



# How Financial Literacy Affects Household Wealth Accumulation

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## Article Information

### Abstract

This study isolates the causal effects of financial literacy and schooling on wealth accumulation using a new household dataset and an instrumental variables (IV) approach. Financial literacy and schooling attainment are both strongly positively associated with wealth outcomes in linear regression models, whereas the IV estimates reveal even more potent effects of financial literacy. They also indicate that the schooling effect only becomes positive when interacted with financial literacy. Estimated impacts are substantial enough to imply that investments in financial literacy could have large wealth payoffs.

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