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## News Release

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# New Research: FINRA Foundation Explores Risky Financial Behaviors by Senior Investors

## Study Suggests Overconfidence in Financial Knowledge May Lead to Excessive Financial Risk Taking Among Older Investors

WASHINGTON, D.C. – America’s older investors, many facing diminished financial knowledge and overconfidence in their ability to make sound investment decisions, may engage in more risky financial behaviors as they continue to age, according to new research from the FINRA Investor Education Foundation (FINRA Foundation), in collaboration with researchers from Duke University and Rush University Medical Center.

The study, [Does Overconfidence Increase Financial Risk Taking in Older Age?](#), suggests that, among senior investors, overconfidence in one’s financial knowledge may contribute to risky financial behavior. As a result, aligning older investors’ actual financial literacy levels with their confidence in their financial knowledge may help protect them from overly risky investments. The findings, released in recognition of September as Healthy Aging Month, also indicate that while adults who were more overconfident reported being more willing to take financial risks, these individuals were not more susceptible to scams or more likely to be victimized by fraud. Moreover, these results were the same for aging investors with and without mild cognitive impairment.

“Financial literacy levels among all Americans are alarmingly low, but among older investors, our research suggests that the challenges are even greater. This is because financial knowledge declines at older ages, but confidence in financial knowledge does not, and the resulting overconfidence can lead to unfortunate financial consequences,” said FINRA Foundation President Gerri Walsh. “Senior investors manage a large share of our nation’s wealth, and risky decisions by aging investors can result in the loss or diminution of a lifetime of personal savings.”

Researchers surveyed 1,200 adults between the ages of 58 and 101 about their financial decision making, financial literacy and ratings of confidence in their financial knowledge.

Participants reported their level of financial risk tolerance when managing their own money, as well as other measures related to financial risk tolerance, like scam susceptibility and financial fraud victimization. Financial literacy was lowest among the oldest adults in the study, and individuals who were the most overconfident were more likely to take financial risks.

“Across a wide spectrum of investment choices, there are many opportunities for senior investors to take excessive financial risk,” Walsh said. “And, as an individual ages, opportunities to recover lost wealth are limited, which reinforces the importance of identifying vulnerabilities in certain older adults and developing interventions to empower them to make wise financial decisions into the most advanced ages.”

The study, which was conducted using data from the [Rush Memory and Aging Project](#), was authored by Associate Professor Gregory Samanez-Larkin and undergraduate student Darby Heflin, Duke University; Associate Professor Lei Yu and Professor Patricia Boyle, Rush University Medical Center; and FINRA Foundation Research Director Gary Mottola.

### About the FINRA Investor Education Foundation

The FINRA Investor Education Foundation supports innovative research and educational projects that give underserved Americans the knowledge, skills and tools to make sound financial decisions throughout life. For more information about FINRA Foundation initiatives, visit [www.finrafoundation.org](http://www.finrafoundation.org).

### About FINRA

FINRA is a not-for-profit organization dedicated to investor protection and market integrity. It regulates one critical part of the securities industry—brokerage firms doing business with the public in the United States. FINRA, overseen by the SEC, writes rules, examines for and enforces compliance with FINRA rules and federal securities laws, registers broker-dealer personnel and offers them education and training, and informs the investing public. In addition, FINRA provides surveillance and other regulatory services for equities and options markets, as well as trade reporting and other industry utilities. FINRA also administers a dispute resolution forum for investors and brokerage firms and their registered employees. For more information, visit [www.finra.org](http://www.finra.org).

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