

ZANDRI KOEKEMOER

North West University, South Africa

THE INFLUENCE OF THE LEVEL OF EDUCATION ON INVESTORS RISK TOLERANCE LEVEL

Abstract:

Increased attention is being given to the influence that demographic factors have on financial risk tolerance. Financial risk tolerance is the overall amount of uncertainty an investor is willing to take with regard to his/her investment decisions. The aim of this article was to investigate whether an investor's level of education plays a role in the level of financial risk that they are willing to tolerate. Data for this article was purposefully collected using a quantitative questionnaire that was electronically distributed to 600 investors within the South African market. Previous research suggests that a positive relationship exists between the level of education and risk tolerance. In other words, an investor with a higher level of education will be willing to tolerate more financial risk due to being able to take more calculated financial risks. The results of this study indicated similar findings to previous research where an individual with a postgraduate degree was more likely to be high risk tolerant compared to an individual with a lower level of education. Individuals who had some level of schooling were more likely to be risk adverse.

Keywords:

Risk tolerance, education level, financial decisions, demographics

JEL Classification: A23, I22, G11