

ANALYTICAL BRIEF / OCTOBER 2026

Confidence is not *competence*

Why investor assessments should measure confidence and knowledge separately

For investor-insight, product and advice-experience teams

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An investor says they understand diversification. A knowledge question suggests otherwise. Another answers correctly but reports little confidence. These patterns imply different research questions, yet a single capability score can make the distinction disappear.

Self-reported confidence concerns what a person believes about their ability. A scored knowledge item concerns performance on that item. Neither alone is a complete measure of investment competence, and neither establishes how the person will act with real money. The practical task is to keep their meanings visible when designing support.

The question for an insight team

If someone answers correctly but hesitates, would your current assessment offer the same support as it offers a confident person who answers incorrectly?

This brief examines selected primary research, then proposes a framework and a measurement protocol for testing investor support. It is not a systematic review or a validation study of U Impact's assessment. The examples are deliberately hypothetical: no proprietary calibration thresholds or new participant-level estimates are claimed.

RESEARCH EVIDENCE

A measurement choice *changes the picture*

Bucher-Koenen and colleagues compared two Dutch household-survey modules. One offered 'do not know'; about six weeks later another removed it and collected answer confidence. They used a statistical model to estimate knowledge and confidence separately. [1]

~30%

of the observed gender difference in financial literacy was attributed to confidence in that study's model. This is an estimate from that study's model. It does not describe the share of investors or U Impact participants who lack confidence.

Source: Bucher-Koenen et al., Fearless Woman (2024, online), model of Dutch household-survey responses. [1]

Both knowledge and confidence were associated with stock-market participation. This is not evidence that raising confidence causes participation. The measurement implication is that scoring every 'do not know' answer as absent knowledge can obscure confidence.

The OECD/INFE 2023 international survey measures financial literacy across knowledge, behaviour and attitudes. [2] This is further reason to retain separate dimensions rather than use a correct-answer count as the whole account of capability. Its international scope does not validate a commercial assessment or the framework on the next page.

'Do not know' can reflect low confidence

In the Dutch study, the model attributed part of the observed gender difference in financial literacy to confidence. [1] Treating every 'do not know' as absent knowledge can miss this distinction. Measure confidence and answer performance separately; higher confidence alone is not evidence of better understanding.

A DIAGNOSTIC FRAMEWORK

Four patterns *to investigate*

Use the following as prompts for follow-up, not customer types. 'Stronger' and 'weaker' refer to performance on the chosen items, not overall competence. 'Higher' and 'lower' confidence are descriptive positions on the chosen response scale. No universal cut-offs are proposed.

Stronger answers / higher confidence

Ask whether the person can apply the concept to the actual choice. Familiarity with quiz wording is an alternative explanation.

Stronger answers / lower confidence

Explore the uncertainty behind hesitation. Avoid assuming that reassurance, rather than a legitimate unresolved question, is needed.

Weaker answers / higher confidence

Check the explanation behind the answer. Test specific corrective feedback without embarrassment or a fixed label.

Weaker answers / lower confidence

Clarify what remains unfamiliar. Offer an accessible explanation and an opportunity to ask for another form of support.

One correct answer can be a guess; one incorrect answer can reflect wording, language or an unfamiliar context. Several well-chosen items and a short explanation in the person's own words provide more interpretable evidence than an isolated score. Accessibility and question comprehension should be checked before interpreting differences between groups. Scores on different scales cannot simply be subtracted to produce a meaningful confidence-versus-knowledge difference.

Hypothetical scenarios add another source of signal, but stated choices in a scenario are not observed investment behaviour. A rules-based combination is reproducible only if the item set, scoring rules and version are recorded. Reproducibility alone does not establish validity. U Impact's methodology separates self-report, knowledge checks and standardised scenarios. [3] A companion guide develops the practitioner context. [4]

Avoid an attractive but unjustified shortcut

The framework is a guide to questions worth investigating. It has not been shown here to predict investment outcomes or identify a suitable product.

HOW TO EVALUATE THE SUPPORT

Test whether *the support helped*

Example: a group answers a diversification question correctly but reports uncertainty about comparing two options. The proposed support explains what is still uncertain; the test asks whether this helps participants explain the trade-off. The objective is improved understanding, including an informed choice to wait.

Measurement decision	Operational requirement
Does the question measure the intended concept?	Map each item to the concept and actual decision. Document what the item does not cover.
Confidence	Ask confidence in each specific answer on a defined scale. Retain that signal separately from general self-confidence.
Performance	Use a pre-specified scoring key and equivalent questions after support; repeating identical items can create practice effects.
Comparison	Use random assignment where feasible; record exclusions, who received support, unanswered questions and whether results concern individuals or groups.
Primary outcome	Define improvement in understanding before analysis. Estimate effects and uncertainty rather than just reporting favourable examples.
Safety checks	Check whether confidence rises while understanding does not. Preserve the option to pause and ask for different support.

Pilot the wording with participants before using the measure to allocate support. A small pilot can reveal interpretation problems; it does not establish that scores are consistent, work fairly across groups or predict later behaviour. Those require further evidence appropriate to the intended use.

Before testing, agree the participant count, review date, treatment of unanswered questions and improvement needed. Adopt the support only if understanding improves enough and safety checks pass. Rising confidence alone is insufficient. An uncertain result requires more evidence. If people choose whether to receive support, that choice may explain a later difference.

A discussion worth having

What would your team change if confidence improved but knowledge performance did not?

SOURCES AND LIMITS

Separate research *from the offer*

The cited research supports measuring confidence and knowledge separately; it does not validate U Impact's scoring, the four-pattern framework or any promised business effect. The Dutch study's decomposition is context- and model-dependent. This brief cannot establish reliability or suitability for an individual decision. Literature selection was targeted, not exhaustive; this brief has not undergone independent peer review.

References

[1] Bucher-Koenen, T., Alessie, R., Lusardi, A., & van Rooij, M. (2024, online). Fearless Woman: Financial Literacy, Confidence, and Stock Market Participation. Management Science. Published online 18 December 2024. DOI: 10.1287/mnsc.2023.00425.

[2] OECD (2023). OECD/INFE 2023 International Survey of Adult Financial Literacy. OECD Business and Finance Policy Papers, No. 39. OECD Publishing. DOI: 10.1787/56003a32-en.

[3] U Impact (2026). Methodology. Commercial assessment documentation; not an independent validation paper.

[4] U Impact (2026). Investment competence versus confidence. Companion practitioner guide.

Joint authors and disclosure

Dr Clemens Chaskel - platform and applied research.

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All three authors are U Impact co-founders with a commercial interest in the services discussed. U Impact is backed by SDG Investments. Partner attribution identifies the event cooperation; it does not imply external peer review or endorsement of this brief.

Does your assessment miss the difference?

Email us what your assessment measures and where the answers leave your team uncertain. Let's discuss how to measure understanding and test the support you offer.

Email the U Impact team

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Or use our contact form

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