

State of Financial Skills in Ireland

2024



JANUARY 4TH, 2024

MoneyWhizz

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Putting financial skills in context for greater financial wellbeing

Understanding key financial concepts is essential for long term financial resilience.

There have been several reports that examine the level of general financial literacy in Ireland. These reports reveal that when compared to global norms, Ireland scores lower than other countries.

In this survey, the benefit of financial knowledge is examined in context. In other words, where might a lack of financial knowledge impact personal financial decision-making, or indeed, if it does at all.

“Financial skills matter when it comes to making important financial decisions” Frank Conway, MoneyWhizz

The survey

This *State of Financial Skills Survey* was completed by employees in companies that participated in employer-sponsored financial wellbeing events. It was undertaken between October 1st and December 10th, 2023. A total of 179 responses were received. The survey comprises 9 primary questions, each one is included in the report.

A 10th question did ask about gender, which is examined in greater detail towards the end of this report and provides some interesting insights.

Overall, those who completed this survey scored highly. Across all responders, the mean score was 79%. This is significantly higher than other broad-based market surveys, including the 2014 *S&P Financial Literacy Survey* and a more recent iteration from an Irish bank. Both of those other surveys reveal the average financial literacy score in Ireland to be in mid-50% range.

The lesson here is that either those attending financial wellbeing seminars are financially literate already or their financial literacy skills improve as a result of attending.

Where skills were lower

For some of the survey questions, participants scored much lower on questions that posed slightly more complicated financial scenarios. Those are:

STATISTICS		
Lowest Score	Median	Highest Score
22%	78%	100%
Mean: 79%		
Standard Deviation: 15%		

Question Ranking

QUESTIONS (9)	DIFFICULTY	AVERAGE SCORE
Q6 Which group would have the greatest financial challenge during periods of high inflation lasting several years?	1	50%
Q8 Under which of the following circumstances would it be financially beneficial to borrow money to buy something now and repay it over time?	2	59%
Q7 Mary has accumulated €24,000 for her daughter's college education which is due to begin in 12 months time. She will require the full amount. Which of the following is now the best place for that money?	3	64%

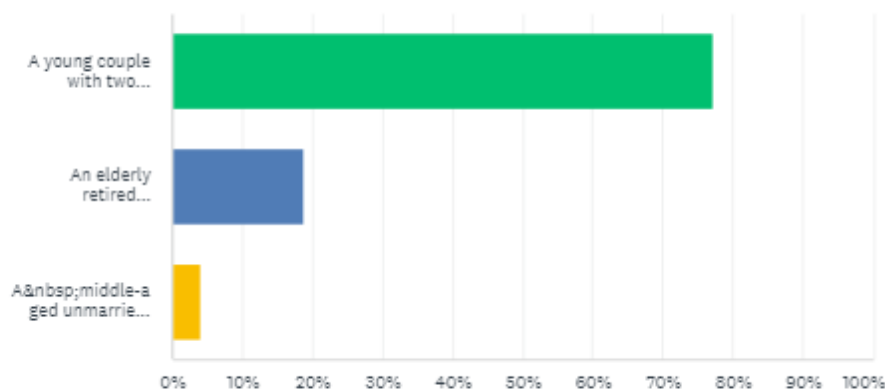
What the outcomes of these three questions reveal is that when it comes to long-term financial planning and use of credit, there are some interesting knowledge gaps that warrant further exploration, and remedy.

Survey questions, answers, and analysis

Q.1

Who would require the highest amount of life insurance if each of the following persons had the same amount of take home pay?

Answered: 176 Skipped: 0



QUIZ STATISTICS			
Percent Correct 77%	Average Score 77.3/100.0 (77%)	Standard Deviation 42.03	Difficulty 4/9
ANSWER CHOICES	SCORE	RESPONSES	
✓ A young couple with two children	100/100	77.27%	136
An elderly retired couple	0/100	18.75%	33
A middle-aged unmarried person	0/100	3.98%	7
TOTAL			176

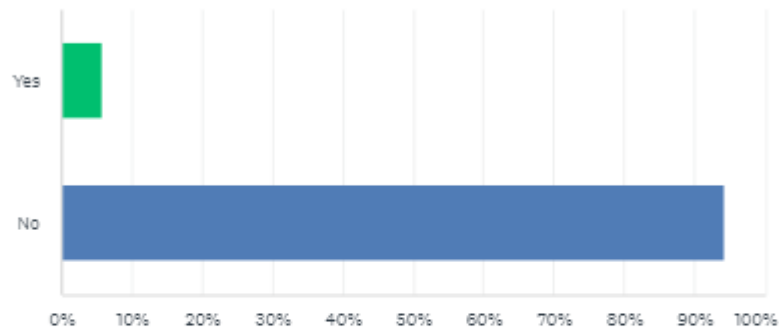
While most survey participants answered this question correctly, there is still a significant cohort that did not. Almost one-in-five people (18.75%) feel that those in retirement would need the highest amount of Life insurance when it's younger people,

especially those with children that do. The core benefit of Life protection is to provide a financial cushion to survivors were a policyholder to dies unexpectedly. This is especially important where there are young children.

Q.2

Will your savings have at least as much buying power in a year's time if the interest rate you receive on it is .5% and the inflation rate is at 5%?

Answered: 176 Skipped: 0



QUIZ STATISTICS			
Percent Correct 94%	Average Score 94.3/100.0 (94%)	Standard Deviation 23.22	Difficulty 9/9
ANSWER CHOICES	SCORE	RESPONSES	
Yes	0/100	5.68%	10
✓ No	100/100	94.32%	166
TOTAL			176

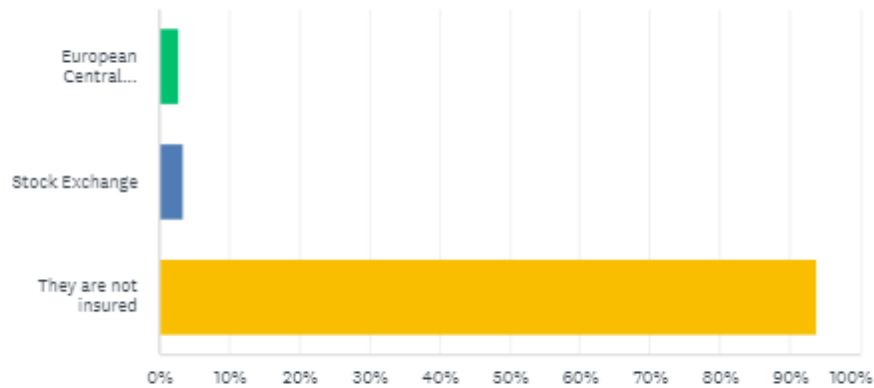
The overall response to this question is very positive. And while there is a small percentage of responders (5.68%) that get this question wrong, most people reveal a good grasp of the impact of inflation on savings.

Inflation has a significant and negative impact on the buying power of money over time. The longer high inflation persists, the more buying power of money is eroded. This is one reason why having too much money being held in a low-interest deposit account is not a positive means of protecting the value of that money over time. It is also a reason why some amount of investing and risk is required to protect the value of money against the corrosive impact of inflation.

Q.3

The value of stocks are insured by:

Answered: 176 Skipped: 0



QUIZ STATISTICS

Percent Correct 94%	Average Score 93.8/100.0 (94%)	Standard Deviation 24.28	Difficulty 8/9
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ANSWER CHOICES	SCORE	RESPONSES
European Central Bank	0/100	2.84% 5
Stock Exchange	0/100	3.41% 6
✓ They are not insured	100/100	93.75% 165
TOTAL		176

There is an overwhelmingly high degree of understanding when it comes to the risks carried by investing in stocks. They are uninsured.

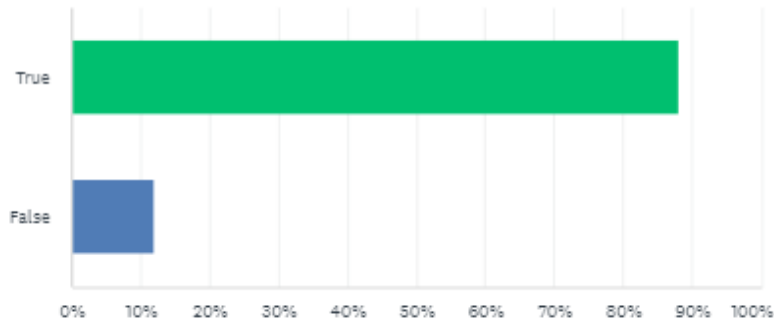
This is a key piece of information when it comes to people examining their options for investing.

While the value of stocks rise and fall constantly, diversification of investments is a tried and tested means of spreading and reducing risk. However, this can be a critical area where many people lack the essential skills to make such informed decisions.

Q. 4

By using unit pricing at the supermarket, you can easily compare the cost of any brand and any package size

Answered: 176 Skipped: 0



QUIZ STATISTICS			
Percent Correct 88%	Average Score 88.1/100.0 (88%)	Standard Deviation 32.51	Difficulty 5/9
ANSWER CHOICES	SCORE	RESPONSES	
✓ True	100/100	88.07%	155
False	0/100	11.93%	21
TOTAL			176

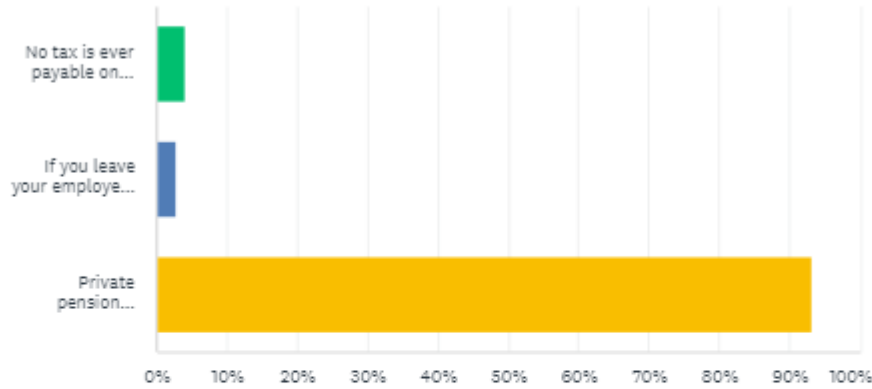
Unit based pricing was introduced to ensure shoppers can compare the true cost of products for sale.

While the majority of responders to this survey demonstrated their understanding of how it works, some 12% of people did not. It may reveal that some people may benefit from awareness campaigns on this issue, especially as an additional means of saving money.

Q. 5

On a private pension plan, which of the following is correct?

Answered: 176 Skipped: 0



QUIZ STATISTICS

Percent Correct 93%	Average Score 93.2/100.0 (93%)	Standard Deviation 25.28	Difficulty 7/9
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ANSWER CHOICES

ANSWER CHOICES	SCORE	RESPONSES
▼ No tax is ever payable on private pension funds	0/100	3.98% 7
▼ If you leave your employer, they retain your pension	0/100	2.84% 5
▼ ✓ Private pension accounts offer significant tax benefits	100/100	93.18% 164

TOTAL

176

An overwhelming majority of survey participants clearly understood that pensions offer significant tax benefits. In fact, Ireland offers a highly attractive pension contribution arrangement when compared to other countries.

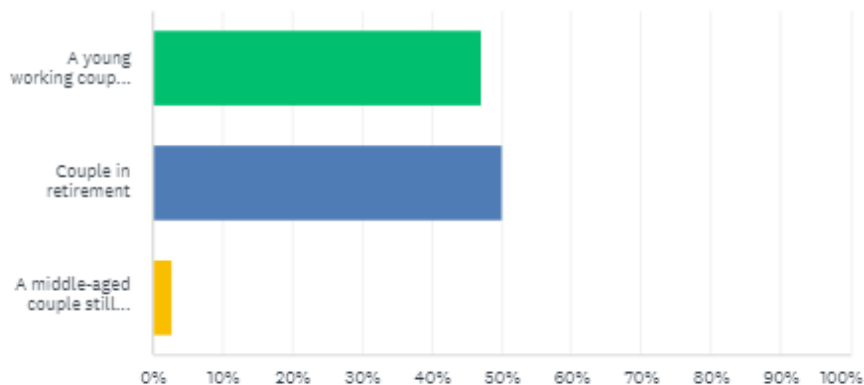
On defined contribution pensions, in addition to scaled percentage of tax relief that is age-based, there is no tax on investment growth on pension funds up to the maximum allowable limits. Plus, on retirement, there are tax-free drawdowns up to a maximum of €200,000. Of course, when it comes to pensions, the true cost of administering them is a critical component to long-term performance and there is little evidence to suggest that the Ongoing Charges Figure / Total Expenses Ratio in respect to pensions is

competitive. In fact, there is some evidence to suggest that Irish pension fees are uncompetitive.

Q. 6

Which group would have the greatest financial challenge during periods of high inflation lasting several years?

Answered: 176 Skipped: 0



QUIZ STATISTICS			
Percent Correct 50%	Average Score 50.0/100.0 (50%)	Standard Deviation 50.14	Difficulty 1/9
ANSWER CHOICES	SCORE	RESPONSES	
▼ A young working couple with children	0/100	47.16%	83
▼ ✓ Couple in retirement	100/100	50.00%	88
▼ A middle-aged couple still working	0/100	2.84%	5
TOTAL			176

In this question, there is a very high percentage of incorrect answers.

A couple in retirement on a fixed income will face the greatest financial difficulty from a period of high inflation. This is because inflation erodes the value of money and as they are on a fixed income with limited, or no opportunity to grow their income, they are most exposed.

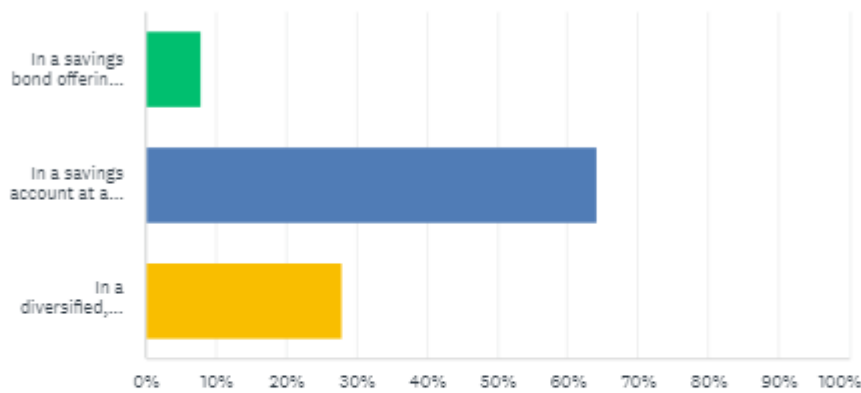
That said, it is understandable why some survey participants expressed concern for a young couple with children. Inflation in Ireland has impacted all aspects of day-to-day life, including the cost of food, fuel, accommodation and some much more.

But a young couple should have more opportunities to grow their income over time either by way of some wage inflation or even career advancement. This is not an option that is readily open to those in retirement.

Q. 7

Mary has accumulated €24,000 for her daughter's college education which is due to begin in 12 months time. She will require the full amount. Which of the following is now the best place for that money?

Answered: 176 Skipped: 0



QUIZ STATISTICS			
Percent Correct 64%	Average Score 64.2/100.0 (64%)	Standard Deviation 48.08	Difficulty 3/9
ANSWER CHOICES	SCORE	RESPONSES	
▼ In a savings bond offering limited capital protection	0/100	7.95%	14
▼ ✓ In a savings account at a local savings institution	100/100	64.20%	113
▼ In a diversified, managed fund through a regulated financial advisory firm	0/100	27.84%	49
TOTAL			176

This question reveals an important financial skills gap. The most appropriate place for education savings, especially those that will be required within 12 months is not in a diversified investment portfolio. It is in a savings account that is not exposed to a fall in value.

While a diversified portfolio will offer some protection from investment risk, it is not an ideal place for funds that will be required in the short term including a period of 3 years or less.

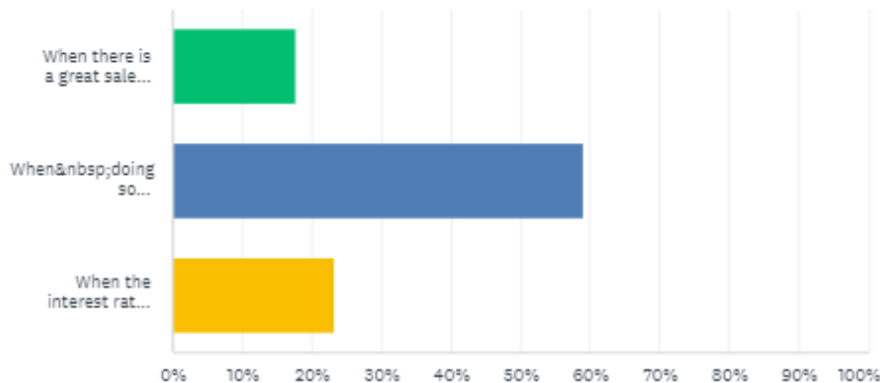
Investment risk is always present. Even well diversified investment portfolios can lose significant amounts of value in the short term and gain them back again over time. This is what happened when Covid-19 first emerged, and investments markets lost a significant percentage of their value. They eventually recovered.

Time is a critical component when it comes to investing. Periods of 3 years or more will offer time for markets to recover.

Q. 8

Under which of the following circumstances would it be financially beneficial to borrow money to buy something now and repay it over time?

Answered: 176 Skipped: 0



QUIZ STATISTICS			
Percent Correct 59%	Average Score 59.1/100.0 (59%)	Standard Deviation 49.31	Difficulty 2/9
ANSWER CHOICES		SCORE	RESPONSES
▼ When there is a great sale offering bargains on items you really want		0/100	17.61% 31
▼ ✓ When doing so can help one get a better paying job		100/100	59.09% 104
▼ When the interest rate on the loan is greater than the rate on a savings account		0/100	23.30% 41
TOTAL			176

The answers to this question are also highly revealing. The correct answer in this case is borrowing money can be beneficial if in the case of a car loan, it does allow the individual to get a better paying job.

However, almost 18% of people would be prepared to borrow to spend more, even if the items are on sale. Unfortunately, this can often include the use of revolving credit (credit cards) which, over time can double the cost of the original purchase if only the minimum payment is made each month afterwards.

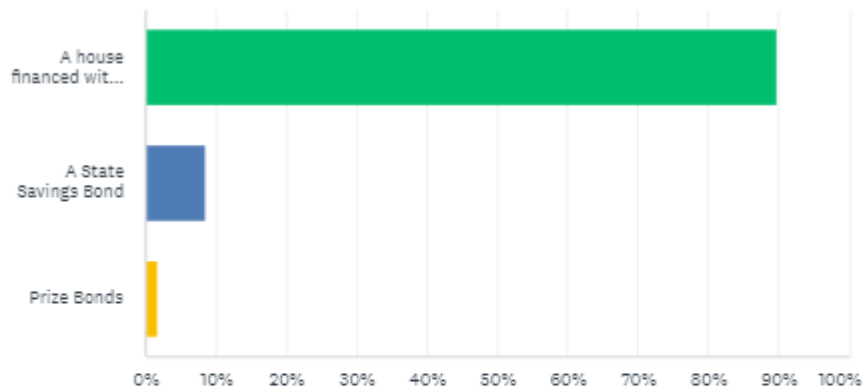
Almost one-in-five survey participants would borrow money, even where they have sufficient savings and where the earnings on those savings are either minimal or non-existent.

While having an emergency fund is a key component of good financial planning, having savings on deposit that are earning little or nothing and using expensive debt to fund a car is not the best use of money.

Q. 9

Which of the following would best protect a family's financial situation in the event of a sudden increase in inflation?

Answered: 176 Skipped: 0



QUIZ STATISTICS

Percent Correct 90%	Average Score 89.8/100.0 (90%)	Standard Deviation 30.39	Difficulty 6/9
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ANSWER CHOICES

ANSWER CHOICES	SCORE	RESPONSES
✓ A house financed with a fixed-rate mortgage	100/100	89.77% 168
A State Savings Bond	0/100	8.52% 15
Prize Bonds	0/100	1.70% 3
TOTAL		176

Survey participants overwhelmingly got this question right.

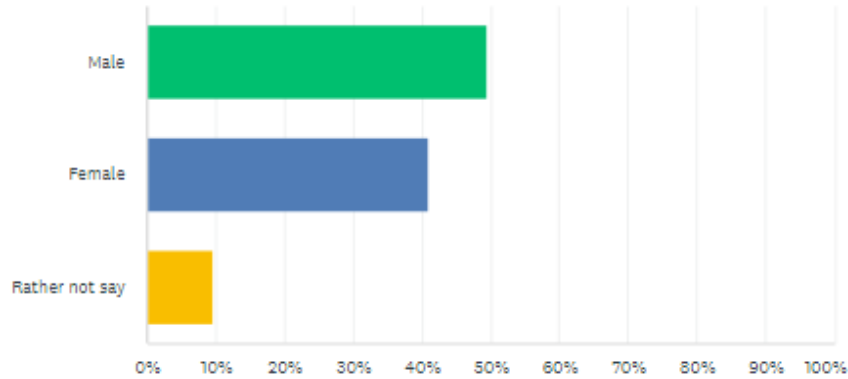
A fixed rate mortgage will protect mortgage holders in a period of a sharp rise in inflation. As has been the case over the last few years, the European Central Bank has pushed up borrowing costs sharply to reduce the rate of inflation. This has resulted in hundreds of thousands of Irish mortgage holders seeing their annual repayments increase by thousands of Euro. Mortgage holders with fixed rate loans experience no repayment changes during the period their interest rates are fixed.

Gender & gender comparison

Where questions were filtered by gender, the data offers some interesting insights:

GENDER - Are you?

Answered: 176 Skipped: 0



ANSWER CHOICES	RESPONSES
Male	49.43% 87
Female	40.91% 72
Rather not say	9.66% 17
TOTAL	176

Male and female responders got the same median score (78%) but there were some interesting differences when it came to individual questions:

Female scoring

STATISTICS		
Lowest Score	Median	Highest Score
33%	78%	100%
Mean: 78%		
Standard Deviation: 16%		
Question Ranking		
QUESTIONS (9)	DIFFICULTY	AVERAGE SCORE
Q8 Under which of the following circumstances would it be financially beneficial to borrow money to buy something now and repay it over time?	1	50%
Q6 Which group would have the greatest financial challenge during periods of high inflation lasting several years?	2	53%
Q7 Mary has accumulated €24,000 for her daughter's college education which is due to begin in 12 months time. She will require the full amount. Which of the following is now the best place for that money?	3	63%
Show all quiz questions		

Page 1: Financial Knowledge

Male scoring

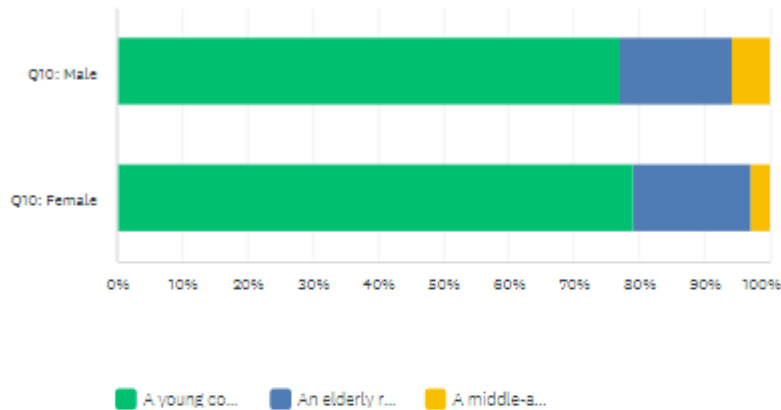
STATISTICS		
Lowest Score	Median	Highest Score
44%	78%	100%
Mean: 80%		
Standard Deviation: 13%		
Question Ranking		
QUESTIONS (9)	DIFFICULTY	AVERAGE SCORE
Q6 Which group would have the greatest financial challenge during periods of high inflation lasting several years?	1	48%
Q8 Under which of the following circumstances would it be financially beneficial to borrow money to buy something now and repay it over time?	2	82%
Q7 Mary has accumulated €24,000 for her daughter's college education which is due to begin in 12 months time. She will require the full amount. Which of the following is now the best place for that money?	3	64%
Show all quiz questions		

Within the data, the following is revealed:

Q.1

Who would require the highest amount of life insurance if each of the following persons had the same amount of take home pay?

Answered: 159 Skipped: 0



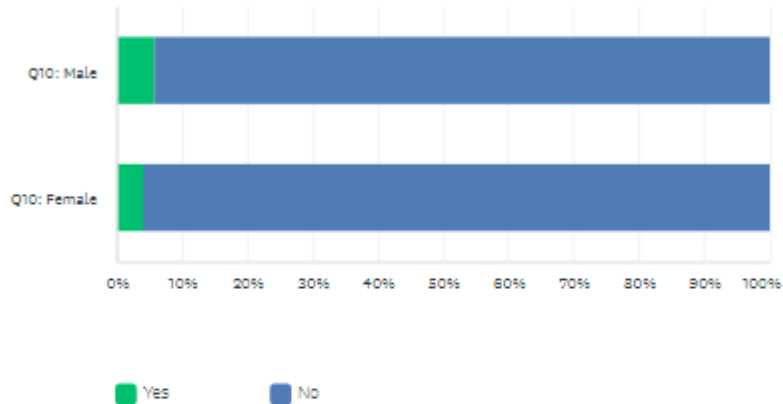
QUIZ STATISTICS					
Percent Correct		Average Score		Standard Deviation	
78%		78.0/100.0 (78%)		41.56	
				Difficulty 4/9	
	✓ A YOUNG COUPLE WITH TWO CHILDREN	AN ELDERLY RETIRED COUPLE	A MIDDLE-AGED UNMARRIED PERSON	TOTAL	
Q10: Male	77.01% 67	17.24% 18	5.75% 8	54.72%	87
Q10: Female	79.17% 67	18.08% 13	2.78% 2	45.28%	72
Total Respondents	124	28	7		159

Slightly more female responses were correct than male for this question.

Q.2

Will your savings have at least as much buying power in a year's time if the interest rate you receive on it is .5% and the inflation rate is at 5%?

Answered: 159 Skipped: 0



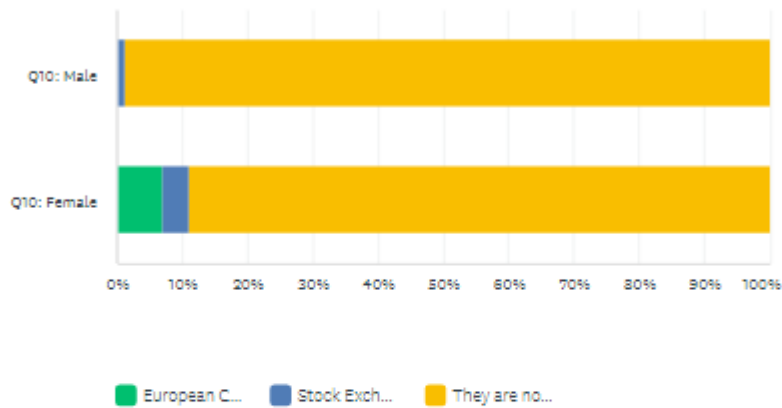
QUIZ STATISTICS				
Percent Correct 95%	Average Score 95.0/100.0 (95%)	Standard Deviation 21.93	Difficulty 9/9	
	YES	NO	TOTAL	
Q10: Male	5.75% 8	94.25% 62	54.72% 67	
Q10: Female	4.17% 3	95.83% 69	46.28% 72	
Total Respondents	8	161	169	

There was no significant difference between male and female responses for this question.

Q.3

The value of stocks are insured by:

Answered: 159 Skipped: 0



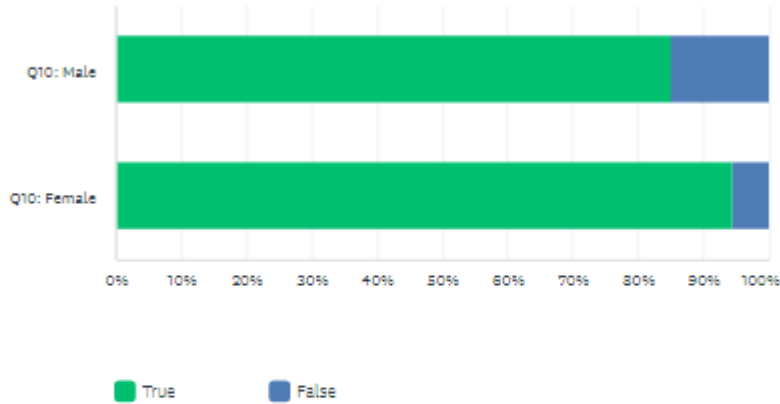
QUIZ STATISTICS					
Percent Correct 94%	Average Score 94.3/100.0 (94%)	Standard Deviation 23.18	Difficulty 8/9		
	EUROPEAN CENTRAL BANK	STOCK EXCHANGE	✓ THEY ARE NOT INSURED	TOTAL	
Q10: Male	0.00% 0	1.15% 1	98.85% 86	54.72% 87	
Q10: Female	6.94% 8	4.17% 3	88.89% 84	45.28% 72	
Total Respondents	8	4	160	159	

There was a significant difference between gender for this question. Almost 99% of male responders correctly answered that stocks are uninsured while 89% of female responders answered the question correctly.

Q. 4

By using unit pricing at the supermarket, you can easily compare the cost of any brand and any package size

Answered: 159 Skipped: 0



QUIZ STATISTICS

Percent Correct 89% Average Score 89.3/100.0 (89%) Standard Deviation 31.00 Difficulty 5/9

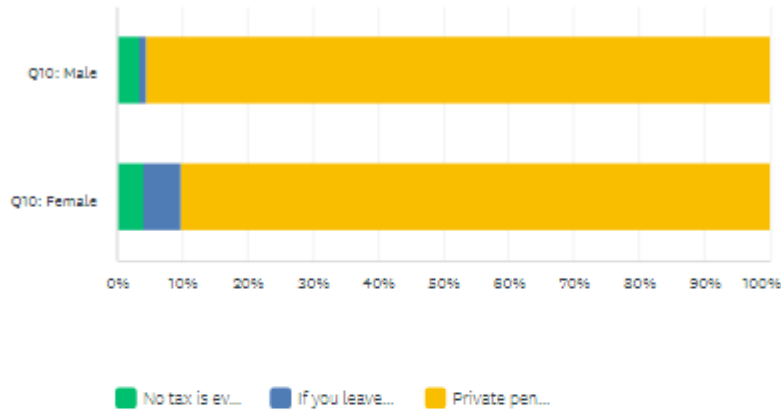
	TRUE	FALSE	TOTAL
Q10: Male	85.06% 74	14.94% 13	54.72% 87
Q10: Female	94.44% 68	5.56% 4	45.28% 72
Total Respondents	142	17	159

For unit-based pricing, 94% of female responders got this question compared to 85% of males that did.

Q.5

On a private pension plan, which of the following is correct?

Answered: 159 Skipped: 0



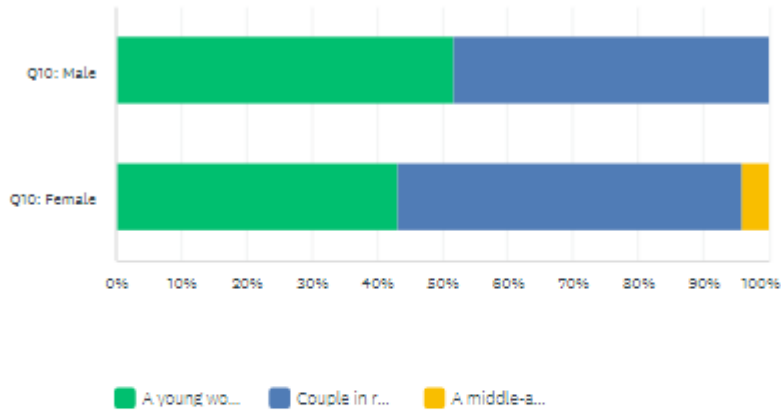
QUIZ STATISTICS					
Percent Correct 93%		Average Score 93.1/100.0 (93%)		Standard Deviation 25.46	
				Difficulty 7/9	
	NO TAX IS EVER PAYABLE ON PRIVATE PENSION FUNDS	IF YOU LEAVE YOUR EMPLOYER, THEY RETAIN YOUR PENSION	✓ PRIVATE PENSION ACCOUNTS OFFER SIGNIFICANT TAX BENEFITS	TOTAL	
Q10: Male	3.45% 3	1.15% 1	95.40% 83	54.72% 87	
Q10: Female	4.17% 3	5.56% 4	90.28% 68	45.28% 72	
Total Respondents	6	5	148	159	

There is little significant difference between gender on their understanding of the application of tax relief that applies to pension contributions in Ireland currently.

Q. 6

Which group would have the greatest financial challenge during periods of high inflation lasting several years?

Answered: 159 Skipped: 0



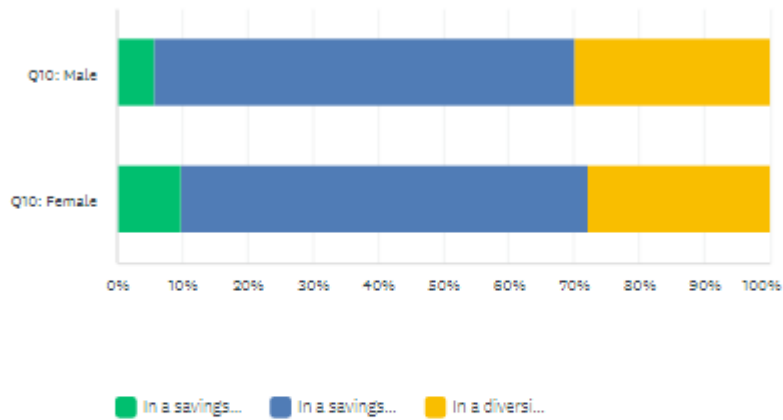
QUIZ STATISTICS				
Percent Correct	Average Score	Standard Deviation	Difficulty	
50%	50.3/100.0 (50%)	50.16	1/9	
	A YOUNG WORKING COUPLE WITH CHILDREN	✓ COUPLE IN RETIREMENT	A MIDDLE-AGED COUPLE STILL WORKING	TOTAL
Q10: Male	51.72% 45	48.28% 42	0.00% 0	54.72% 87
Q10: Female	43.06% 31	52.76% 38	4.17% 3	45.28% 72
Total Respondents	76	80	3	159

More female responders answered this question correctly. Inflation has the greatest impact on the financial wellbeing of a couple in retirement on a fixed income. 53% (52.76%) answered correctly compared to 48% of males.

Q.7

Mary has accumulated €24,000 for her daughter's college education which is due to begin in 12 months time. She will require the full amount. Which of the following is now the best place for that money?

Answered: 159 Skipped: 0



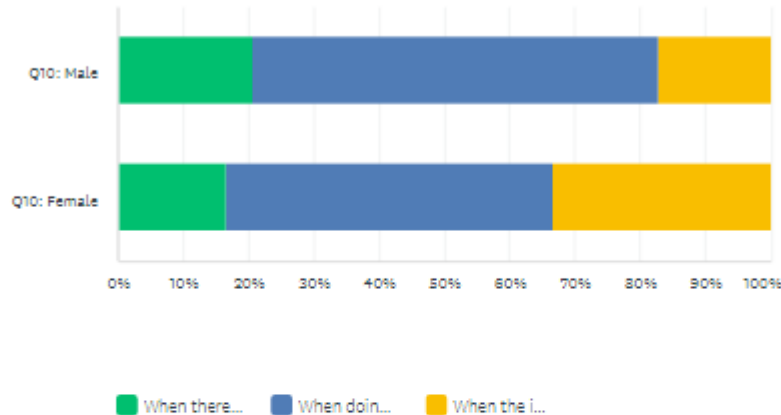
QUIZ STATISTICS				
Percent Correct	Average Score	Standard Deviation	Difficulty	
64%	63.5/100.0 (64%)	48.29	3/9	
	IN A SAVINGS BOND OFFERING LIMITED CAPITAL PROTECTION	✓ IN A SAVINGS ACCOUNT AT A LOCAL SAVINGS INSTITUTION	IN A DIVERSIFIED, MANAGED FUND THROUGH A REGULATED FINANCIAL ADVISORY FIRM	TOTAL
Q10: Male	5.75% 6	64.37% 66	29.89% 28	54.72% 87
Q10: Female	9.72% 7	62.50% 45	27.78% 20	45.28% 72
Total Respondents	12	101	48	159

There is little significant difference between gender for this question.

Q. 8

Under which of the following circumstances would it be financially beneficial to borrow money to buy something now and repay it over time?

Answered: 159 Skipped: 0



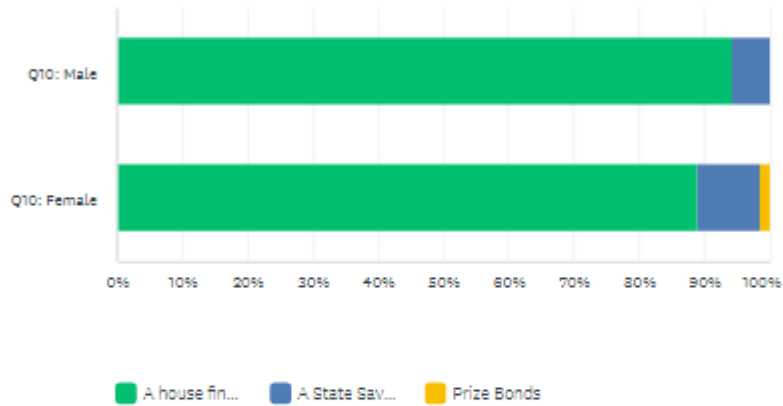
QUIZ STATISTICS				
Percent Correct	Average Score	Standard Deviation	Difficulty	
57%	56.6/100.0 (57%)	49.72	2/9	
	WHEN THERE IS A GREAT SALE OFFERING BARGAINS ON ITEMS YOU REALLY WANT	✓ WHEN DOING SO CAN HELP ONE GET A BETTER PAYING JOB	WHEN THE INTEREST RATE ON THE LOAN IS GREATER THAN THE RATE ON A SAVINGS ACCOUNT	TOTAL
Q10: Male	20.69% 18	62.07% 84	17.24% 18	54.72% 87
Q10: Female	16.67% 12	50.00% 36	33.33% 24	45.28% 72
Total Respondents	30	90	39	159

There is a significant difference between gender on this question. However, what is interesting is that more males say that they would be prepared to borrow when it would allow them to purchase a product on sale (20.69%) compared to females (17%). However, more females would be prepared to borrow, even if the rate of interest being paid on a savings account was less than the rate being charged on credit. Of course, where circumstances warrant, keeping excess savings on deposit and borrowing using high-cost credit is not always the most efficient use of money.

Q. 9

Which of the following would best protect a family's financial situation in the event of a sudden increase in inflation?

Answered: 159 Skipped: 0



QUIZ STATISTICS					
Percent Correct	Average Score	Standard Deviation	Difficulty		
92%	91.8/100.0 (92%)	27.49	6/9		
	✓ A HOUSE FINANCED WITH A FIXED-RATE MORTGAGE	A STATE SAVINGS BOND	PRIZE BONDS	TOTAL	
Q10: Male	94.25% 82	5.75% 5	0.00% 0	54.72% 87	
Q10: Female	88.89% 64	9.72% 7	1.39% 1	45.28% 72	
Total Respondents	146	12	1	159	

Slightly more male responders answered this question correctly but overall, both males and females clearly understand the power of fixed rate mortgages to weather the impact of volatile mortgage costs in times of high inflation.

Summary

As personal financial markets become more complex and more fragmented, having a grounded understanding of how money works is essential. As demonstrated in this survey, people can make financial decisions that may not always be in their best interest financially. Equally, as we live longer and are likely to require more financial resources into retirement, it is vital that people put their money to the best use possible during their peak earnings years. This includes a range of steps to build financial resilience and financial skills that will support them in doing this.

About – MoneyWhizz is the leading independent financial wellbeing service available through leading employers across Ireland. It offers a mix of training supports, including seminars, guides, and 1:1 financial counselling. Additionally, it offers a mix of financial education resources for schools.

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