Question in Project:

SHARE Wave 9 – New items on financial decision making, successful ageing, eating habits, sleep, long-term care insurance, and long-term care expectations (English Version)

Question Topic:

Personality/ Various characteristics

Construct:

Subjective perception of own financial knowledge

General Information:

Note: This item was tested in German. This is an English translation of the original German wording.

Introduction:

The next questions are about finances and managing money.
[Bei den folgenden Fragen geht es um Finanzen und die Verwaltung von Geld.]

Question Text:

Please look at card 4, on a scale from 1 to 7, where 1 means very low and 7 means very high, how would you assess your overall financial knowledge?
[Bitte sehen Sie sich Karte 4 an. Auf einer Skala von 0 bis 7, wobei 0 "sehr gering" und 7 " sehr groß" bedeutet: Wie würden Sie Ihr Finanzwissen einschätzen?]

Answer Categories:

1 Very low *[1 Sehr niedrig]*
2
3
4
5
6
7 Very high *[7 Sehr hoch]*

Cognitive Techniques:

General Probing, Comprehension Probing, Specific Probing

Findings for Question:

1. How do respondents understand the term "financial knowledge"?

Two test persons (TP 02, 06) asked directly after hearing the question, what was meant by the term "financial knowledge":

- *"My financial knowledge? [Is it about] my own finances or about financial knowledge in the sense of financing processes, for example, in the state sense, i.e. what the Federal Republic of Germany does?"* (TP 02)
- *"Hmm, financial knowledge. That's good, define that. That's a great word! [...] That's a broad word. It ranges from savings to options trading. Economics, micro and macro economics, gross domestic product. The question is nonsense to me. Far too vague, too undefined."* (TP 06)

For seven test persons (TP 01, 02, 04, 06, 07, 08, 10), the term "financial knowledge" included both knowledge about private financial circumstances and processes and knowledge about more global, market or financial interrelationships and processes. All of these test persons assigned either a scale value of 4 (if they estimated their knowledge of global interrelationships to be rather low) or a scale value of 5 (if they estimated their knowledge of financial processes to be somewhat higher):

- *"I have just bought a few funds. I am interested in this. I also do online banking and I think I have a little more than mediocre knowledge about it. [...] [To me, financial knowledge means] maybe having a little bit of knowledge in the field of economics and politics. But also personal finances of course, that I have an overview."* (TP 01, answer: 5)
- *"Financial knowledge in the sense of processes of financing, for example, in the state sense, i.e. what the Federal Republic of Germany does. I have just as much as no idea how they juggle billions. The connections, the gross national product, that's what I mean, is not my strength. I can estimate it, but it's not my strength. I know my own finances, of course, I know these well."* (TP 02, answer: 4)
- *"[The value 5,] because I know relatively well about finances, through my studies and interest in the subject. I also went to business high school. So finance is already something that is very important for me, every day. Online banking, trading and a little gambling on the side. You always have to be informed, like now with the corona virus, what effects it has on the stock market."* (TP 06, answer: 5)

- *"I'm in charge of our finances. I also have basic knowledge in this area, but I don't get involved in stock trading or anything like that. I don't know anything about that. That's why the four [...]."* (TP 08, answer: 4)

The remaining three test persons focused either exclusively on their knowledge of private finances (TP 03, 05) or on their knowledge of financial processes (TP 09). Accordingly, these test persons rated their financial knowledge either very high (TP 03: scale value 7, TP 05: scale value 6) or comparatively low (TP 09: scale value 3):

- *"[Very high, 7] because I still do everything myself, my payments and insurances and everything. So I have to know about my finances, how much money I still have and how much I am allowed to spend."* (TP 03)
- *"[Value 6] because I know very well about my finances and I manage everything very well. [...] By financial knowledge I mean when I have my fixed amount in the account and I try to deal with it so that I have enough for the whole month and everything is paid for."* (TP 05)
- *"[By financial knowledge I mean] that you know about stock prices and things like that. I've never really thought much about it. If I say someone has financial knowledge, he must have studied or learned it. A banker, for example."* (TP 09)

Overall, the results of the cognitive interviews indicate that the interpretation of the term "financial knowledge" has a systematic influence on the answer to the question.

2. Is the showcard helpful or not needed?

As in question 1, all but two test persons (TP 01, 02) stated that presenting the card made it easier to answer the question:

- *"That's OK, rather helpful."* (TP 07)
- *"That's more helpful when you have it in front of you."* (TP 09)

Recommendations:

Question: In order to avoid the term "financial knowledge" being interpreted differently, we recommend it to be defined. One possible formulation would be:

"Financial knowledge here means the understanding of financial issues and the ability to make appropriate and informed decisions about personal finances, such as budgeting, investments, insurance, real estate, debt management or tax planning." *["Unter Finanzwissen verstehen wir hier das Verständnis von Themen im Finanzbereich sowie die Fähigkeit, angemessene und informierte Entscheidungen über persönliche Finanzen*

zu treffen, wie z. B. Haushaltsplanung, Geldanlagen, Versicherungen, Immobilien, Schuldenverwaltung oder Steuerplanung."]

Response Options: No changes recommended.