

# 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.

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