How financially literate are you?

Questions asked in the Global Financial Literacy Survey

1) Suppose you have some money. Is it safer to put your money into one business or investment, or to put your money into multiple businesses or investments?

a) one business or investment

b) multiple businesses or investments

c) don't know

d) refused to answer

2) Suppose over the next 10 years, the prices of the things you buy double. If your income also doubles, will you be able to buy less than you can buy today, the same as you can buy today, or more than you can buy today?

a) less

b) the same

c) more

c) don't know

d) refused to answer

3) Suppose you need to borrow 100 US dollars. Which is the lower amount to pay back: 105 US dollars or 100 US dollars plus three per cent?

a) 105 US dollars

b) 100 US dollars plus three per cent

c) don't know

d) refused to answer

4) Suppose you put money in the bank for two years and the bank agrees to add 15 percent per year to your account. Will the bank add more money to your account the second year than it did the first year, or will it add the same amount of money both years?

a) more

b) the same

c) don't know

d) refused to answer

5) Suppose you had 100 US dollars in a savings account and the bank adds 10 percent per year to the account. How much money would you have in the account after five years if you did not remove any money from the account?

a) more than 150 dollars

b) exactly 150 dollars

c) less than 150 dollars

d) don't know

e) refused to answer

Answer: b, b, a, a

What the report says about financial literacy

"Without an understanding of basic financial concepts, people are not well equipped to make decisions related to financial management. People who are financially literate have the ability to make informed financial choices regarding saving, investing, borrowing, and more.

Financial knowledge is especially important in times where increasingly complex financial products are easily available to a wide range of the population. For example, with governments in many countries pushing to boost access to financial services, the number of people with bank accounts and access to credit products is rising rapidly.

Moreover, changes in the pension landscape transfer decision-making responsibility to participants who previously relied on their employers or governments for their financial security after retirement.

Financial ignorance carries significant costs. Consumers who fail to understand the concept of interest compounding spend more on transaction fees, run up bigger debts, and incur higher interest rates on loans. They also end up borrowing more and saving less money.

Meanwhile, the potential benefits of financial literacy are manifold. People with strong financial skills do a better job planning and saving for retirement. Financially savvy investors are more likely to diversify risk by spreading funds across several ventures."