

ABSTRACT

In the context of 2020 COVID-19 crisis, we aim to understand how well people prepare for economic distress, and what drives good preparation. Several studies verify that financial conducts like retirement planning and level of indebtedness are influenced by the level of financial literacy. However, even after the Portuguese program for financial education implemented in 2011, the level of retirement savings in the country did not increase. This raises the question if there are other drivers for better financial behaviour. Literature points to individual characteristics, that could as well impact people's attitudes. However, since different policy measures are undertaken between countries, we consider important to analyse if there are differences between how Brazilians and Portuguese perceive the crisis.

We design a survey to measure literacy and behaviours of the Portuguese and Brazilian populations. This study is conducted alongside the crisis, giving it a particular feature of understanding any differences in personal decision making during difficult macroeconomic context. We construct several indices to measure both financial literacy levels and different financial behaviours: retirement planning; over-indebtedness; self-perception; risk profile; and crisis preparedness. We find a positive, yet statistically not significant, relationship between financial literacy and good financial behaviour, here understood by more retirement planning, crisis preparedness, and lower levels of indebtedness. The financial knowledge is only positively significant when analysing the level of confidence, given by the self-assessment of literacy. Moreover, personal characteristics, like employment, income level, and gender, appear to be consistently statistically significant on the likelihood of having efficient financial conduct and higher knowledge, rather than financial literacy, as argued by previous literature.