

## **Does financial literacy increase demand for financial planners?**

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This paper examines the role that financial literacy plays in the demand for professional financial planning services. Specifically, the study investigates the relationship between increased financial literacy and the associated demand for financial planners. We hypothesize that as individuals become more financially literate, they are less likely to find value in using a financial planner because they become overconfident in their abilities to perform their own financial planning.

The current literature mainly focuses on financial literacy and its impact on either retirement planning or savings, but not demand for planners. The study aims to fill this gap in the literature. Literature shows that financially literate individuals are more likely to save for retirement. A natural extension of this finding is the potential increase in the demand for financial planners as a result of increased retirement wealth accumulation among the more financially literate. However, this is the first paper that we know that examines this important link.

This paper uses the 2012 wave of data from the National Longitudinal Survey of Youth (NLSY 1979) to examine the role that financial literacy plays in the demand for financial advice. We operationalize this demand as four groups as established by Martin and Finke (2014). We find support for the idea that as financial literacy increases so does demand for financial planners. To complete the study, the authors will test for endogeneity bias. As an extension to the paper, we would look at the impact of financial literacy on financial professional selection using panel data.