



Research Working Papers

Financial Literacy, Risk Tolerance, and Cryptocurrency Ownership in the United States

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Consumers who use cryptocurrencies for transactions tend to have lower financial literacy and risk tolerance than crypto investors.

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Cryptocurrency owners without sufficient financial literacy and risk tolerance may be financially vulnerable, as the cryptocurrency market is highly volatile and lacks consumer protections. Our study divides cryptocurrency owners into three groups based on their purpose for holding cryptocurrencies—for investment only (investors), for transactions only (transactors), and for a mix of investment and transactions (mix users)—and examines how each group correlates with financial literacy and risk tolerance compared to consumers who do not own cryptocurrencies (nonowners). Using the 2022 Survey of Household Economics and Decisionmaking, we find that investors and mix users are significantly or moderately more financially literate and risk tolerant than nonowners, but transactors are less financially literate and slightly more risk tolerant than nonowners. We also find that the three groups of cryptocurrency owners vary by demographic and financial characteristics. Our findings highlight that transactors could be particularly financially vulnerable in the absence of consumer protections in the cryptocurrency market.

JEL Classifications: D14, D91, E42

Article Citations

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Related Research

- Bradford, Terri. 2022. “[The Cryptic Nature of Black Consumer Cryptocurrency Ownership](#).” Federal Reserve Bank of Kansas City *Payments System Research Briefing*, June 1.
 - Noll, Frank. 2023. “[The Controversial Business of Cash-to-Crypto Bitcoin ATMs](#).” Federal Reserve Bank of Kansas City *Payments System Research Briefing*, August 30.
 - Fujiki, Hiroshi. 2020. “Who Adopts Crypto Assets in Japan? Evidence from the 2019 Financial Literacy Survey.” *Journal of the Japanese and International Economies*, vol. 58. Available at <https://doi.org/10.1016/j.jjie.2020.101107>
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