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Financial Literacy and Investment Behavior: A Comparative Study of Teen vs. Adult Decision-Making

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ABSTRACT: This study examines differences in financial literacy and investment behavior between teenagers and adults, using secondary data from global and national surveys. It explores five thematic areas: age-based literacy gaps, investment behaviors and risk tolerance, psychological and social influences, links between literacy and investment efficiency, and the impact of educational interventions. Findings reveal that teens often lack foundational financial skills, influencing risk-taking and investment patterns, while adults demonstrate relatively higher literacy but face their own limitations. The research underscores the importance of targeted, age-specific interventions to enhance decision-making, foster resilience, and promote long-term financial well-being across both groups.

KEYWORDS: Financial Literacy, Investment Behavior, Risk Tolerance

I. INTRODUCTION

Economic literacy is the skill of access to and proper utilization of financial skills like budgeting, savings, and investments. Financial literacy is instrumental in the development of the economic status of individuals. The Organisation for Economic Co-operation and Development further states that financial literacy is necessary in making informed choices in the growing complex financial markets (Pallavi and Thanry Dsa, 2025). According to research, there was a significant difference in the level of financial literacy among various age groups and that they may influence the investment behavior and risk tolerance. To give an example, in 2018, the OECD, through its Programme for International Student Assessment (PISA) identified that in countries where the test was conducted, only 12 percent of 15-year-old students were at the highest level of financial literacy competency (OECD, 2020).

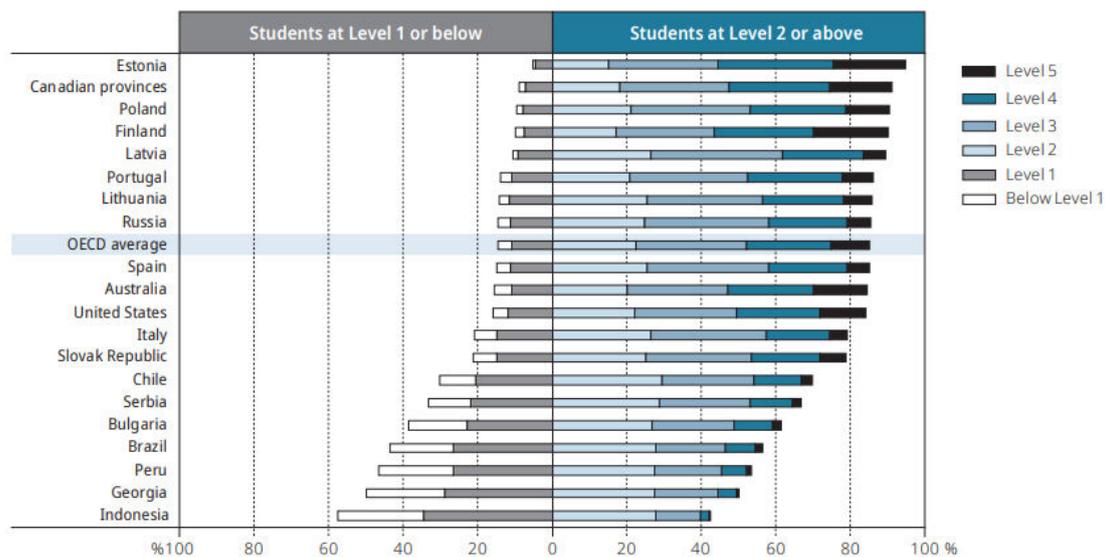


Figure: Percentage of students at each level of proficiency in financial literacy
Source: (OECD, 2020)

Conversely, adults may also hold more experience in life, yet suitable candidates can also be impacted by more ingrained bias or risk-aversion. They might have different approaches to the investments when their teens, compared to adults, use more traditional tools, including mobile apps that help them invest will rather ease towards technology-driven solutions. The paper is a comparative study that provides an insight into the role of financial literacy in investment decisions made by teens and adults as there exist differences in terms of knowledge, confidence, and behavior (Almansour, Elkrghli and Almansour, 2023). Through the identification of these patterns, policymakers, educators, and financial institutions become able to design specific interventions that can enhance the overall financial capability of people across different age categories to promote smarter, sustainable approaches to investment.

II. RATIONALE AND OBJECTIVE

It is important to understand the role of financial literacy in shaping the investment behavior in an environment where financial markets are becoming accessible to people of all ages. The younger generation is arriving earlier into the investing room, particularly in online forms, and the adults have experience, but their strategies might be dated (Sharma, Damseth and Shyam, 2024). Gleaning of comparative research of these groups has the ability to uncover specific advantages, disadvantages, and perceptions of risk, which can lead to better programs of education and policies. This study will help in designing interventions specific to an age and potentially improving the financial decisions given the effects it can have on long-term wealth and susceptibility to bad investment options.

Objectives:

1. To assess and compare financial literacy levels among teenagers and adults.
2. To analyze differences in investment behavior and risk tolerance between the two groups.
3. To recommend targeted strategies for improving financial literacy and informed investment decision-making.

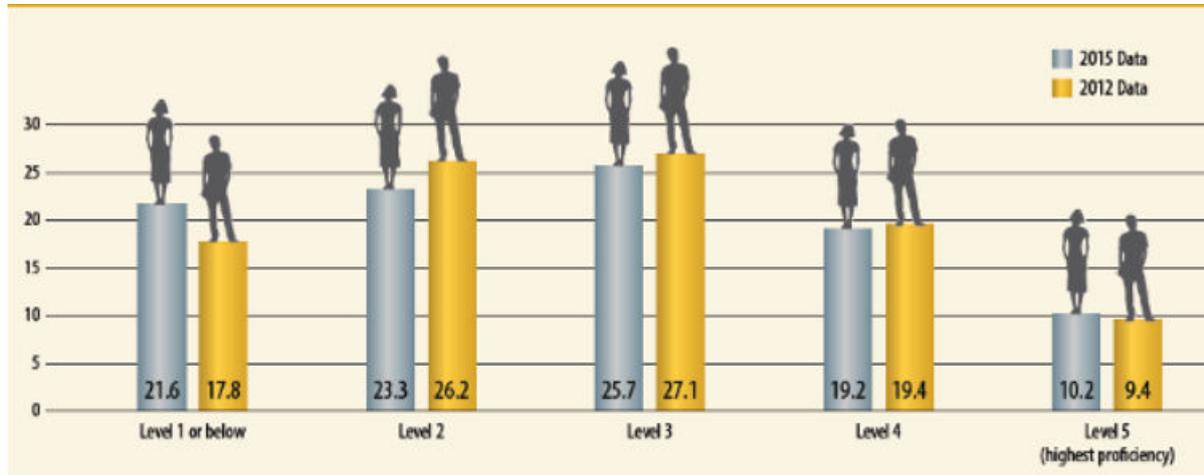
III. METHODOLOGY

This study adopts a secondary research approach to examine the relationship between financial literacy and investment behavior among teenagers and adults. Secondary data is utilized to draw insights from previously published research, surveys, and reports by reputable organizations, academic institutions, and government bodies. It concentrates on the synthesis of the prior existing knowledge to highlight trends, patterns and disparities in handing decisions at the two age brackets. The list of data will consider academic journals, books, statistical reports, and online information sources or publications that conduct intense research activity on the topic of financial literacy and investment practices (Mazhar et al., 2021). Data recorded is used qualitatively and quantitatively in comparing levels of literacy, risk tolerance and behavior patterns. Interpretation of the qualitative research is performed using content analysis, and descriptive statistical summaries are given to highlight the numerical trends of the secondary data sources. Such an approach makes it possible to explore the topic comprehensively and in an economical manner without running into the constraints imposed by collecting primary data in terms of cost and time limitations. Triangulation of information received on different reliable sources has guaranteed reliability and validity of the study, and also it gives a wider picture of the available research findings. The results obtained with the help of such methodology will use in order to find the gaps and give recommendations on improvement of financial literacy and responsible investment practice among the age groups.

IV. LITERATURE REVIEW

Theme 1: Differences in Financial Literacy between Teens and Adults

Financial literacy levels differ markedly between teenagers and adults, reflecting both gaps in life experience and the varying quality of financial education. According to the OECD's Programme for International Student Assessment (PISA) 2018, the most recent large-scale cross-national dataset on youth financial literacy—only about 11% of 15-year-olds across 20 participating economies demonstrated the ability to tackle complex financial problems requiring critical thinking and multi-step reasoning (OECD, 2020). Roughly 20% of these students struggled with basic numerical tasks such as calculating simple percentages. In the United States, national assessments show that only one in ten high school students can successfully complete complex financial tasks, while more than one in six cannot manage basic money calculations (NEFE, 2017).



Source: (NEFE, 2017)

By contrast, adults often display higher proficiency, particularly those with higher educational attainment or regular exposure to financial decision-making. The FINRA National Financial Capability Study found that U.S. adults answered, on average, just 50% of basic financial knowledge questions correctly, but this rate was significantly higher than that of teenagers (FINRA, 2022). Adults tend to perform better on topics like compound interest, inflation, and diversification, though knowledge gaps persist—especially among younger adults, individuals with lower incomes, and those without college education.

International data echo these patterns. The World Bank’s 2022 Global Findex survey reports that in high-income countries, over 70% of adults understood key financial concepts such as risk diversification and interest rates, compared to under 40% in low-income countries (World Bank, 2022). Among youth aged 15–24 globally, understanding of these concepts remains substantially lower, even in economically developed nations (Demirgüç-Kunt et al., 2021).

These findings point to an enduring literacy gap between teenagers and adults that is not solely a matter of age, but also of education, socioeconomic status, and access to experiential learning (Almansour, Elkrghli and Almansour, 2023). Such disparities underscore the importance of assessing financial literacy separately for these groups and developing targeted interventions that address their distinct needs and learning contexts.

Theme 2: Investment Behaviors and Risk Tolerance Across Age Groups

Teenagers and adults consistently demonstrate distinct approaches toward investing and risk, shaped by their knowledge, confidence, and life stage. Gen Z individuals, typically ages 18–25, are increasingly active investors: surveys suggest that more than half have made at least one investment in stocks, mutual funds, or other assets (Sinnewe and Nicholson, 2023). Yet many of these young investors report feeling inadequately prepared to explain basic market concepts; in one national poll, 32 % cited fear of losing money and 44 % admitted they simply didn’t know where to begin—highlighting that barriers to entry are not just financial but stem from knowledge gaps (Espeute and Preece, 2025). Confusion around newer investment categories like cryptocurrency is especially prevalent, with 40 % of young respondents reporting limited understanding in that area.

On the other hand, adult investors particularly those with higher financial literacy levels exhibit greater comfort with debt and varied investment instruments. Academic research among undergraduate and graduate populations demonstrates a positive correlation between financial literacy and the willingness to use credit responsibly, participate in diversified investment portfolios, and accept calculated risks (Alekm et al., 2018). In these studies, individuals with stronger foundational knowledge are more inclined to leverage debt (e.g., for education or property investment) and tend to display higher risk tolerance in asset allocation, often opting for growth-oriented or novel investment vehicles.

These behavioral patterns indicate a connection of literacy and confidence: teens are willing to invest but restrained by uncertainty and fear, adults, and in particular those who are literate in financial subjects, demonstrate more proactive

and step-by-step attitude to investing (Mancone et al., 2024). The two groups are contrasting as well as they relate to wider maturational and experiential differences. Young people are prone to listening to friends or social media influence or apps, which can promote impulsive or trends-based investment (Putri and Simanjuntak, 2020). Adults, conversely, will feel higher inclination to use conventional sources typically used by adults, such as financial advisors, traditional media, financial news outlets, and to leverage years of experience (Blaschke, 2022).

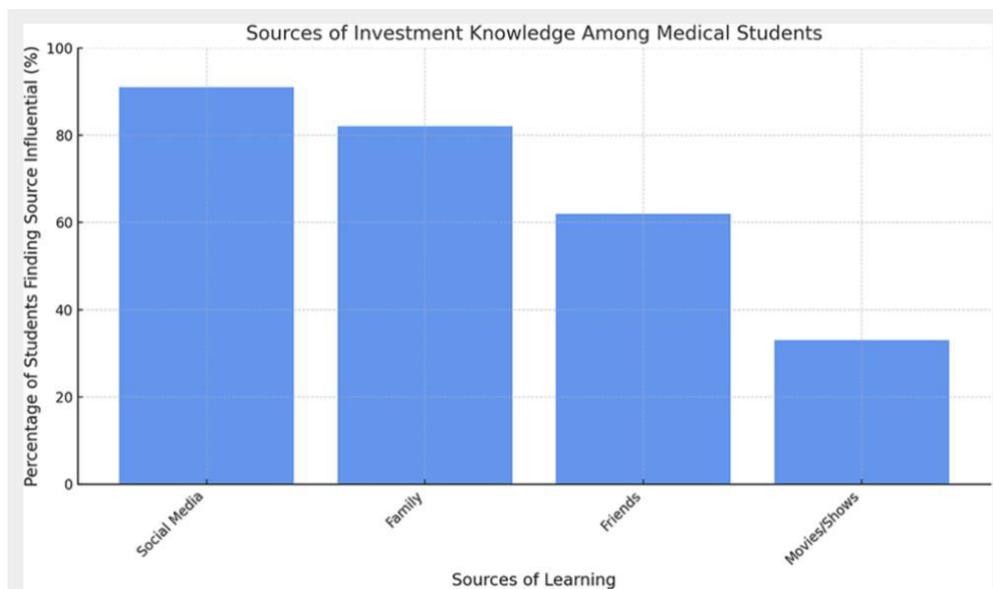
Theme 3: Psychological, Social, and Structural Influences on Literacy and Behavior

Psychological, social and structural factors influence how teenagers and adults learn financial literacy and how they invest in a variety of ways. Psychologically, the Dual Systems Model can explain the increased as a willingness to take risks among adolescents (Murray et al., 2021). It implies that the neurodevelopment of a socio-emotional system of rewards predominates over the neurodevelopment of the cognitive control system during adolescence, which may contribute to the duration in which reward-seeking may supersede the concerns of cautious decision-making (Quinn and Robert, 2019). This asymmetry frequently manifests itself as an increased willingness to make speculative-type investments or risky investments, especially with the addition of group pressure or the pressure of media opinion (Murray et al., 2021).

In the same regard, the Theory of Planned Behavior (TPB) offers to conceptualize how attitudes towards investing, the perceived social norms, and the belief a person has about their capacity to make sound decisions in investment decision-making. Where social norms can consist of their peers and the online community in teens and professional communities or familial expectations in adults (Norisnita and Indriati, 2022).

Social and familial contexts are among the most consistent predictors of financial literacy. Studies show that parents' financial habits strongly influence their children's financial behaviors, with confidence acting as a mediating factor, youths who observe positive financial practices at home are more likely to adopt them and take informed risks themselves. Informal learning, such as family conversations about money, often outweighs formal school-based financial education in impact (Aryadevi MR, VincentG and Kumar Challa, 2025).

In today's digital era, structural influences have shifted: social media, online content creators ("finfluencers"), and easily accessible investing platforms have become prominent sources of information for younger generations. In one study of medical undergraduates in India, 91% cited social media as a key source of financial knowledge, 82% mentioned family, and 62% listed friends—demonstrating how peer networks and digital platforms are central to learning (Singh et al., 2024).



Source: (Singh et al., 2024)

These psychological, social, and structural influences help explain why literacy levels and investment behaviors differ by age, and they point toward the importance of designing age-specific, culturally relevant, and context-aware financial education strategies (Siegfried and Wuttke, 2021).

Theme 4: Financial Literacy, Risk Tolerance, and Investment Efficiency

Financial literacy has a direct and measurable influence on investment efficiency. Investors with strong financial knowledge are more likely to diversify their portfolios, select low-cost products, and avoid common errors such as panic-selling during market downturns (Hashmi et al., 2021). Data shows that adults with high financial literacy are around 45% more likely to maintain diversified investments and 30% less likely to hold all assets in cash or a single stock. They are also significantly less prone to making emotionally driven sell decisions during periods of market volatility.

In developing economies, the relationship is equally evident. Millennials with basic investment knowledge are approximately 35% more likely to save regularly and 25% more likely to invest in formal financial products compared to those with lower literacy (Lusardi and Oggero, 2017). Studies further show that higher literacy reduces the influence of behavioral biases—such as overconfidence and herding—by as much as 40%, resulting in more rational and disciplined investment choices (Lusardi and Oggero, 2017).

Research models identify a consistent pathway: literacy increases the ability to assess and tolerate calculated risks, which then improves investment efficiency. Literate investors are about 50% more likely to include equities and other growth-oriented assets in their portfolios, leading to higher returns over time while maintaining balanced risk exposure (Lusardi and Mitchell, 2014). Emotional intelligence plays a vital moderating role; investors with strong emotional regulation are roughly 37% less likely to make impulsive trades when markets fluctuate sharply (Fazal Hadi, 2017).

Among teenagers, lower literacy levels and underdeveloped emotional control can produce two extremes: overly cautious investing that limits growth or speculative decisions driven by trends and peer influence. Adults, on average, exhibit greater strategic risk management, but they are not immune to emotionally charged decisions (Sharif and Naghavi, 2020).

Understanding how literacy, risk tolerance, and investment efficiency interact across age groups is crucial for identifying gaps and tailoring education programs that help both teens and adults make sound, sustainable financial decisions (Spear, 2024).

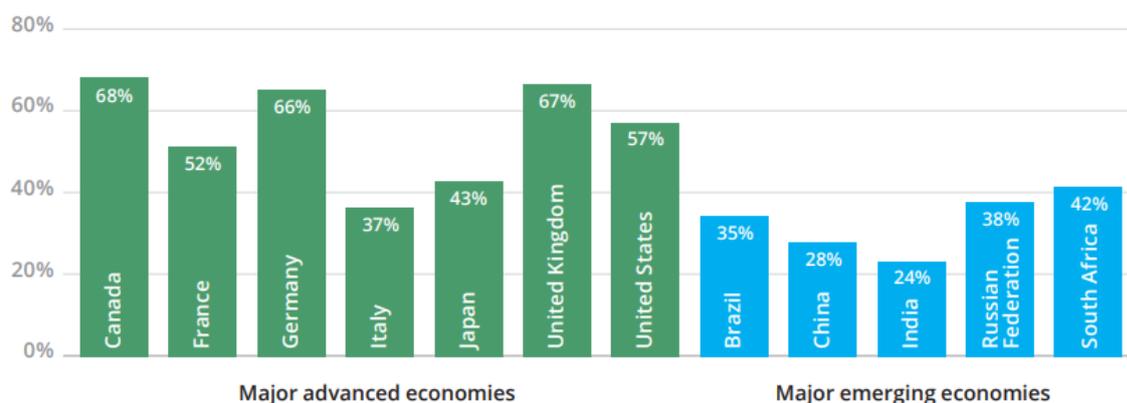


Figure: Percentage of financially literate adults in major advanced and emerging economies
Source: (Lusardi and Oggero, 2017)

Theme 5: Educational and Programmatic Interventions for Improving Financial Literacy

Educational interventions remain one of the most effective ways to strengthen financial literacy and improve investment behavior across all age groups. School-based programs have shown measurable benefits, particularly when they integrate experiential learning, simulations, and parental involvement (Agarwal, Rao and Nogueira, 2025). Students

exposed to practical exercises, such as budgeting games or mock investment challenges, demonstrate higher retention of financial concepts and greater confidence in applying them.

Over the last few years, formal financial training requirements have shown remarkable growth. In the United States, there are more states than precedently that are requiring a stand-alone personal finance course in order to graduate high school; 21 states in 2020 compared to 36 in 2025 (Hensley, 2024). Initial evaluations show that these initiatives result in a lower utilization of expensive credit products, savings that increase and increased utilization of scholarships to pursue additional education. Stronger initiatives achieved in other nations have demonstrated that the incorporation of financial literacy in national curriculums can help to reduce knowledge inequalities across socioeconomic groups (De Neys, 2021).

To young learners, gamified applications and online tools are showing considerable success. Examples like the save-spend-give systems teach children and adolescents to cooperate some form of allowances or low income in an organized manner, which helps to solidify life planning habits (Zulaihati et al., 2020). Coupled with real life budgeting activities, mobile apps involve teens in low-stakes, riskless budgetary decisions, increasing competence and confidence in financial decisions (Atif Sattar, Toseef and Fahad Sattar, 2020).

Targeted financial education programs also work well with adults, particularly when those programs are offered at workplaces or community-based organizations. Studies indicate that adults who have attended organized financial sessions are better placed to invest in more than one asset, save toward retirement and have emergency savings.

The capacity to handle on-line transactions safely has actually become a vital part of literacy in economies that are increasingly becoming cashless. Teens and adults need programs that can deal with online security, avoiding fraud, and proper credit use (Wangi and Baskara, 2021). Educational interventions can be designed to fit the unique needs of every age group, and the financial decision-making is more informed and more resilient by integrating school-based learning, family participation, digital tools, and community resources.

V. CONCLUSION

Evaluation of financial literacy levels among young people of different ages demonstrates the distinctive difference in the level of knowledge and behavior as well as decision-making abilities between adolescents and adults. Adolescents tend to have relatively weak literacy on elementary financial concepts, whereas adults have a slightly higher level, but still, demonstrate gaps, which can depend on socioeconomic and demographic issues. There are also significant differences in investment behaviors, where young people are usually susceptible to novel properties but lacking confidence and risk control ability, and adults are more prudent, diversified.

A deciding factor when determining literacy and behavior involves psychological, social, and structural factors such as cognitive development, parental influence, and exposure to social media. It is also proven that financial literacy increases the risk tolerance, minimizes the exposure to behavioral biases and results in more productive investment decisions.

There is continued need in educational interventions to fill the gaps. Interventions including school-based interventions, on job training and online tools have been effective in enhancing knowledge, enhancing financial attitudes as well as resilience in decision-making. The most promising would be a multi-pronged approach that would differentiate content by developmental stage, learning styles and real life contexts.

After all, increasing financial literacy is not only personally beneficial but also a societal necessity, because it equips individuals of all ages with the knowledge they require to figure out dense financial waters and establish durable protection.

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