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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

correlated with wealth outcomes in linear regression models, whereas the IV

approach isolates the causal effects of financial literacy and schooling on wealth accumulation. Estimated impacts are substantial enough to imply that investments in financial

literacy could have large wealth payoffs.

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