



# Trust, Financial Literacy, and Financial Behaviors: Shaping Retirement



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# Trust, Financial Literacy, and Financial Behaviors: Shaping Retirement Security\*

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## Abstract

We extend the literature on the importance of trust for financial behaviors by examining trust, financial literacy, and financial behavior related to retirement security. Using the Health and Retirement Study, we show that Trust in Financial Institutions aligns with behaviors supportive of retirement security, while Trust in Government Programs does not. We further document racial/ethnic differences: for White respondents, Trust in Financial Institutions relates positively to retirement outcomes, but not for Blacks or Hispanics. Moreover, Trust in Government Programs among minority households is linked to reduced stockholding and lower wealth accumulation. These findings inform efforts to strengthen retirement security.

**JEL Classification:** D14 G51 G53

**Keywords:** Retirement savings, financial literacy, trust.

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## אמון, אוריינות פיננסית והחלטות כלכליות: השלכות על הביטחון הפנסיוני\*

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### תקציר

מחקר זה מרחיב את הספרות הבוחנת את תפקיד האמון בהתנהגות פיננסית, ומתמקד בזיקה שבין אמון, אוריינות פיננסית והתנהגויות פיננסיות התומכות בביטחון כלכלי בגיל הפרישה. בהתבסס על נתוני סקר הבריאות והפרישה האמריקאי (Health and Retirement Study) אנו מוצאים כי אמון במוסדות פיננסיים מתואם עם התנהגויות התומכות בצבירת חיסכון פנסיוני, בעוד שאמון בתוכניות הממשלה (ביטוח לאומי ושירותי בריאות ציבוריים) אינו מפגין קשר דומה. כמו כן, לאחר בקרה על מאפיינים דמוגרפיים וסוציו-אקונומיים, ובפרט רמת הכנסה, אנו מוצאים פערים מובהקים סטטיסטית בין קבוצות אוכלוסייה: בקרב משיבים המוגדרים בסקר כאוכלוסייה לבנה שאינה היספנית נמצא קשר חיובי בין אמון במוסדות פיננסיים לבין תוצאות פנסיוניות, ואולם בקרב משיבים שחורים והיספנים קשר זה אינו קיים; יתר על כן, עבור קבוצות אלו נמצא קשר שלילי בין אמון בתוכניות ממשלה לבין התנהגויות ותוצאות פיננסיות הקשורות לפרישה. ממצאים אלו תורמים להבנת הגורמים המשפיעים על הביטחון הכלכלי בגיל הפרישה, ומספקים תובנות לעיצוב מדיניות בתחום החיסכון הפנסיוני והחיסכון ארוך הטווח.

סיווג JEL: D14, G51, G53

מילות מפתח: חיסכון פנסיוני, אמון, אוריינות פיננסי

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הדעות המובעות במאמר זה אינן משקפות בהכרח את עמדתו של בנק ישראל

# 1 Introduction

The long-term move away from defined benefit toward defined contribution retirement plans has shifted responsibility for retirement security away from employers and toward individuals, making it increasingly important for analysts to understand how people's beliefs and expectations shape financial decision-making at older ages. In this environment, trust in both financial institutions and government programs plays a central role in determining how people save, invest, and plan for retirement.

While prior work shows that trust matters for economic behavior (Putnam, R. D., 2007; Guiso, L. et al., 2008; Sapienza, P. and Zingales, L., 2012), relatively little is known about whether different types of trust operate through distinct channels in shaping retirement preparedness. Trust in financial institutions may increase households' willingness to engage with market-based retirement products, while trust in Social Security and Medicare may shape expectations about public support and potentially crowd out private saving. Yet prior empirical work has typically relied on a broad "Trust in People" measure used in the World Value Survey (WVS) that cannot distinguish between these channels.

To address this gap, we fielded a specially designed module in the 2020 Health and Retirement Study (HRS) of Americans age 50+. The module measured trust in specific financial institutions including mutual funds, financial advisors, banks, and insurance companies, as well as trust in government programs such as Social Security and Medicare/Medicaid. These domain-specific measures allow us to examine mechanisms directly tied to retirement saving behavior. We construct two aggregate measures, Trust in Financial Institutions and Trust in Government Programs, and we also incorporate the Trust in People metric widely used in prior studies (Alesina, A. and La Ferrara, E., 2002; Guiso, L. et al., 2008; Johnson, N. D. and Mislin, A., 2012; Bergh, A. and Bjørnskov, C., 2014; Delis, M. D. and Mylonidis, N., 2015). In addition, we measure financial literacy and examine how both trust and financial literacy vary by race and ethnicity.

This paper makes four contributions. First, we introduce new domain-specific measures of trust in financial institutions and trust in government programs, allowing us to distinguish the mechanisms through which trust affects retirement saving and investment behavior. Second, we show that trust in financial institutions is positively associated with retirement account ownership, stockholding, and wealth, while trust in government programs is negatively linked to private saving. Third, we

demonstrate that financial literacy provides an independent and economically important channel shaping retirement preparedness, beyond the effects of trust. Fourth, we document substantial racial and ethnic heterogeneity in both levels of trust and in the strength of their associations with financial outcomes, highlighting structural inequities that shape retirement behavior.

Our paper contributes to a large economic literature on how trust influences financial behavior.<sup>1</sup> Prior studies have also linked trust to retirement planning, saving, and stock market participation.<sup>2</sup> Trust is broadly understood as the expectation that individuals, institutions, or systems will act fairly, reliably, and in alignment with established norms, especially under uncertainty. More broadly, trust can promote investment and collaboration by reducing perceived risks in economic interactions (Kondo, J. et al., 2021). Previous studies have also tied trust to retirement planning, saving, and stock market participation. Nevertheless, most prior research has relied on a simple Trust in People question implemented in the World Values Survey (WVS): specifically "how much do you trust in people?" (Johnson, N. D. and Mislin, A., 2012; Sapienza, P. and Zingales, L., 2012). Responses to that question have been linked to financial inclusion and lending patterns (Galiani, S. et al., 2022; Nicolas, C. et al., 2023), retirement planning behavior (Ricci, O. and Caratelli, M., 2017), and stock market participation (Guiso, L. et al., 2008; El-Attar, M. and Poschke, M., 2011; Oehler, A. et al., 2023). Trust in People has also been shown to be positively correlated with institution-specific measures of trust such as trust in banks and financial advisors (Lesmeister, S. et al., 2022; van der Cruijssen, C. et al., 2023; Kettlewell, N. and Tymula, A., 2024).<sup>3</sup> By introducing new measures of trust that are closely aligned with the financial decisions confronting adults, we provide a more nuanced understanding of how trust shapes retirement behaviors.

We show that people who trust financial institutions exhibit more financial behaviors conducive to retirement security, whereas those who trust government programs are less likely to save and invest for retirement. Specifically, a one-unit increase in people's Trust in Financial Institutions is

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<sup>1</sup>See for instance Putnam, R. D., 2007; Guiso, L. et al., 2008; Sapienza, P. and Zingales, L., 2012; Fungáčová et al., 2019; Ho, T.-H. and Weigelt, K., 2005; Özer, Ö. et al., 2018; Choi, E. W. et al., 2020; Xie, F. et al., 2022; Hagendorff, J. et al., 2023; Drobetz, W. et al., 2023; Limbach, P. et al., 2023 and Gurun, A. and Booth, G. G., 2024.

<sup>2</sup>Examples include Guiso, L. et al., 2008; Agnew, J. R. et al., 2012; Balloch, A. et al., 2015; Ricci, O. and Caratelli, M., 2017; Burke, J. and Hung, A. A., 2021; Haran Rosen, M. and Sade, O., 2022b; Deaves, R. et al., 2022 and Galiani, S. et al., 2022.

<sup>3</sup>Other authors have focused on additional outcomes: for example, trust in insurance companies has been found to be negatively correlated with health behavior, perhaps because insurer incentives may not be aligned with policyholders' best interests (Darden, M. E. and Macis, M., 2024). See also Fuentes, O. M. et al. (2023) and van der Cruijssen, C. et al. (2023).

associated with a 6% increase in the probability of having a retirement account, a 7.5% increase in the likelihood of holding stocks, and a 3.2% increase in household net wealth (around \$17,800). By contrast, Trust in Government Programs is negatively and significantly associated with the same three outcomes: a one-unit increase is linked to a 4% and 6% lower likelihood of having a retirement account and holding stocks, respectively, and a 1.6% reduction in household wealth (about \$8,900). These findings indicate a "crowding out" effect: people who trust public programs more feel less compelled to save privately.

We also document that the conventional Trust in People measure loses explanatory power once our domain-specific trust measures are included, although it remains predictive for some subgroups, particularly Black and Hispanic households. This suggests that the traditional trust measure captures meaningful social or institutional experiences, but our more targeted trust questions asking about financial institutions and government programs substantially improve explanatory power for retirement behavior.

Trust and financial literacy are conceptually distinct but potentially complementary determinants of financial behavior. Individuals who are more financially literate may find it easier to evaluate financial products and therefore rely less on trust alone, while having greater trust in financial institutions can increase willingness to act on financial knowledge or to seek out advice. Financial literacy is known to shape retirement planning and saving (e.g., Klapper, L. et al., 2013; Lusardi, A. and Mitchell, O. S., 2014; Gathergood, J. and Wylie, D., 2018; Lusardi, A. and Mitchell, O. S., 2023; Sconti, A. et al., 2024; Laudenbach, C. et al., 2024; Bucher-Koenen, T. et al., 2025b), while recent studies show that both trust and financial literacy influence stock market participation and financial behavior (e.g., Ricci, O. and Caratelli, M., 2017; van der Crujisen, C. et al., 2021; Fisch, J. E. and Seligman, J. S., 2022; Deaves, R. et al., 2022; Balloch, A. et al., 2015). Nevertheless, it remains unclear whether domain specific trust in financial institutions and government programs carried explanatory power beyond that of financial literacy, particularly for older adults who must navigate both private and public components of the retirement system. Our findings confirm that our novel trust measures, as well as financial literacy, have distinct and economically significant effects on financial behaviors associated with retirement security.

These results have clear policy implications. Retirement security initiatives often emphasize financial literacy, yet we find that trust and financial literacy operate through distinct channels

and both matter for retirement preparedness. Policies that enhance transparency, reduce frictions in interacting with financial institutions, or build confidence in private retirement products may increase the effectiveness of financial education. Conversely, changes in public program communication or policy design may influence private saving behavior through trust in government programs.

Finally, we identify substantial heterogeneity by race and ethnicity. Compared to Whites, Blacks and Hispanics exhibit lower Trust in People, Trust in Financial Institutions, and financial literacy, yet they report greater Trust in Government Programs. Beyond these differences in levels, the associations between trust and financial outcomes also differ across groups: Trust in Financial Institutions is strongly related to outcomes for Whites, whereas Trust in Government Programs shows stronger associations among minorities. These patterns highlight longstanding structural inequities and suggest that efforts to narrow racial wealth gaps must address both informational barriers and trust-based barriers that shape engagement with the financial system.

In what follows, we first describe the data used for our analysis, followed by a discussion of our methods. Next we analyze results, and we conclude by discussing how to influence trust as well as education programs and regulatory policies that could enhance financial decision making and retirement security.

## **2 Datasets**

In what follows, we rely on data from an experimental module we developed and fielded in the nationally representative survey of adults age 50+ in the US Health and Retirement Study (HRS).<sup>4</sup> A unique advantage of the HRS is that we can append to our module additional information on respondents collected over several prior waves. The HRS regularly gathers a wide range of information on individual and household financial status, socio-demographic characteristics, and additional attributes of individuals and households. Accordingly, it offers a detailed view of the outcomes of financial decisions throughout the life cycle, allowing for an assessment of the impact of financial literacy and trust on retirement outcomes.

Our main investigation focused on the 2020 HRS survey wave that included our questions about respondents' trust in people, financial institutions, and government programs. Our questions asked

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<sup>4</sup>For further detail see <https://hrs.isr.umich.edu/>

respondents to provide a rating from 0 to 10 in response to the following questions:

"How much do you trust:

- People in general?
- Mutual funds?
- Financial advisors?
- Banks?
- Insurance companies?
- Social Security?
- Medicare or Medicaid?"

We then link these responses to three financial behaviors associated with retirement security:

- Having a retirement account: A binary variable indicating whether the respondent had a retirement account;
- Holding stocks: A binary variable indicating whether the respondent held stocks in retirement or other accounts; and
- Total net household wealth: A continuous variable representing the household's total net wealth, winsorized at the 1%; it includes both financial and real estate assets, net of debt.<sup>5</sup>

Our module was assigned to a randomly selected 10% of the full HRS survey. For the present analysis, we excluded respondents who did not answer the trust-related questions; the resulting sample size is 1,286. This module also included the "Big Three" financial literacy questions (Mitchell, O. S. and Lusardi, A., 2011), from which we constructed a financial literacy index (FinLit) as the number of three questions answered correctly. Additionally, we make use of the richness of the HRS dataset to control on variables that could also affect our outcomes of interest. These include age, sex, marital status, income, education, race/ethnicity, cognitive ability, number of children, and willingness to take risks. For a full description of variables see Table 1.<sup>6</sup> Because

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<sup>5</sup>HH net wealth ranged from a minimum of \$59,995 to a maximum of \$8,908,285 (\$2020). Positive wealth included financial assets, housing, vehicles, and businesses, while negative wealth was due to debt.

<sup>6</sup>The longitudinal aspect of this dataset also allowed us to investigate how stable respondents' trust measures were over time, to a limited extent. The HRS included a single question asking respondents how much they trusted neighbors in their local areas (within a 20-minute walking distance from their home) on a scale from 1-7; 10% of the sample received this question in different survey waves. Over the lifetime of the survey, we found that 10,641 respondents answered this question more than once. Our investigation of the stability of this question found that 75% of respondents' scores remained the same or differed by a single point, indicating that this trust measure was very stable over time. The longitudinal nature of the data also enables us to examine wealth dynamics over time. We find that the correlation in wealth between the 2018, 2020, and 2022 waves is approximately 0.9, underscoring the stability of the wealth measure and supporting its robustness for our 2020-based analysis.

the 2020 HRS wave was fielded early that year, it captured respondents' attitudes and behaviors before the full impact of the pandemic hit, allowing us to observe trust and financial behavior after a relatively stable economic period.

Table 1 presents descriptive statistics for the key outcomes and control variables in our dataset. As the HRS sample is older than average, respondents had somewhat more net wealth and held more equity than the overall US population. Nevertheless, net wealth levels for this age group were similar to those in the Federal Reserve Board's Survey of Consumer Finances data, confirming the representativeness of the HRS older respondents.<sup>7</sup>

*Table 1 here*

Figure 1 provides an initial exploration of the relationship between our measured trust variables and financial literacy, highlighting how trust and financial literacy differentially influences financial outcomes. The correlations are generally low between the FinLit index and our trust measures (below 0.16), including Trust in People, Trust in Mutual Funds, Trust in Financial Advisors, Trust in Banks, Trust in Insurance Companies, Trust in Social Security, and Trust in Medicare/Medicaid. Notably, some correlations are negative, particularly Trust in Banks, Insurance Companies, Social Security, and Medicare/Medicaid. The full correlation table (see Appendix A1) confirms that inter-correlations between different trust measures are also relatively modest (below 0.5), except for Trust in Mutual Funds and Financial Advisors (0.65), and Trust in Advisors and Banks (0.54). This pattern indicates that trust responses differ across contexts and suggests distinct implications for saving, investment, and wealth management behaviors.

*Figure 1 here*

### **3 Methods**

In what follows, we first investigate the empirical relationships between trust, financial literacy, and financial behaviors including having a retirement account, holding stocks in/outside of retirement accounts, and net household wealth. We also control on respondents characteristics including age, sex, marital status, race, number of children, education, income, and number of children, as well as

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<sup>7</sup><https://www.federalreserve.gov/econres/scfindex.htm>

the respondent's health status, memory score, and willingness to take risks.

Specifically, we estimate multivariate regressions where each respondent was subscripted  $i$ :  $Y_i$ , the dependent variable, is regressed on  $TP_i$ , the respondent's level of Trust in People;  $TI_{ji}$ , the respondent's trust in the  $j$  relevant institution/government programs; and  $F_i$ , the respondent's financial literacy index score. Additionally, we control for respondent characteristics  $X_i$ , resulting in the following model:

$$Y_i = \alpha_0 + \beta_2 * TP_i + \beta_3 * \sum_j * TI_{ji} + \beta_1 * F_i + \beta_4 * X_i + \epsilon_i. \quad (1)$$

For the two binary dependent variables (having a retirement account and holding stocks), we use Logit regressions and report average marginal effects indicating the effect of a given predictor on the probability of the outcome. For the continuous dependent variable, household net wealth, we employ median regression (quantile regression at the 50th percentile), as wealth is skewed.

## 4 Analysis of Detailed Trust Measures

Table 2 reports estimated coefficients of our detailed trust measures as well as Trust in People and financial literacy, as they relate to the three financial behaviors of interest. We first present average marginal effects from the Logit models on the likelihood of having a retirement account and investing in stocks, followed by those from median regression models on household net wealth. (Full results including the additional controls appear in Appendix A2.)

*Table 2 here*

For all three retirement behaviors, we begin by examining Trust in People. Consistent with prior work, Trust in People proves to be positively and statistically significantly associated with stock market participation, with a one-unit increase in trust corresponding to a 10 percentage point higher likelihood of holding equity (or about a 3% increase relative to the mean). In contrast, Trust in People is not significantly related either to having a retirement account or household net wealth. Once we expand the analysis to include more detailed measures of trust in financial institutions and government programs, the association between Trust in People and holding stocks attenuates and

becomes statistically insignificant (cols. 2, 4, and 6).<sup>8</sup> In other words, our results underscore the importance of considering trust in financial institutions and government programs, since responses to the Trust in People question do not fully capture the other trust dimensions included here.

Turning next to the detailed trust measures, there is a generally positive and significant association with trust in mutual funds and financial advisors across all three retirement behaviors. Specifically, after controlling for financial literacy, a one-unit increase in trust in mutual funds and financial advisors increases the likelihood of having a retirement account by 2 and 1.5 percentage points, respectively (or 6% and 4% increase over the mean). They also boost the probability of holding stocks by 3 and 1 percentage points respectively (or 10% and 4% increase over the mean). The median wealth estimates are less robust, with only trust in financial advisors statistically significantly associated with a \$9,300 increase (2%) in wealth.

Interestingly, Table 2 also indicates a negative association between trust in Medicare/Medicaid and the likelihood of having a retirement account or holding stocks: after controlling for financial literacy, a one-unit increase in trust in Medicare/Medicaid reduces the likelihood by 19 and 17 percentage points (or 6% and 5%, respectively). This suggests that when people believe the government will care for them in retirement, they are less likely to save and invest in equity. This finding contrasts somewhat with the wealth results, where greater trust in Medicare/Medicaid is positively and significantly associated with higher net wealth. Specifically, after controlling for financial literacy, a one-unit increase in trust in those institutions is associated with \$8,400 (or 1.5%) more wealth. A potential explanation for this outcome may be that individuals who trust Medicare/Medicaid hold different assets such as real estate which can boost overall wealth but do not necessarily enhance retirement account or equity market participation.

Estimated results for the detailed trust measures remain robust even when financial literacy is not included as a control, indicating that these measures capture dimensions of trust that are distinct from financial knowledge. Nonetheless, the analysis also reveals that financial literacy is positively and statistically significantly associated with all three outcomes considered, even after controlling

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<sup>8</sup>Oehler, A. et al. (2023) reported that this trust factor was negatively correlated with risk-taking, whereas our study identifies a positive connection. Our outcomes are robust even when we control on a comprehensive vector of factors including measures of life satisfaction and depression that account for the personality traits that they address in their work. This is likely because we focus here on a broader and older population, while the earlier study examined a small sample of students. Moreover, the Medicaid program normally exempts a retiree's primary residence from the means test for receiving nursing home benefits, which could explain why home values are higher for those who trust the government program.

for Trust in People, financial institutions, and government programs. Marginal effects indicate that, for a one-unit increase in the financial literacy index (one additional correct answer), the probability of having a retirement account rises by 6 to 6.5 percentage points (19% to 21%), and the probability of investing in stocks increases by 7 percentage points (22%), depending on the specification. The median wealth regression implies that respondents would have \$30,300-31,100 more net household wealth for each additional correct financial literacy question, equivalent to a 6-7% increase in net wealth, depending on the specification.

Taken together, these findings underscore the importance of financial literacy for individuals over the age of 50, with the measured effects comparable to those in prior studies.<sup>9</sup>

## **5 Aggregate Trust measures: Trust in Financial Institutions and Government Programs**

To reduce the dimensionality of the novel trust metrics examined thus far, we also explore the effect of grouping them into two aggregate measures, defined as follows:

- Trust in Financial Institutions refers to the respondent's average trust in mutual funds, financial advisors, banks, and insurance companies; and
- Trust in Government Programs refers to the respondent's average trust in Social Security and Medicaid/Medicare.

Next, we use these two aggregate variables, as well as the Trust in People metric, to provide additional understanding of how they are associated with the key outcomes of interest. The cor-

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<sup>9</sup>Two prior studies reported around a 20% increase in planning for retirement given a one-unit higher financial literacy score (Bucher-Koenen, T. and Lusardi, A., 2011; Lusardi, A. and Mitchell, O. S., 2011). In the present instance, we find a 19% increase in the chance of actually having a retirement account (not simply planning to save for retirement). Our estimate of the impact of financial literacy on the chance of stock market participation is smaller, 22%, compared to two prior studies on younger people that reported about a 40% increase (e.g., Van Rooij, M. et al., 2011; Bucher-Koenen, T. et al., 2025a). Our estimates of the effect of financial literacy on net wealth are slightly lower than previous work that focused on younger individuals. Thus van Rooij, M. C. J. et al. (2012) concluded that a one-unit improvement in the financial literacy index in the EU was consistent with about a 10% higher level of average wealth, versus 6-7% in our US data. The attenuated effect observed in our study could stem from the demographic characteristics of our sample. Older respondents typically possess more assets and have had more opportunity to accumulate wealth over their lifetimes than younger people, which could dilute the apparent impact of financial literacy on wealth accumulation for the older sample. The older population may also have wealth holdings from channels not strictly tied to financial literacy such as inheritances, real estate appreciation, or the natural compounding of assets over time, rather than through direct application of financial knowledge.

relation between Trust in People is 0.41 for Trust in Financial Institutions and 0.25 for Trust in Government Programs, indicating that these two aggregate trust measures do capture distinct and additional dimensions beyond the simple Trust in People query.

Table 3 reports estimated coefficients from multivariate regression models that include two our aggregate trust measures instead of the more detailed trust variables presented above. As before, we report marginal effects for both the Logit and median wealth models (full results appear in Appendix A3).

Here we see that Trust in Financial Institutions is positively and significantly associated with all three financial behaviors reflective of greater retirement security, whereas Trust in Government Programs is negative and statistically significant. Specifically, a one-unit increase in Trust in Financial Institutions is associated with a 2.1 and 2.4 percentage point higher probability of having a retirement account and holding stocks, respectively (for an increase of 6% and 7.5%). This same group holds \$17,800 more net household wealth (or 3.2%). Conversely, a one-unit increase in Trust in Government Programs corresponding to a 2.4 and 2.1 percentage point lower probability of having a retirement account and holding stocks, respectively (or 4% and 6%), and holding \$8,900 less net household wealth (or 1.6%). Notably, after controlling for our other two aggregate trust metrics, Trust in People is no longer statistically significant (and it is even negatively, albeit non-significantly, associated with net wealth), suggesting that our broader measures better capture the underlying constructs influencing financial behaviors. In other words, those who are more trusting of financial institutions save more and are more likely to participate in equity markets. Conversely, those more trusting in government programs make less provision for their own retirement.<sup>10</sup>

A second takeaway from Table 3 is that the impact of financial literacy remained statistically significant, and moreover, the effect is large: a one-unit increase in financial literacy is associated with a 6.5 percentage point higher probability of having a retirement account (19%), and a 7.3 percentage point (23%) greater chance of holding stocks. Furthermore, a one-unit increase in financial literacy corresponds to a \$34,600 (or 6%) increase in net household wealth in the models

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<sup>10</sup>We also examined the ratio of total debt to total assets and found a significant negative association with trust in financial institutions, and positive, significant associations with Trust in People and trust in government programs. These patterns suggest that trust may influence wealth indirectly through its effect on household indebtedness. As an additional robustness check, we estimated regressions using the change in household wealth between 2018 and 2020 as the explanatory variable. While the coefficients were directionally consistent with those based on 2020 wealth levels, they were not statistically significant, which supports the interpretation that our main specification captures the most stable relationship.

incorporating our aggregate trust measures.

*Table 3 here*

To further assess robustness, we ran separate regressions for individuals (or their spouses) with and without social security benefits. The negative effect of Trust in Government Programs on having a retirement account and holding stocks persists, but it is statistically significant only among social security recipients, likely reflecting both the larger sample size in this subgroup and a potentially more pronounced effect for those receiving benefits. A similar pattern emerges for Medicare/Medicaid: Trust in Government Programs remains negative and significant for having a retirement account and household wealth among recipients, but not in the non-Medicare/Medicaid population, which may reflect smaller sample sizes or a stronger effect among those receiving benefits. We also examined whether these patterns differ by sex. The estimated effects of trust and financial literacy are in similar directions for both females and males, although not all coefficients are statistically significant, again likely due to smaller subgroup sample sizes.<sup>11</sup>

To assess the robustness and stability of our results across age groups, we next partition the data into three groups based on age (50–59, 60–69, and 70+) and re-estimate the models in Table 3. Results (available on request) reveal no clear trend in the effects of trust on the likelihood of having a retirement account, holding stocks, or the level of net wealth across age groups. Similarly, the estimated effects of financial literacy show no consistent age-related pattern. While the statistical significance of some coefficients diminishes—likely due to smaller sample sizes within each age group—these results suggest that reverse causality is unlikely to explain our findings. If individuals’ financial experiences were driving increases in trust and financial literacy, we would expect to see stronger associations at older ages. Instead, we observe no such upward trend nor a systematic decline with age, reinforcing the interpretation that the observed relationships are not primarily the result of reverse causality.

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<sup>11</sup>Robustness results by Social Security status, Medicare/Medicaid coverage, and sex are available upon request.

## 6 Heterogeneity by Race and Ethnicity

As discussed in the literature, levels of trust and financial literacy differ by race and ethnicity<sup>12</sup>. To explore these further, in Table 4, we report the differences in means between Whites, Blacks, and Hispanics, both separately and combined. Here we see that Blacks and Hispanics do differ from Whites, yet they also share some similar characteristics. Due to the small sample sizes and similarities between the groups (particularly with regard to financial literacy and trust scores, as described below), we pool Blacks and Hispanics in what follows.

Table 4 indicates that both Black and Hispanics are less likely to trust people, mutual funds, and financial advisors in our data, and they are also less financially literate compared to Whites. In contrast, they are more likely to trust Medicare/Medicaid, which may result from heavier anticipated reliance on these programs in later life.

*Table 4 here*

To gain further insight into different patterns of financial literacy and trust, we also ran all multivariate models separately for Whites versus Blacks and Hispanics. By doing so, we can identify potential heterogeneous effects and assess how financial behaviors differ by race/ethnicity. Nevertheless, these subgroup analyses should be interpreted with caution given smaller sample sizes and the possibility of measurement error or differential interpretation of trust items across ethnic groups, which could bias results. Table 5 shows results using the aggregate trust factors. Trust in People has a significant positive effect on retirement account ownership among minorities: a one-unit increase in this variable raises the probability of having a retirement account by 1.1 percentage points (10%). After controlling for trust and financial literacy, no other effects remain statistically significant. For Whites, Trust in Financial Institutions is statistically significant for having a retirement account, holding stocks, and total household wealth. In contrast, it is not significant for Black and Hispanic respondents. Specifically, for Whites, a one-unit increase in Trust in Financial Institutions increases the likelihood of having a retirement account by 3.5 percentage points (7%), holding stocks by 3.7 percentage points (8%), and net wealth by \$25,400 (3%). Among Black and Hispanic respondents, the estimated coefficients are not only statistically insignificant

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<sup>12</sup>See for instance, Alesina, A. and La Ferrara, E., 2002; Cook, F. L. et al., 2010; Lusardi, A. and Mitchell, O. S., 2014; Haran Rosen, M. and Sade, O., 2022b; Haran Rosen, M. and Sade, O., 2022a; Balloch, A. et al., 2022; Smith, G. H. et al., 2023; Hasler, A. et al., 2025.

but also economically small in magnitude across all outcomes. In contrast, Trust in Government Programs is negatively associated with financial behaviors for minorities but it is not significant for Whites. A one-unit increase in trust in Government Programs is associated with a 1.3 percentage point reduction in the probability of holding stocks (13%) and a \$3,700 (1.8%) decrease in net wealth among Black and Hispanic respondents. In other words, trust in institutions—especially in financial institutions versus government programs—has a qualitatively different relationship with financial behaviors by racial and ethnic subgroup. While Trust in Financial Institutions plays a clear role in financial outcomes for Whites, it does not for minorities. Conversely, more Trust in Government Programs is associated with worse financial outcomes for minorities, potentially reflecting structural barriers or differences in institutional experience. Additionally, Trust in People appears to matter more for minorities than for Whites: although its effects are modest, it is positively and significantly associated with retirement account ownership for Black and Hispanic respondents. These findings underscore the value of distinguishing between domains of trust and highlight how our measures capture meaningful variation across population subgroups.

When splitting the data by income, we find that the magnitude and direction of the estimated effects of Trust in Financial Institutions remain consistent across income groups, although the effect on having a retirement account is not statistically significant for above-median income households, likely due to smaller sample sizes. For Trust in Government Programs, the effect on holding stocks is smaller in magnitude and not significant for below-median income households, whereas the effect on net wealth is somewhat more negative for this group. Overall, these patterns indicate that the observed differences between White and Black/Hispanic respondents are not driven by income disparities (results available upon request).

*Table 5 here*

We also document a consistent relationship between financial literacy and factors associated with retirement security, both for having a retirement account and holding stocks. Although the coefficient estimates are smaller for Black and Hispanic respondents than for Whites, the marginal effects are still economically meaningful due to lower baseline rates for minorities. Specifically, a one-unit improvement in the financial literacy score is associated with a 5.3 percentage point (48%) increase in the probability of having a retirement account for minorities, compared to an 8.3

percentage point (17%) increase for Whites. Similarly, a one-unit increase in financial literacy is linked to a 3.6 percentage point (36%) higher likelihood of investing in stocks for Black and Hispanic respondents, versus a 10.6 percentage point (23%) increase for Whites. Financial literacy is also significantly associated with greater net wealth for both groups: a one-unit increase is associated with an increase of \$10,300 in median household wealth for minorities (5%), and \$41,700 for Whites (also about 5%). These findings confirm the robust and economically significant role of financial literacy in shaping key financial behaviors across all racial and ethnic groups.<sup>13</sup>

The fact that the effect of financial literacy on having a retirement account and holding stocks is significant across racial and ethnic groups, combined with the lower levels of financial literacy among Blacks and Hispanics, helps explain some of the gaps in retirement and stock market savings for minorities versus Whites. This underscores the importance of enhancing financial literacy in these communities as a means to mitigate such disparities.

## **7 Robustness Analysis**

To confirm the stability of our main findings, we also conducted several additional robustness checks (results available on request). First, we included additional control variables such as religion, life satisfaction, depression, and self-rated memory, as well as controls for whether respondents were responsible for their household finances, and whether they followed the stock market. Results are broadly consistent with our main specifications, with only minor differences. Notably, Trust in Government Programs was no longer statistically significant for having a retirement account, likely due to reduced statistical power, although the coefficient remains similar in magnitude. In contrast, Trust in People, which was previously insignificant, became positively and statistically significant for household net wealth in the extended specification. This provides further insight into the less straightforward effect of trust in people in shaping financial behavior. The effects of Trust in Financial Institutions, Trust in Government Programs, and financial literacy for all other behaviors remained similar in both magnitude and statistical significance. We also included indicators for social security and Medicare/Medicaid receipt as additional controls; the estimated effects of trust and financial

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<sup>13</sup>We also explored a model that included all trust questions as in Table 2, and we found that the magnitude of financial literacy in these regressions was similar in size to those using the aggregate trust measures (results available on request).

literacy remained stable, reinforcing the robustness of our main results.<sup>14</sup>

Second, in place of the FinLit score, we devised an alternative financial literacy metric indicating whether each respondent answered all three financial literacy questions correctly. Confirming our findings, this financial literacy measure increased the positive association between financial literacy and outcomes: the size of the marginal effect rose by between 65% and 210%, depending on the specification. Third, since some authors have noted the importance of self-confidence for financial decision making (e.g., Haran Rosen, M. and Sade, O., 2022b; Haran Rosen, M. and Sade, O., 2022a; Bucher-Koenen, T. et al., 2023), we also included an indicator of whether the respondent said "Don't know." Results remain robust and consistent; the magnitude and significance of the trust factors and financial literacy remain unchanged in these additional analyses, confirming that they exert independent influence and do not reflect each others' influence.

Third, we estimated regressions that included interaction terms between financial literacy and our two aggregate trust measures, to test whether the effect of trust on retirement-related behaviors varied with individuals' financial knowledge. Across all specifications, the interaction terms were statistically insignificant and added no explanatory power to the models, as reflected in unchanged R-squared values. These results indicate that financial literacy did not moderate the influence of trust on retirement saving, investment, or wealth. Rather, trust and financial literacy operated as distinct and independent determinants of financial behavior, each contributing a unique component to the overall relationship.

Finally, as an additional robustness check, we used Principal Component Analysis (PCA) to reduce the dimensionality of our detailed trust variables. PCA is a statistical technique that transforms correlated variables into a smaller set of uncorrelated components, ordered by the variance explained; the approach lets the data reveal underlying statistical groupings of trust without imposing subjective assumptions. This analysis identified two principal components: one that aligned with a broad average trust measure, characterized by a similar loading for all the specific trust measures, and another characterized by high positive loadings for Trust in Financial Institutions and negative

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<sup>14</sup>We also split the sample by pension type (e.g., IRA, defined benefit, defined contribution) but estimating the model proved infeasible due to small sample sizes. Instead, we included the pension type variables as additional controls to account for heterogeneity in institutional settings, which could otherwise bias our results. Different pension structures vary in complexity, requiring decision making and reliance on institutional trust, all of which may affect financial outcomes and interact with trust and financial literacy. Controlling for these differences provided additional evidence that the estimated effects of our key variables are not confounded by structural differences in the retirement environment. The results remain robust, with similar magnitudes and statistical significance across specifications.

loadings for Trust in Government Programs.<sup>15</sup> We then substituted these two PCA-based trust measures for our aggregate trust variables and found that both components had a positive and statistically significant relationship with financial behaviors, particularly the second trust component emphasizing trust in financial institutions and government programs. These results suggest that our findings on the importance of trust in financial institutions and government programs were robust to orthogonal constructions of trust.

## 8 Discussion and Policy Implications

This study has explored the nuanced relationships between older peoples' trust in institutions and government programs, their financial literacy, and their financial behaviors associated with retirement security. Using a novel survey design, we measured trust in financial institutions such as mutual funds, financial advisors, banks, and insurance companies, as well as government programs like social security and Medicare/Medicaid.

To better understand how different types of trust shape these outcomes, we examined specific responses to several trust questions and aggregated them into two that we named Trust in Financial Institutions and Trust in Government Programs. Our results show that a one-unit increase in Trust in Financial Institutions was associated with a 6% higher likelihood of having a retirement account, a 7.5% higher likelihood of holding stocks, and a 3.2% increase in household net wealth. In contrast, a one-unit increase in Trust in Government Programs corresponded to a 4% lower probability of having a retirement account, a 6% lower likelihood of holding stocks, and a 1.6% reduction in household net wealth. Importantly, the inclusion of both aggregate trust measures rendered the Trust in People metric statistically insignificant, indicating that our domain-specific trust measures provided additional insight into the mechanisms shaping financial behavior.

These findings underscore the value of complementing broad interpersonal trust measures with more targeted institutional trust metrics. Our results also helped reconcile inconsistencies in prior work, demonstrating that trust and financial literacy each provide distinct and independent insights into retirement preparedness. Although endogeneity concerns cannot be fully ruled out, the consistency of our findings with existing causal and IV-based research suggests that our estimates, if

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<sup>15</sup>While both components are positively correlated with financial literacy, the correlations are modest (0.02 and 0.14, respectively), providing further statistical evidence on the conceptual distinctiveness of trust and financial literacy.

anything, understate the true magnitude of these effects.

We have also documented notable heterogeneity in the effects of trust across racial and ethnic groups for retirement outcomes, while financial literacy effects were more stable. That is, Trust in Financial Institutions had a stronger effect among White respondents, while it was smaller and not statistically significant for Black and Hispanic respondents. In contrast, Trust in Government Programs exerted a more significant negative effect for Black and Hispanic respondents, particularly in reducing the likelihood of holding stocks and accumulating wealth. We also confirmed that the effect of financial literacy among Blacks and Hispanics was larger than for Whites. Combined with minorities' lower levels of both trust and financial literacy, these results help explain why fewer members of these groups have retirement accounts, hold stocks, and accumulate lower levels of wealth. Trust in people remained predictive of retirement account ownership among minority populations, highlighting the importance of considering which dimensions of trust matter most across different contexts and communities. While differential measurement error may contribute to some of these differences, the robustness of our results across multiple specifications suggests that the observed heterogeneity reflects meaningful underlying patterns.

This evidence highlights the potential for tailored trust-building policies, aligned with the specific trust factors that shape financial behavior across population sub-groups. Institutional trust content could be integrated into financial education programs to further strengthen such initiatives, as in Galiani, S. et al. (2022) and Briscese, G. and Grignani, M. (2025). Furthermore, enhanced regulatory measures such as consumer protection, financial stability oversight, and improved transparency in financial advisory services could also foster greater trust in financial institutions (e.g., Adams, R. B., 2021; Sapienza, P. and Zingales, L., 2012; Kaufmann, C. and Weber, M., 2013; Fungáčová et al., 2019; van der Crujisen, C. et al., 2023). Our investigation underscores the crucial importance of trust in the social security programs as well as Medicare/Medicaid, both of which appear to offset private saving for retirement, especially among Blacks and Hispanics.

While trust in public programs can promote confidence in the broader system, our findings also suggest that it could have a detrimental effect on personal financial decisions, by reducing private incentives to save. Future research could investigate how policymakers might enhance trust in these programs, while at the same time emphasizing their limitations, so as to encourage greater personal saving and participation in financial markets. Moreover, our results highlight the importance of

financial literacy as a complementary policy lever. Providing financial education, particularly among diverse racial and ethnic groups, may offer a more direct and broadly effective strategy for strengthening retirement preparedness. By improving both the informational and institutional foundations on which financial decisions are made, policymakers can help individuals build more robust retirement savings.

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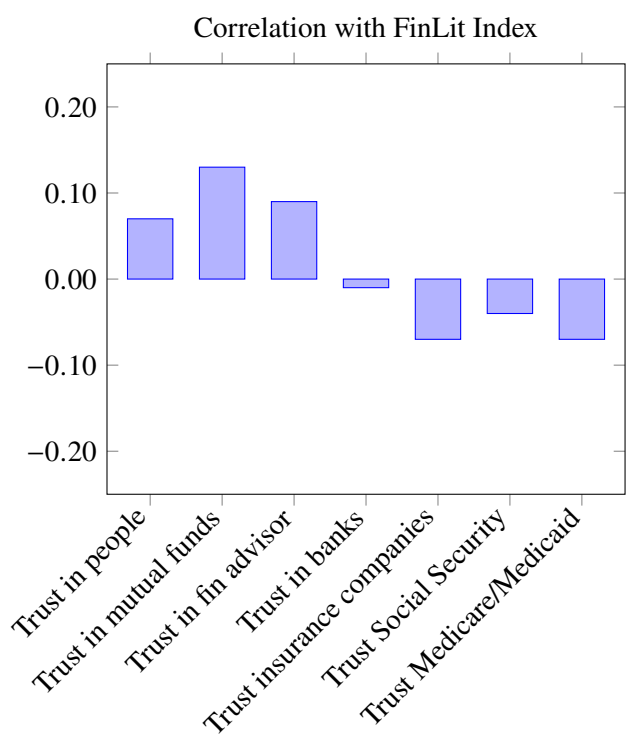


Figure 1: Correlation of FinLit Index and various Trust measures.

Source: Author calculations using the HRS 2020 Trust Module.

Table 1: Variable Definitions and Descriptive Statistics

Variable Name	Definition	N	Mean	Std.Dev.
<b>Dependent Variables</b>				
Retirement Account Ownership	Binary: 1 if respondent has a retirement account	1,241	0.34	0.48
Holds Stock	Binary: 1 if respondent holds stocks in retirement or other accounts	1,286	0.32	0.47
Total Net Household Wealth	Total net household wealth, winsorized at 1% (\$100k)	1,286	5.61	11.19
<b>Trust Measures</b>				
Trust in mutual funds	Trust level in mutual funds, scale 1-10 (10 = highest trust)	1,205	4.89	2.93
Trust in financial advisors	Trust level in financial advisors, scale 1-10	1,246	4.97	3.00
Trust in banks	Trust level in banks, scale 1-10	1,268	6.08	2.85
Trust in insurance companies	Trust level in insurance companies, scale 1-10	1,262	4.86	2.75
Trust in Medicare/Medicaid	Trust level in Medicare and Medicaid, scale 1-10	1,265	6.36	2.60
Trust in Social Security	Trust level in Social Security, scale 1-10	1,267	6.35	2.67
Trust in people	Trust level in people, scale 1-10	1,276	6.31	2.51
Trust in financial institutions	Average trust in mutual funds, advisors, banks, and insurance companies, scale 0-10	1,277	5.58	2.16
Trust in government programs	Average trust in Social Security and Medicare/Medicaid	1,274	4.83	2.27
Broad Trust	First principal component from PCA, capturing a broad measure of trust	1,180	0	1.86
Institutional Trust	Second principal component from PCA, capturing a measure of institutional trust	1,180	0	1.08
<b>Financial Literacy Measures</b>				
FinLit	Sum of correct answers to "Big Three" financial literacy questions (0-3 scale)	1,286	2.05	0.91
<b>Control Variables</b>				
Age 50-59	Binary: 1 if age 50-59	1,286	0.24	0.43
Age 60-69	Binary: 1 if age 60-69	1,286	0.42	0.49
Age 70+	Binary: 1 if age 70 or older	1,286	0.34	0.47
Male	Binary: 1 if male	1,286	0.41	0.49
White	Binary: 1 if White	1,286	0.65	0.48
Black/African American	Binary: 1 if Black/African American	1,286	0.22	0.41
Hispanic	Binary: 1 if Hispanic	1,286	0.16	0.36
Race, Other	Binary: 1 if a race other than White or Black	1,286	0.06	0.24
Married	Binary: 1 if married	1,286	0.57	0.50
Education, College+	Binary: 1 if at least some college	1,286	0.30	0.46
Good Health	Binary: 1 if in good, very good, or excellent health	1,286	0.73	0.44
Number of Children	Number of children reported	1,232	2.85	1.90
Memory Score	Score from a memory test assessing cognitive ability	1,285	10.43	3.53
Total Household Income (\$100k)	Household income winsorized at the 1%	1,286	0.29	0.45

*Note:* This table presents variable descriptions and descriptive statistics for the HRS 2020 Trust Module survey data.  
*Source:* Authors' calculations.

Table 2: Relationship between detailed trust questions and financial behaviors: Average marginal effects for Logit (cols 1-6) and median regression (cols 7-9) models

	Logit models, average marginal effects						Median regression		
	Has retirement account (1/0)			Holds stocks in /out retirement account (1/0)			Total HH net wealth (\$100k)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Trust in People	0.006 (0.005)	0.001 (0.006)	0.002 (0.006)	0.010* (0.005)	0.002 (0.006)	0.002 (0.006)	0.004 (0.018)	-0.021 (0.016)	-0.037 (0.023)
Trust in mutual funds		0.024*** (0.006)	0.021*** (0.006)		0.034*** (0.006)	0.031*** (0.006)		0.016 (0.025)	0.053 (0.032)
Trust advisor		0.016** (0.006)	0.015** (0.007)		0.013** (0.006)	0.013** (0.006)		0.113*** (0.022)	0.093*** (0.032)
Trust in banks		-0.005 (0.006)	-0.005 (0.006)		-0.008 (0.006)	-0.007 (0.006)		-0.032 (0.023)	-0.028 (0.022)
Trust insurance companies		-0.007 (0.006)	-0.004 (0.006)		-0.008 (0.006)	-0.006 (0.006)		-0.030 (0.025)	-0.021 (0.019)
Trust Social Security		0.006 (0.008)	0.005 (0.008)		0.008 (0.007)	0.007 (0.007)		-0.038 (0.030)	-0.054 (0.039)
Trust Medicare/Medicaid		-0.020*** (0.008)	-0.019** (0.008)		-0.019** (0.007)	-0.017** (0.007)		0.072*** (0.026)	0.085** (0.039)
FinLit			0.059*** (0.015)			0.065*** (0.014)			0.311*** (0.073)
Controls	Y	Y	Y	Y	Y	Y	Y	Y	Y
N	1,167	1,079	1,079	1,212	1,123	1,123	1,212	1,123	1,123
Pseudo R <sup>2</sup>	0.24	0.26	0.28	0.26	0.30	0.31	0.19	0.19	0.20
Median dep var	0.34	0.34	0.34	0.32	0.32	0.32	5.61	5.61	5.61

Note: Average marginal effects for Logit and marginal effects for the median regression models shown. For other controls see Appendix A2. For variable definitions see Table 1. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

Source: Author calculations using the HRS 2020 Trust Module.

Table 3: Relationship between aggregate trust questions and three financial behaviors associated with retirement security: Average marginal effects for Logit (cols 1-2) and median regression (col 3) models

	Logit models, average marginal effects		Median regression
	Has retirement account (1/0)	Holds stocks in /out retirement account (1/0)	Total HH net wealth (\$100k)
	(1)	(2)	(3)
Trust in People	0.02 (0.006)	0.004 (0.006)	-0.026 (0.006)
Trust in Fin Inst	0.021*** (0.007)	0.024*** (0.007)	0.178*** (0.032)
Trust in Gov Progs	-0.12* (0.007)	-0.013* (0.007)	-0.089*** (0.033)
FinLit	0.065*** (0.015)	0.073*** (0.014)	0.346*** (0.078)
Controls	Y	Y	Y
N	1,162	1,207	1,207
Pseudo R <sup>2</sup>	0.26	0.29	0.19

*Note:* Estimated Logit marginal effects and marginal effects from the median regression models reported. For variable definitions see Table 1. For other controls see Appendix A3). \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

*Source:* Author calculations using the HRS 2020 Trust Module.

Table 4: Means and T-tests for differences between the full sample and racial/ethnicity sub-groups

Variable	All Mean	White (W) Mean	W vs Black Diff and Sig	W vs Hispanic Diff and Sig	W vs Black/Hispanic Diff and Sig
Hold stocks in/out retirement account	0.32	0.47	0.35***	0.39***	0.37***
Has retirement account	0.34	0.50	0.37***	0.40***	0.38***
Total net wealth (\$100k), winsorized 1%	5.61	7.96	5.77***	6.12***	5.92***
Trust in people	6.31	6.87	1.55***	1.15***	1.38***
Trust in mutual funds	4.89	5.36	1.18***	0.94***	1.08***
Trust financial advisor	4.97	5.48	1.26***	0.96***	1.13***
Trust in banks	6.08	6.50	0.89***	0.94***	0.91***
Trust in insurance companies	4.86	4.89	-0.15	0.35	-0.06
Trust in Social Security	6.35	6.41	0.05	-0.11	0.02
Trust in Medicare/Medicaid	6.36	6.32	-0.28	-0.32	0.29*
Trust Financial Institutions	5.58	5.81	0.46***	0.45***	0.46***
Trust Government Programs	4.83	4.65	-0.43***	-0.76***	-0.57***
FinLit index	2.05	2.22	0.40***	0.48***	0.43***
Age 50-59 (ref)	0.24	0.20	-0.09***	-0.07**	-0.08***
Age 60-69	0.42	0.38	-0.09**	-0.11***	-0.10***
Age 70+	0.34	0.42	0.18***	0.18***	0.18***
Male	0.41	0.42	0.05	0.00	-0.03
Married	0.57	0.63	0.26***	0.02	0.16***
Education, college+	0.30	0.37	0.18***	0.23***	0.20***
Good health	0.73	0.80	0.14***	0.26***	0.19***
#Children	2.85	2.66	-0.55***	-0.54***	-0.55***
Memory score	10.43	10.82	1.00***	1.26***	1.11***
Willing take risk	5.82	5.78	0.03	-0.17	-0.06
Total HH income (\$100k)	0.82	1.02	0.42***	0.60***	0.50***
N	1286	731	274	203	477

*Note:* Means are presented for the full sample and the White population; T-tests for differences in means for the ethnic/race sub-samples indicate the significance level of the differences. For variable definitions see Table 1. Significance levels for the T-test indicated as follows: \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

*Source:* Author calculations using the HRS 2020 Trust Module.

Table 5: Relationship between aggregate trust questions and financial behavior associated with retirement security: Average marginal effects for Logit (cols 1-4) and median regression (col 4-6) models

Variables	Has retirement account (1/0)		Holds stocks in/out retirement accounts (1/0)		Total HH net wealth (\$100k)	
	White	Black/Hispanic	White	Black/Hispanic	White	Black/Hispanic
Trust in People	-0.006 (0.010)	0.011* (0.006)	0.002 (0.009)	0.008 (0.006)	0.002 (0.09)	0.002 (0.013)
Trust in Financial Institutions	0.035*** (0.012)	0.001 (0.008)	0.037*** (0.011)	0.006 (0.008)	0.254** (0.108)	0.032 (0.02)
Trust in Government Programs	-0.012 (0.011)	-0.008 (0.008)	-0.011 (0.01)	-0.013* (0.007)	0.004 (0.102)	-0.037** (0.017)
FinLit	0.083*** (0.023)	0.053*** (0.019)	0.106*** (0.022)	0.036** (0.019)	0.417* (0.152)	0.103** (0.058)
Controls	Y	Y	Y	Y	Y	Y
N	657	433	683	449	683	449
Pseudo $R^2$	0.15	0.28	0.19	0.26	0.17	0.14
Mean dep var	0.5	0.11	0.47	0.10	7.96	2.04

Note: Regressions on sub-samples of the population. Estimated Logit marginal effects and median regression models reported. For variable definitions see Table 1. For other controls see Appendix A4.  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

Source: Author calculations using the HRS 2020 Trust Module.

## **A Appendix**

Table A1: Correlation of main variables

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
(1) Has retirement account	1														
(2) Holds stocks in/out retirement account	0.78	1													
(3) Total HH net wealth (\$100k), winsorized 1%	0.40	0.44	1												
(4) FinLit index	0.29	0.31	0.22	1											
(5) Trust in people	0.17	0.18	0.07	0.07	1										
(6) Trust in mutual funds	0.27	0.31	0.18	0.11	0.35	1									
(7) Trust in financial advisor	0.23	0.25	0.11	0.09	0.38	0.65	1								
(8) Trust in banks	0.10	0.12	0.08	0.00	0.40	0.45	0.54	1							
(9) Trust in insurance companies	0.06	0.07	0.04	-0.06	0.30	0.44	0.48	0.49	1						
(10) Trust in Social Security	0.00	0.02	0.04	-0.03	0.28	0.28	0.33	0.46	0.41	1					
(11) Trust in Medicare/Medicaid	-0.04	-0.02	0.01	-0.07	0.24	0.30	0.33	0.44	0.40	0.79	1				
(12) <b>Trust Financial Institutions</b>	0.13	0.15	0.09	-0.02	0.41	0.59	0.77	0.81	0.78	0.64	0.70	1			
(13) <b>Trust Government Programs</b>	-0.02	0.00	0.05	-0.03	0.25	0.32	0.32	0.43	0.46	0.81	0.67	0.61	1		
(14) <b>Broad Trust</b>	0.16	0.19	0.11	0.02	0.57	0.70	0.75	0.77	0.72	0.72	0.71	0.96	0.67	1	
(15) <b>Institutional Trust</b>	0.25	0.26	0.11	0.14	0.28	0.45	0.41	0.08	0.06	-0.59	-0.59	0.00	-0.41	0.01	1

Note: This table presents the correlation coefficients of retirement outcomes, financial literacy, and trust variables including the Broad and Institutional Trust variables from the PCA (see text). The sample size is 1,286. For variable definitions see Table 1.

Source: Author calculations using the HRS 2020 Trust Module.

Table A2: Relationship between detailed trust questions and retirement behaviors: Marginal effects for Logit (cols 1-6) and median regression (cols 7-9) models

Variables	Has retirement account (1/0)			Holds stocks in /out retirement account (1/0)			Total HH net wealth (\$100k)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Trust in People	0.006 (0.005)	0.002 (0.006)	0.002 (0.006)	0.010* (0.005)	0.002 (0.006)	0.002 (0.006)	0.004 (0.018)	-0.021 (0.016)	-0.037 (0.023)
Trust in mutual funds		0.021*** (0.006)	0.021*** (0.006)		0.031*** (0.006)	0.031*** (0.006)		0.053 (0.032)	0.053 (0.032)
Trust in financial advisor		0.015** (0.007)	0.015** (0.007)		0.013** (0.006)	0.013** (0.006)		0.093*** (0.032)	0.093*** (0.032)
Trust in banks		-0.005 (0.006)	-0.005 (0.006)		-0.007 (0.006)	-0.007 (0.006)		-0.028 (0.022)	-0.028 (0.022)
Trust in insurance companies		-0.004 (0.006)	-0.004 (0.006)		-0.006 (0.006)	-0.006 (0.006)		-0.021 (0.019)	-0.021 (0.019)
Trust in Social Security		0.005 (0.008)	0.005 (0.008)		0.007 (0.007)	0.007 (0.007)		-0.054 (0.039)	-0.054 (0.039)
Trust in Medicare/Medicaid		-0.019** (0.008)	-0.019** (0.008)		-0.017** (0.007)	-0.017** (0.007)		0.085** (0.039)	0.085** (0.039)
Financial literacy			0.059*** (0.015)			0.065*** (0.014)			0.311*** (0.073)
Age 60-69	0.105*** (0.032)	0.101*** (0.032)	0.101*** (0.032)	0.093*** (0.032)	0.088*** (0.031)	0.088*** (0.031)	0.773*** (0.138)	0.615*** (0.172)	0.615*** (0.172)
Age 70+	0.131*** (0.037)	0.129*** (0.036)	0.129*** (0.036)	0.155*** (0.034)	0.153*** (0.034)	0.153*** (0.034)	1.614*** (0.168)	1.537*** (0.200)	1.537*** (0.200)
Male	-0.001 (0.026)	-0.016 (0.026)	-0.016 (0.026)	-0.003 (0.025)	-0.019 (0.025)	-0.019 (0.025)	0.267** (0.126)	0.179 (0.131)	0.179 (0.131)
Black/Hispanic	-	-	-	-	-	-	-	-	-
	0.200*** (0.029)	0.181*** (0.029)	0.181*** (0.029)	0.191*** (0.029)	0.170*** (0.028)	0.170*** (0.028)	0.862*** (0.157)	0.741*** (0.179)	0.741*** (0.179)
Race, other	-0.046 (0.047)	-0.034 (0.047)	-0.034 (0.047)	-0.016 (0.045)	-0.003 (0.045)	-0.003 (0.045)	-0.052 (0.220)	-0.023 (0.311)	-0.023 (0.311)
Married	0.086*** (0.026)	0.085*** (0.025)	0.085*** (0.025)	0.067*** (0.025)	0.066*** (0.025)	0.066*** (0.025)	0.473*** (0.138)	0.502*** (0.140)	0.502*** (0.140)
Education, college+	0.120*** (0.025)	0.105*** (0.026)	0.105*** (0.026)	0.133*** (0.024)	0.115*** (0.025)	0.115*** (0.025)	2.089*** (0.391)	1.989*** (0.338)	1.989*** (0.338)
Good health	0.102*** (0.031)	0.092*** (0.031)	0.092*** (0.031)	0.081** (0.031)	0.071** (0.030)	0.071** (0.030)	0.242** (0.109)	0.226* (0.125)	0.226* (0.125)
#Children	-	-	-	-	-	-	-0.041	-0.045	-0.045
	0.018*** (0.007)	0.018*** (0.007)	0.018*** (0.007)	0.020*** (0.006)	0.020*** (0.006)	0.020*** (0.006)	0.027 (0.027)	0.029 (0.029)	0.029 (0.029)
Memory score	0.009** (0.004)	0.007* (0.004)	0.007* (0.004)	0.005 (0.003)	0.002 (0.003)	0.002 (0.003)	0.004 (0.018)	-0.009 (0.018)	-0.009 (0.018)
Willing to take risk	0.000 (0.005)	-0.001 (0.005)	-0.001 (0.005)	-0.004 (0.005)	-0.005 (0.005)	-0.005 (0.005)	-0.035** (0.016)	-0.029* (0.017)	-0.029* (0.017)
HH income (\$100k)	0.052*** (0.015)	0.048*** (0.015)	0.048*** (0.015)	0.077*** (0.018)	0.071*** (0.016)	0.071*** (0.016)	2.601*** (0.409)	2.404*** (0.418)	2.404*** (0.418)
N	1,079	1,079	1,079	1,123	1,123	1,123	1,123	1,123	1,123
Pseudo R <sup>2</sup>	0.26	0.28	0.28	0.30	0.31	0.31	0.19	0.19	0.20
Mean dep var	0.34	0.34	0.34	0.32	0.32	0.32	5.61	5.61	5.61

Note: Estimated Logit marginal effects and median regression results. For variable definitions see Table 1. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

Source: Author calculations using the HRS 2020 Trust Module.

Table A3: Relationship between aggregated trust questions and three retirement behaviors: Marginal effects for logit (cols 1-2) and median regression (col 3) models

	Logit models, average marginal effects		Median regression
	Has retirement account (1/0)	Holds stocks in /out retirement account (1/0)	Total HH net wealth (\$100k)
	(1)	(2)	(3)
Trust in People	0.02 (0.006)	0.004 (0.006)	-0.026 (0.006)
Trust Financial Institutions	0.021*** (0.007)	0.024*** (0.007)	0.178*** (0.032)
Trust in Government Programs	-0.12* (0.007)	-0.013* (0.007)	-0.089*** (0.033)
FinLit	0.065*** (0.015)	0.073*** (0.014)	0.346*** (0.078)
Age 60-69	0.093*** (0.032)	0.095*** (0.030)	0.674*** (0.170)
Age 70+	0.105*** (0.036)	0.144*** (0.033)	1.526*** (0.145)
Male	-0.014 (0.025)	-0.017 (0.024)	0.168 (0.132)
Black/Hispanic	-0.205*** (0.029)	-0.183*** (0.028)	-0.636*** (0.178)
Race, other	-0.056 (0.048)	-0.021 (0.046)	0.009 (0.437)
Married	0.090*** (0.025)	0.081*** (0.025)	0.484*** (0.142)
Education, college+	0.111*** (0.025)	0.126*** (0.024)	2.009*** (0.341)
Good health	0.1071*** (0.030)	0.082*** (0.030)	0.204* (0.116)
#Children	-0.017** (0.007)	-0.022*** (0.006)	-0.045 (0.029)
Memory score	0.009** (0.004)	0.003 (0.003)	-0.013 (0.019)
Willing to take risk	0.000 (0.005)	-0.003 (0.005)	-0.030* (0.017)
HH income (\$100k)	0.054*** (0.014)	0.076*** (0.016)	2.533*** (0.427)
N	1,162	1,207	1,207
Pseudo R <sup>2</sup>	0.26	0.29	0.19

Note: Estimated Logit marginal effects and median regression results. For variable definitions see Table 1. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

Source: Author calculations using the HRS 2020 Trust Module.

Table A4: Relationship between aggregate trust and outcomes by Race/Ethnicity

Variables	Has retirement account (1/0)		Holds stocks in/out retirement account (1/0)		Total HH net wealth (\$100k)	
	White	Black/Hisp.	White	Black/Hisp.	White	Black/Hisp.
Trust in People	-0.006 (0.010)	0.011* (0.006)	0.002 (0.009)	0.008 (0.006)	-0.122 (0.090)	0.016 (0.013)
Trust in Financial Institutions	0.035*** (0.012)	0.001 (0.008)	0.037*** (0.011)	0.006 (0.008)	0.254** (0.108)	0.032 (0.020)
Trust in Government Agencies	-0.012 (0.011)	-0.008 (0.008)	-0.011 (0.010)	-0.013* (0.007)	0.004 (0.102)	-0.037** (0.017)
FinLit	0.083*** (0.022)	0.053*** (0.017)	0.106*** (0.021)	0.036** (0.017)	0.417** (0.164)	0.103** (0.041)
Age 60–69	0.196*** (0.049)	-0.028 (0.037)	0.162*** (0.047)	0.019 (0.034)	1.122** (0.509)	0.096 (0.091)
Age 70+	0.173*** (0.053)	0.046 (0.040)	0.200*** (0.048)	0.070* (0.042)	2.749*** (0.407)	0.331*** (0.125)
Male	0.007 (0.040)	-0.056* (0.032)	0.001 (0.037)	-0.028 (0.030)	0.280 (0.375)	-0.018 (0.090)
Married	0.100*** (0.037)	0.063** (0.031)	0.106*** (0.036)	0.044 (0.031)	0.636* (0.376)	0.253** (0.121)
Education, college+	0.117*** (0.038)	0.107*** (0.030)	0.155*** (0.035)	0.086** (0.034)	2.272*** (0.686)	0.839* (0.493)
Good health	0.104** (0.048)	0.061* (0.036)	0.105** (0.046)	0.006 (0.040)	0.509* (0.303)	0.121 (0.079)
#Children	-0.017* (0.011)	-0.005 (0.008)	-0.024** (0.010)	-0.014* (0.007)	-0.050 (0.078)	-0.038** (0.016)
Memory score	0.010* (0.006)	0.009** (0.004)	0.000 (0.006)	0.009** (0.004)	0.031 (0.060)	-0.006 (0.011)
Willing to take risk	0.008 (0.008)	-0.008* (0.004)	0.002 (0.008)	-0.010** (0.005)	0.011 (0.056)	-0.018* (0.009)
HH income (\$100k)	0.057*** (0.019)	0.051** (0.021)	0.077*** (0.019)	0.069* (0.038)	3.516*** (0.579)	1.567*** (0.390)
Constant					-3.745*** (1.050)	-0.247 (0.159)
N	657	433	683	449	683	449
Pseudo R <sup>2</sup> /R <sup>2</sup>	0.15	0.28	0.19	0.26	0.17	0.14
Mean dep var	0.50	0.11	0.47	0.10	7.96	2.04

Notes: Regressions on sub-samples of the population. Estimated Logit marginal effects and median regression models reported. For variable definitions see Table 1. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

Source: Author calculations using the HRS 2020 Trust Module.