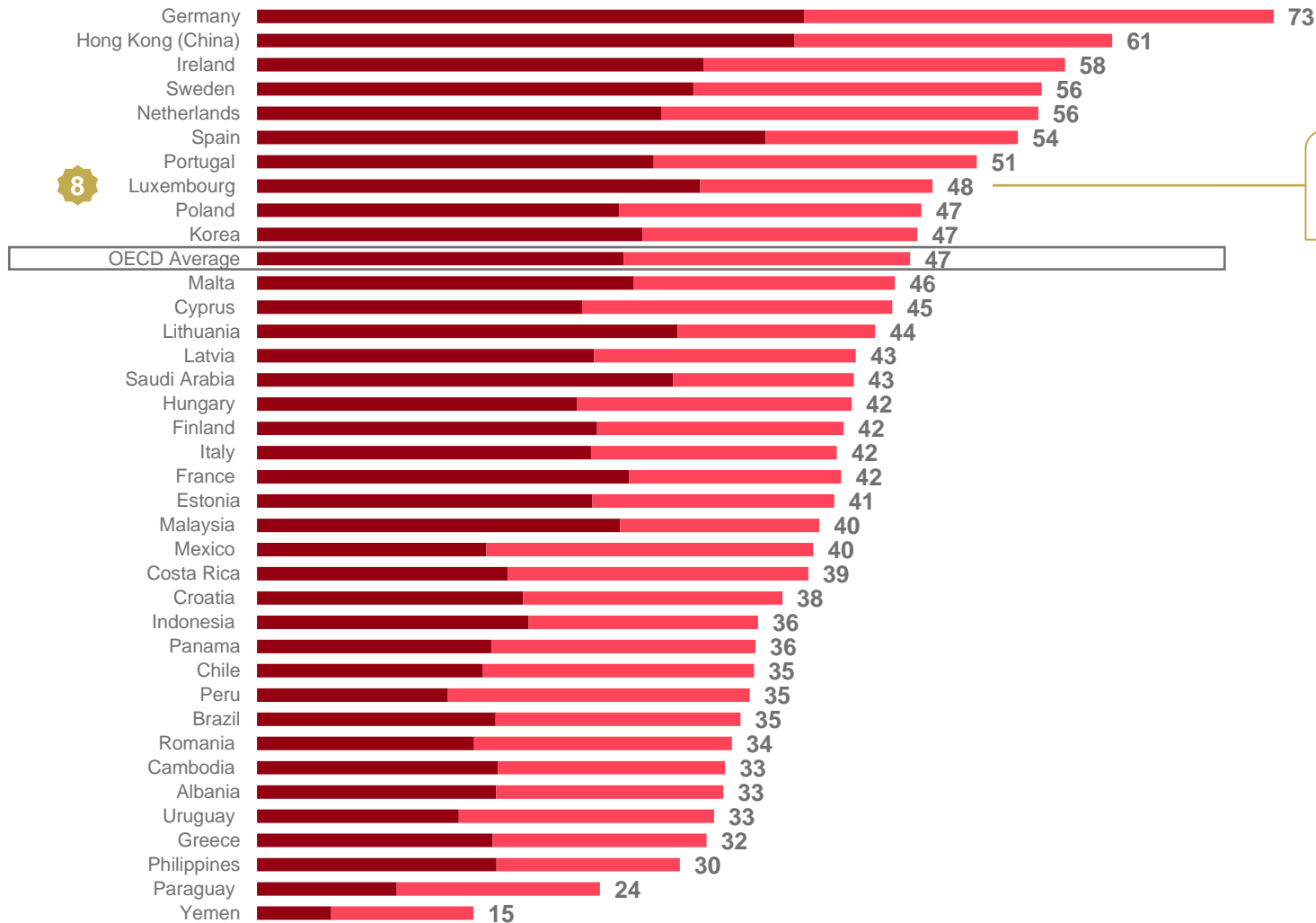
Objective Aspects (financial resilience)

<p>If you, personally, faced a major expense today – equivalent to your own monthly income – would you be able to pay it without borrowing the money or asking family or friends to help?</p> <p>✓ Yes</p>	<p>Sometimes people find that their income does not quite cover their living expenses. In the last 12 months, has this happened to you, personally?</p> <p>✓ No</p>	<p>If you lost your main source of income today, how long could you continue to cover your living expenses, without borrowing any money or moving house?</p> <p>✓ At least three months</p>	<p>I have money left over at the end of the month</p> <p>✓ Agree</p>
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Subjective Aspects

<p>I am satisfied with my present financial situation</p> <p>✓ Agree</p>	<p>My finances limit my ability to do the things that are important to me</p> <p>✓ Disagree</p>	<p>I have too much debt right now</p> <p>✓ Disagree</p>	<p>I tend to worry about paying my normal living expenses</p> <p>✓ Disagree</p>
<p>My finances control my life</p> <p>✓ Disagree</p>	<p>Because of money situation, I will never have the things I want</p> <p>✓ Disagree</p>	<p>I am concerned that my money won't last</p> <p>✓ Disagree</p>	<p>I am just getting by financially</p> <p>✓ Disagree</p>

Financial well-being: average scores



Financial resilience score: 5th place
 Subjective financial well-being score: 26th place

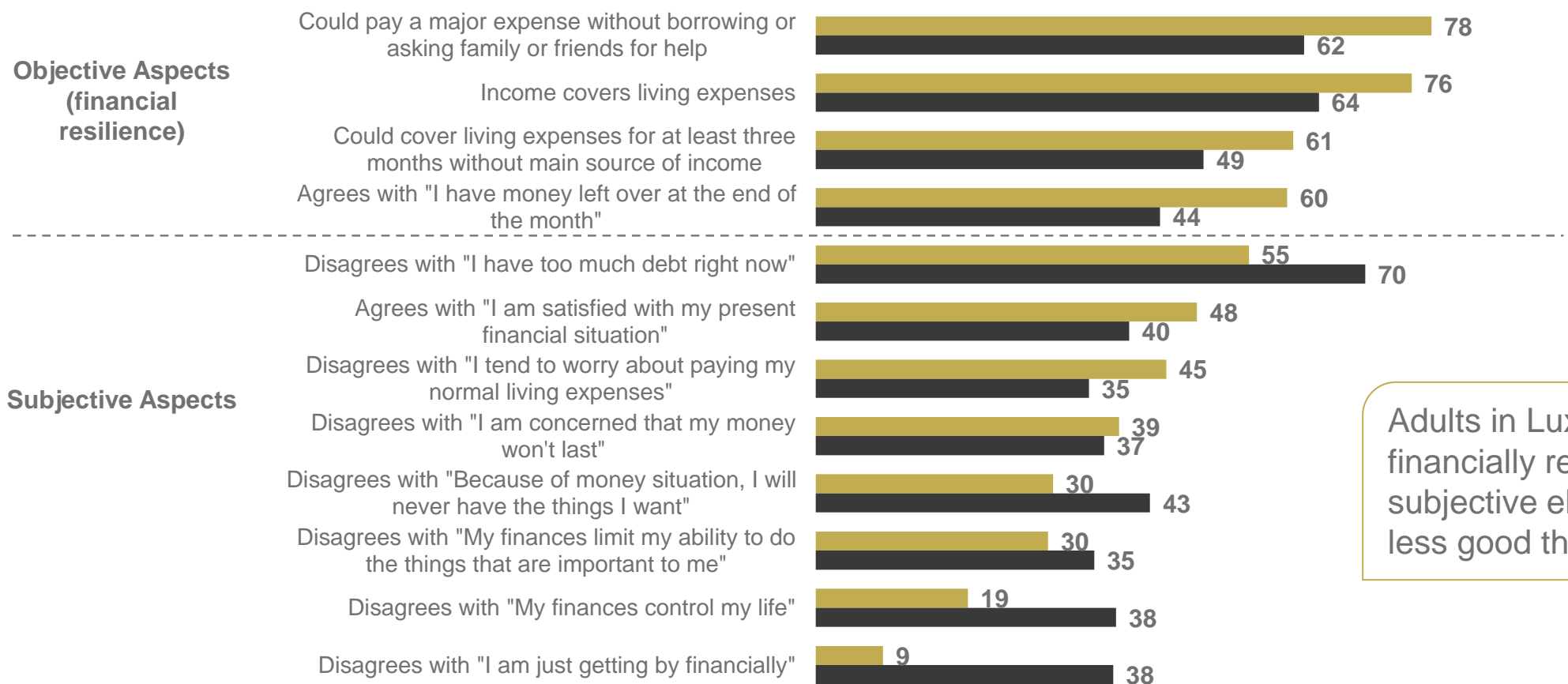
- Financial resilience scores
- Subjective financial well-being scores

Financial Well-Being Scores

Percentage of adults who reported the following aspects of financial well-being

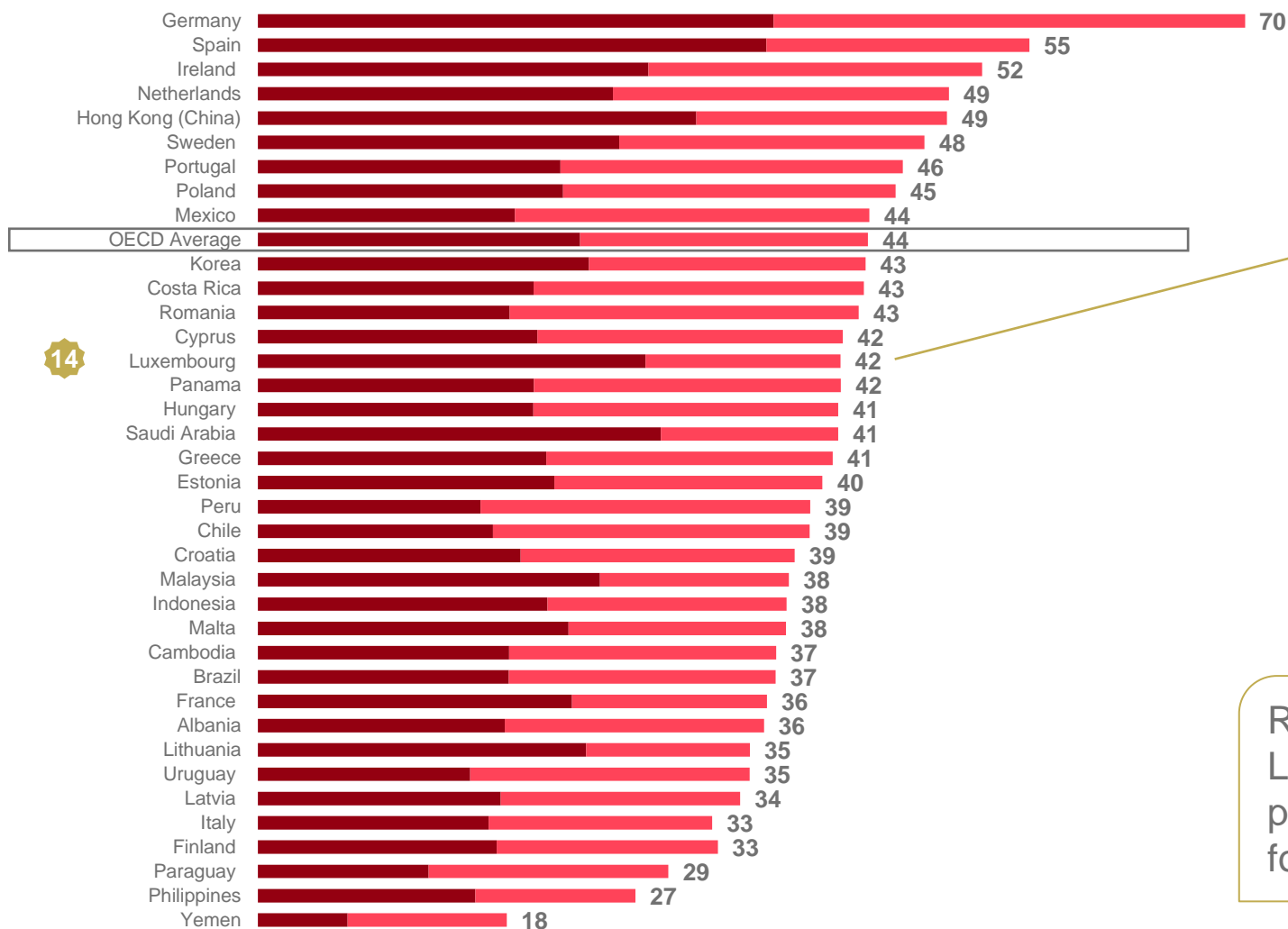
In %

■ Luxembourg ■ OECD Average



Adults in Luxembourg are financially resilient but on subjective elements, they are less good than OCDE average.

Financial well-being: focus on the adults aged 18-29 years old



Financial resilience score: 6th place
 Subjective financial well-being score: 31st place

■ Financial resilience scores

■ Subjective financial well-being scores

Financial Well-Being Scores

Regarding financial well-being, young adults in Luxembourg scored lower than the rest of the population and lower than the OECD average for this age group.