

# Media Release

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## Financial Literacy Survey: Knowledge, Opinions and Behavior in Financial Issues

**Main findings among persons aged 20 and over:**

### **Behavior in financial issues:**

- **Long-term/retirement savings:** Half of persons aged 20 and over reported that they have a pension fund, a third have a provident fund, and 22% have managers insurance.
- **Insurance:** 67% have health and/or long-term care insurance, and 40% have insurance on their home's structure.
- 80% reported that they compare prices of products before purchasing.
- 62% defined themselves as more economical than spendthrift.
- 45% reported that they have difficulty in covering monthly current expenses.

### **International comparison:**

- The percentage of Israelis who prefer long-term savings over present-day spending is higher than the international average.
- The expertise of Israelis in subjects such as calculation of interest, inflation, and investment returns versus risk is lower than the international average.

*The Financial Literacy Survey was performed by the Central Bureau of Statistics at the request of the National Economic Council, in cooperation with the Ministry of Finance and the Bank of Israel. The survey was conducted from January 2012 until May 2012, among a representative national sample of approximately 1,200 persons aged 20 and over.*

Written by Doron Sayag – Office of the Government Statistician

For explanations and clarifications, please contact the Press Relations Unit, at 02-652-7845

The survey's data are used for determining governmental policy in the field of financial education, in accordance with OECD recommendations.

This Press Release relates to the knowledge and opinions of persons aged 20 and over in financial issues, and is a continuation of the previous Press Release that focused on the managing of finances and the financial situation of persons aged 20 and over.

### **What is Financial Literacy?**

Financial literacy is the ability to read, analyze, understand, and reach a conclusion on economic-financial factors that influence the economic welfare of an individual. It includes the ability to assess economic possibilities, to use money properly, to plan for the future, to act in accordance with this plan in the present, and to react in an educated way to economic changes.

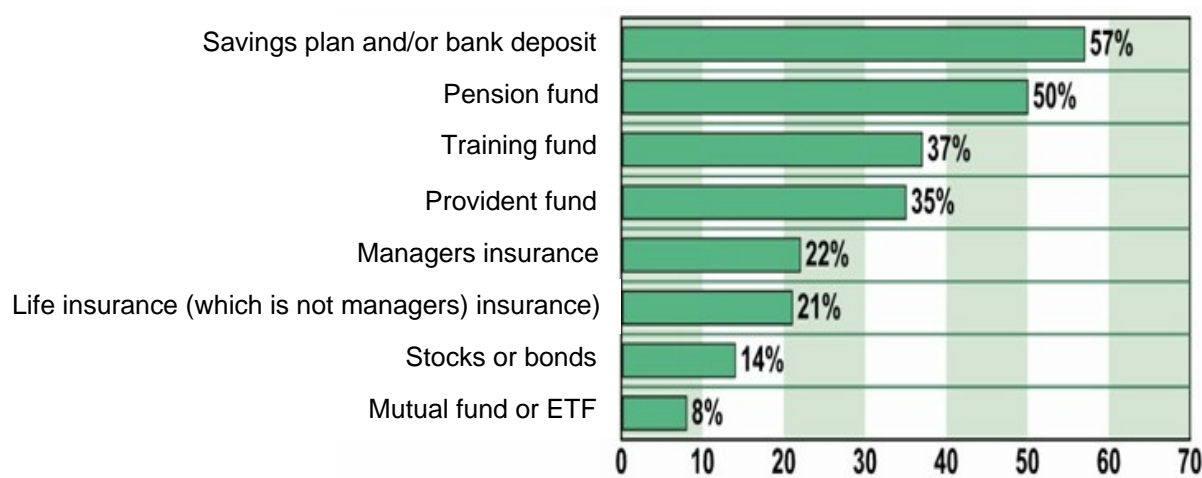
The level of financial literacy of the Israeli population, in terms of knowledge, opinions and management was examined in a questionnaire of 102 questions with a wide variety of financial perspectives.

[For the survey questionnaire, click here](#)

### **Savings and Investments**

- 57% of those aged 20 and over reported that they have a savings plan and/or deposit in the bank.
- Half of persons aged 20 and over reported having a pension fund.
- Training funds and provident funds are held by 37% and 35% of the population, respectively.
- 14% reported having investments in stocks or bonds; 8% reported that they had a mutual fund or ETF.

**Diagram 1: Percentage of Investment Positions**



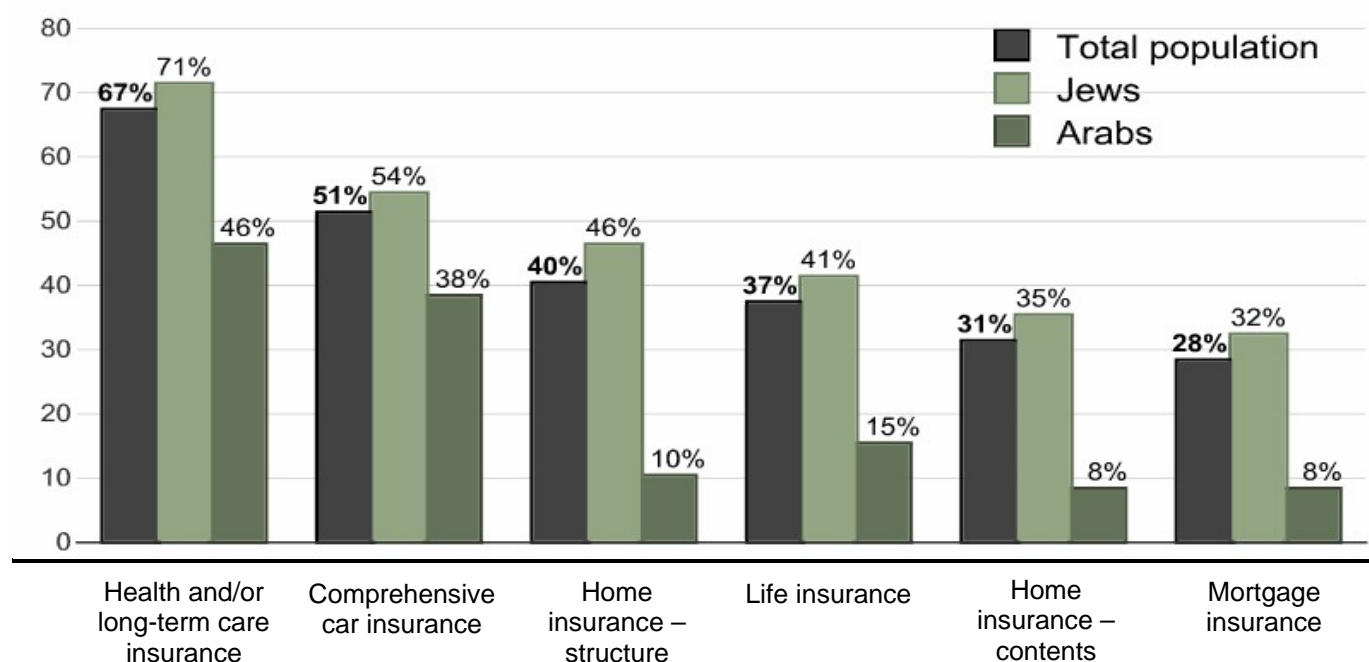
## The Main Decision-Maker in Choosing Investment Plans

A third of women reported that the main household decision-maker in choosing among investment plans or financial firms was their spouse. Among men, only 9% reported that the main decision-maker was their spouse.

## Insurance

Among the types of insurance investigated by the survey, health and long-term care insurance<sup>1</sup> (either both of them or one of them) was the most common (67%). The survey further indicates that the percentage of insured persons among Jews was higher than that among Arabs, **in all types of insurance** investigated by the survey.

**Diagram 2: Percentage of Insured Persons in Various Types of Insurance**



## Knowledge Tests

- 59% of the persons sampled knew how to calculate the amount paid for a 2% annual interest rate on the sum of NIS 1,000.
- In the calculation of compound interest, 29% knew that at the end of two years a sum greater than NIS 1,100 would be accumulated in a savings plan of NIS 1,000 with an annual interest rate of 5%.

<sup>1</sup> It could be that the high percentage of health and/or long-term care insurance was because some of the sampled persons included government insurance policies sold through the Health Funds in their responses.

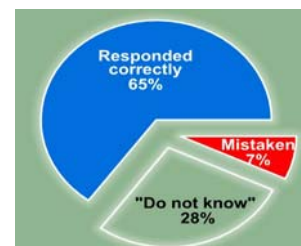
## Knowledge of Economic Topics<sup>2</sup>

**Diagram 3: General Knowledge of Financial Issues**

- 65% responded correctly to the following statement:

**"In a period of high inflation the price of living rises quickly."**

28% did not know whether the statement was correct or not.



- 48% responded correctly to the following statement:

**"An investment with high returns is generally a riskier investment."**

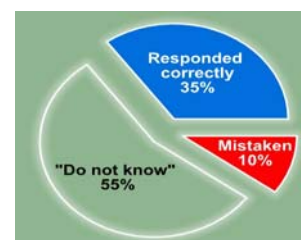
42% did not know whether the statement was correct or not.



- 35% responded correctly to the following statement:

**"The risk of an investment portfolio can be decreased by diversifying its investment products."**

55% did not know whether the statement was correct or not.



- 29% responded correctly to the following statement:

**"The prime interest rate is higher than the interest rate fixed by the Bank of Israel."**

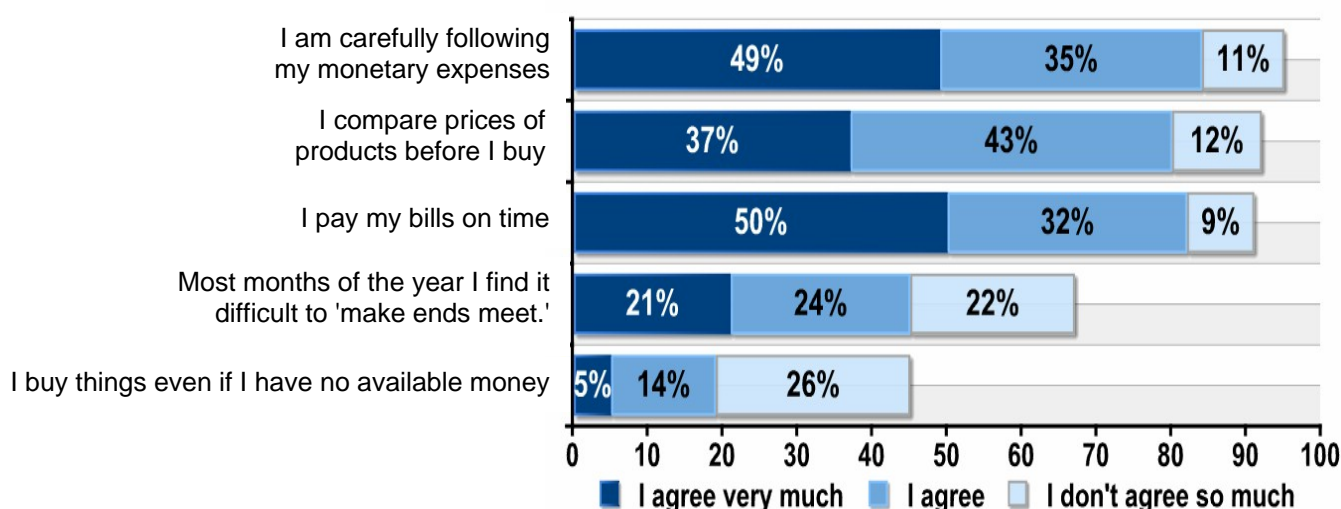


## Statements about Behaviors

- 84% agreed or agreed very much with the statement: "I am carefully following my monetary expenses."
- 82% of the population says that they pay their bills on time.
- 81% agreed or agreed very much with the statement: "I compare prices of products before I buy."
- 19% agreed or agreed very much with the statement: "I buy things even if I have no available money."

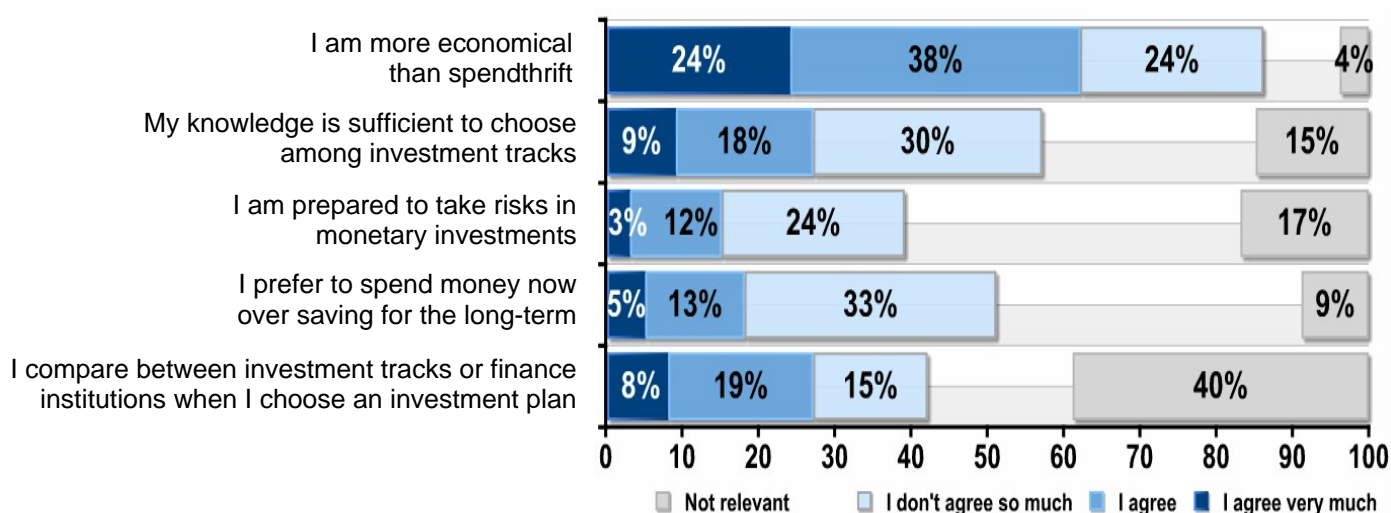
<sup>2</sup> All of the statements presented to the persons sampled were correct statements.

**Diagram 4: Extent of Agreement with Statements about Expenses and Purchases**



- 62% agreed or agreed very much with the statement: "I am more economical than spendthrift."
- 44% are not willing to take a risk in financial investments.
- 40% prefer to save for the long-term over spending money now.

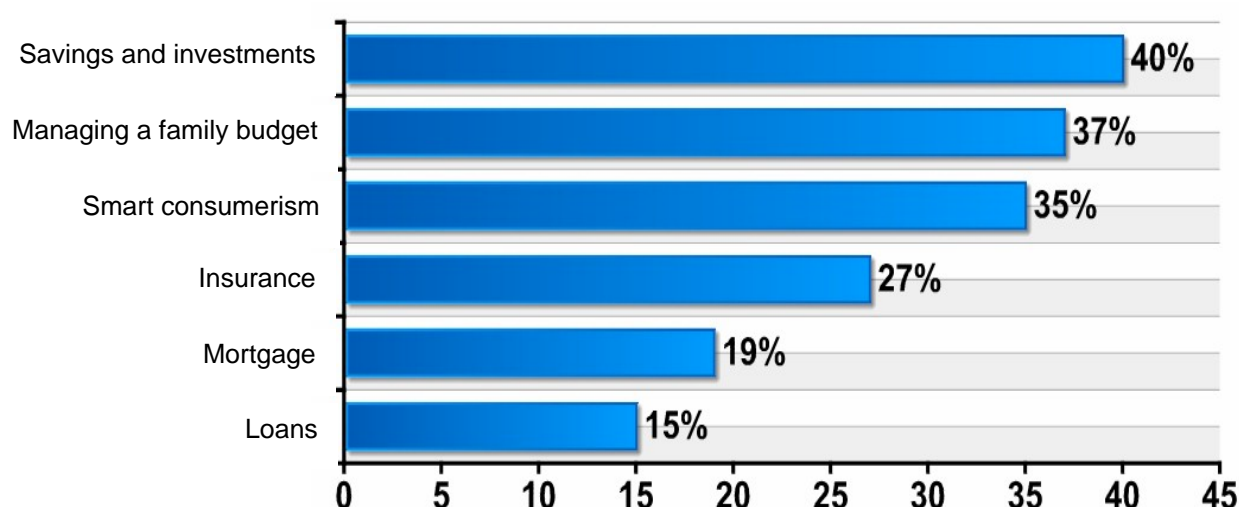
**Diagram 5: Extent of Agreement with Statements about Savings and Investments**



### The Financial Issues about which Israelis are Interested in Knowing More

- Among the financial issues listed in the survey, the most preferred subject for expanding knowledge is savings and investments (40%).
- The second most preferred topic for expanding knowledge is managing a family budget (37%), followed by smart consumerism (35%).
- 22% of survey participants indicated that they do not feel the need to expand their knowledge of financial issues at all.

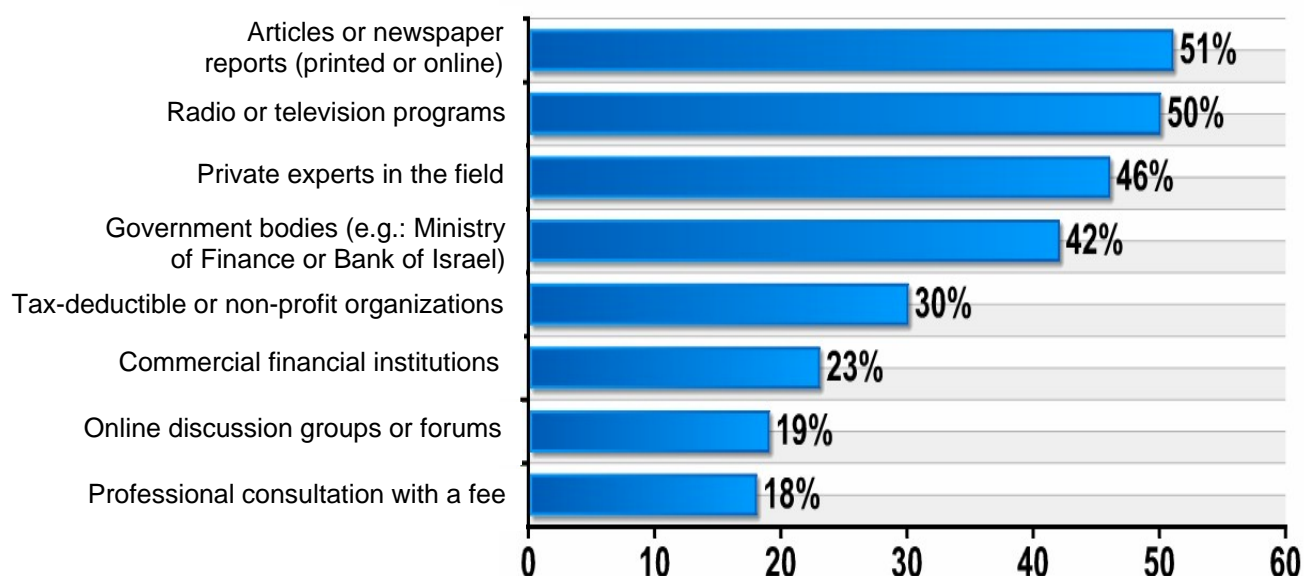
**Diagram 6: The Most Popular Topics for Increased Knowledge**



**Sources of Information from which Israelis Wish to Expand their Knowledge of Financial and Economic Issues**

- About half of the population aged 20 and over prefer to expand their knowledge through newspaper articles or reports (printed or online) or through radio and television programs.
- 42% of the population reported that they are interested in reading or receiving information from government bodies such as the Ministry of Finance or the Bank of Israel.
- 18% reported that they are interested in reading or receiving information from a professional consultant with a fee.

**Diagram 7: Popular Sources of Information**



## International Comparison

The OECD recently performed a pilot for international comparison on financial issues. Fourteen diverse countries were used for the pilot - developed and developing countries - using a number of identical questions.<sup>3</sup>

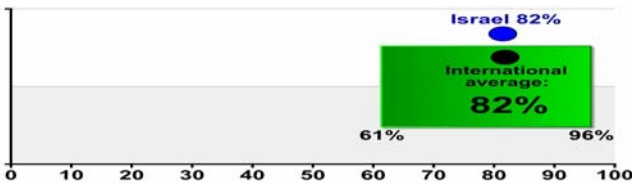
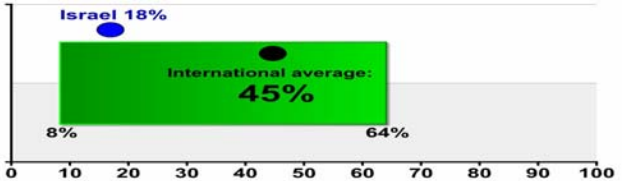
When the value found for various issues found in the Israeli survey is compared to the maximum value, average value, and the minimum value found in other countries participating in the survey,<sup>4</sup> it can be seen that, for the most part, the knowledge and behavior of Israelis were not out of the ordinary and/or were the same as the average of the countries that participated in the international comparison.

Issue	Description of the Question	Israel's Place in Relation to Countries Participating in the Comparison
1. Interest paid	Calculating the annual interest rate of 2% on a deposit of NIS 1,000 for a year.	<p>Israel 59%</p> <p>International average: 82%</p> <p>60% 95%</p>
2. Compound interest	Calculating annual interest rate of 5% on a deposit of NIS 1,000 for a period of two years	<p>Israel 29%</p> <p>International average: 30%</p> <p>14% 54%</p>
3. Definition of inflation	In a period of high inflation the cost of living increases quickly.	<p>Israel 65%</p> <p>International average: 80%</p> <p>57% 94%</p>
4. Risk and return	An investment with a high return is usually an investment with high risk.	<p>Israel 48%</p> <p>International average: 71%</p> <p>18% 86%</p>
5. Diversification	The risk of an investment portfolio can be decreased by diversifying its investment products	<p>Israel 48%</p> <p>International average: 53%</p> <p>41% 63%</p>

<sup>3</sup> The survey questions were similar in terms of content, however, there were differences in the wording of the questions that may have affected the results of the comparison.

<sup>4</sup> The countries that participated in the comparison were: United Kingdom, Germany, Norway, Ireland, Poland, Peru, Albania, South Africa, Estonia, Hungary, Armenia, Czech Republic, Malaysia and the British Virgin Islands. For more details see: [http://www.mfcr.cz/cps/rde/xbcr/mfcr/OECD\\_MeasuringFinancialLiteracy\\_2012-pdf.pdf](http://www.mfcr.cz/cps/rde/xbcr/mfcr/OECD_MeasuringFinancialLiteracy_2012-pdf.pdf)



Issue	Description of the Question	Israel's Place in Relation to Countries Participating in the Comparison								
6. Paying bills on time	I pay my bills on time.	 <p>A horizontal bar chart comparing Israel's performance to an international average and a range of other countries. The x-axis represents percentages from 0 to 100. A green bar represents the international average at 82%. A blue dot represents Israel's performance at 82%. A light gray shaded area represents the range of other countries from 61% to 96%.</p> <table><thead><tr><th>Metric</th><th>Value</th></tr></thead><tbody><tr><td>Israel</td><td>82%</td></tr><tr><td>International average</td><td>82%</td></tr><tr><td>Range (min-max)</td><td>61%-96%</td></tr></tbody></table>	Metric	Value	Israel	82%	International average	82%	Range (min-max)	61%-96%
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7. Attitudes towards the long-term	I prefer to spend money now over saving for the long-term.	 <p>A horizontal bar chart comparing Israel's preference for spending now over saving to an international average and a range of other countries. The x-axis represents percentages from 0 to 100. A green bar represents the international average at 45%. A blue dot represents Israel's preference at 18%. A light gray shaded area represents the range of other countries from 8% to 64%.</p> <table><thead><tr><th>Metric</th><th>Value</th></tr></thead><tbody><tr><td>Israel</td><td>18%</td></tr><tr><td>International average</td><td>45%</td></tr><tr><td>Range (min-max)</td><td>8%-64%</td></tr></tbody></table>	Metric	Value	Israel	18%	International average	45%	Range (min-max)	8%-64%
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