Research Working Papers

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

by: Fumiko Hayashi and Aditi Routh

March 19, 2024

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

RWP 24-03, March 2024

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

- Hayashi, Fumiko, and Aditi Routh. 2024. “Financial Literacy, Risk Tolerance, and Cryptocurrency Ownership in the United States.” Federal Reserve Bank of Kansas City, Research Working Paper no. 24-03, March. Available at https://doi.org/10.18651/RWP2024-03

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

Authors

Fumiko Hayashi

Vice President

Fumiko Hayashi is a Vice President specializing in payments in the Economic Research Department at the Federal Reserve Bank of Kansas City. Since joining the Federal Reserve in 2001, Ms. Hayashi published studies on the ATM and debit card industry, regulatory developments around interchange fees and card network rules, consumer payment choice, various types of payment methods (including credit, debit, and prepaid cards, mobile and QR code-based payments, instant payments, and central bank digital currency), payment fraud and security, nonbanks and fintechs in the payment system. She is currently conducting research on undeserved consumers in payments, fraud and scams involving instant payments, role of intermediaries in the payment system modernization, among others.

Aditi Routh

Economist

Aditi Routh is an Economist in the Economic Research Department at the Federal Reserve Bank of Kansas City. Her research focuses on payment behavior of consumers, the financially underserved population in the payments market, and payment innovations. She is also studying payment system preferences of small businesses in the U.S.Aditi joined the Bank in June 2022, after earning her Ph.D. in Consumer Economics at University of Georgia, Athens. She also holds a M.A. in Economics from University of California, Riverside, and a B.A. in Economics from Jadavpur University, India.