



THE IMPACT OF PUBLIC FINANCIAL LITERACY ON THE REAL ESTATE MARKET IN THE USA AND UKRAINE

Mariya Vlasova

ORCID: <https://orcid.org/0009-0005-2515-6241>

Real Estate Professional, Marketing Specialist,

LP Global Realty Vlas Invest LLC – CEO,

2501 S Ocean Dr, Hollywood, FL 33019, United States

Abstract. *The article explores how financial literacy among the population affects the functioning of the real estate market in the USA and Ukraine, with a particular focus on the role of public awareness in shaping investment behavior and decision-making within different institutional and economic environments. The purpose of the study is to analyze how the level of financial literacy influences the investment strategies of real estate market participants in the USA and Ukraine, as well as to identify the specific features of this influence in the context of the differences between the two countries. The study employed general scientific methods of cognition: analysis and synthesis, comparative method, systems approach, generalization, deduction, and induction. The findings demonstrate that financial literacy is a key condition for making effective investment decisions in the real estate market. It is concluded that financial awareness enables investors to properly assess risks and potential returns, accurately interpret economic data, and make decisions based on long-term outcomes. A high level of financial literacy helps avoid cognitive errors common in behavioral economics, including herd behavior, loss aversion, and regret, and enhances the ability of investors to adapt to market changes and prevent significant financial losses. The study reveals that the real estate markets of the USA and Ukraine differ significantly in terms of institutional and economic structures, which define the unique role of financial literacy in each country. The American market is characterized by strong regulation, transparency, broad access to financial instruments, and price predictability, which allows financial awareness to be used for investment optimization, strategic planning, and risk mitigation. In contrast, the Ukrainian market shows low transparency, instability, legal uncertainty, and limited access to financial resources. The practical value of this study lies in its potential application in developing educational programs, financial literacy policies, and adapting investment strategies to national market characteristics.*

Keywords: financial literacy, real estate market, investor, USA, Ukraine.

Introduction

In today's world, financial literacy is becoming increasingly important as a key factor in ensuring economic stability and individual well-being. In the USA, according to WalletHub, financial literacy declined from 52% in 2020 to 48% in 2023, highlighting the urgent need to strengthen financial education and raise public awareness of financial matters [12]. The situation in Ukraine is even more challenging: a low level of financial literacy limits the population's ability to effectively manage savings and investments, which in turn hinders the development of the national financial market. In an effort to improve the situation, in 2024 the National Bank of Ukraine adopted the National Strategy for the Development of Financial Literacy until



2030, which aims to enhance public financial awareness and promote rational financial behavior [7]. The real estate market is one of the key areas where public financial literacy has a significant impact. In the USA, high financial literacy facilitates informed decisions on home purchases, mortgage use, and risk management [1]. In Ukraine, limited financial knowledge and restricted access to financial tools often lead to difficulties in real estate investment and personal finance management. Therefore, improving public financial literacy is an essential step toward ensuring the stability and development of the real estate market in both countries.

Literature Review

The issue of how financial literacy influences real estate market dynamics in the USA and Ukraine is interdisciplinary in nature, covering aspects of financial education, behavioral economics, and investment activity. G. Bied [1] emphasizes the importance of real estate education as a tool for shaping financially literate future leaders, particularly in online formats. D. Demchyna [2] outlines basic financial literacy concepts, teaching principles, and approaches that help explain how knowledge gaps affect investment behavior. Similarly, Homecity [3] highlights the role of mathematical skills and financial awareness in making real estate decisions. In academic research, T. Jappelli and M. Padula [4] examine how investment in financial education impacts saving behavior, providing a theoretical basis for further studies. A. M. Kuria [5] considers financial literacy as a moderator of behavioral biases in real estate investment (using Kenya as a case study), which is relevant for emerging markets such as Ukraine. A comprehensive study by A. Lusardi and S. O. Mitchell [6] explores the economic importance of financial literacy from both theoretical and practical perspectives. The National Bank of Ukraine [7] introduced the National Strategy for the Development of Financial Literacy until 2030, emphasizing the role of government institutions in transforming investment culture, including within the real estate market. From the perspective of investor behavior, R. K. Raut [8] investigates the relationship between prior experience, financial literacy, and decision-making processes. Current developments in the Ukrainian real estate market are described by Realty School [9], pointing to the evolution of real estate professionalism and rising demand for financial



education. K. Smith [10] and T. Tsai [11] stress the importance of real estate investment as a practical tool for teaching financial literacy. The picture is rounded out by recent data from WalletHub [12], which highlights differences in financial literacy between countries and their impact on market behavior.

Methodology and methods

The study is grounded in general scientific approaches and principles of cognition, including systems, comparative, analytical, and interdisciplinary approaches. The systems approach enabled a comprehensive view of public financial literacy as a key factor influencing the functioning and development of the real estate market. Comparative analysis helped identify major differences between the real estate markets of the USA and Ukraine, focusing on institutional, economic, and financial aspects. The analytical approach allowed for detailed exploration and synthesis of academic concepts and empirical data related to investor behavior in the real estate sector. The following general scientific methods were used: analysis and synthesis of academic literature, empirical studies, and statistical data; comparison, which enabled the identification of similarities and differences in the characteristics of the two countries' real estate markets; generalization, used to draw conclusions on the role of financial literacy in shaping investor behavior. The method of information systematization was also applied to classify and organize the material according to the research objectives. The interdisciplinary approach made it possible to integrate knowledge from economics, finance, psychology, sociology, and law in order to gain deeper insight into how financial literacy affects investment decisions in the real estate market.

Scientific novelty

The study offers an in-depth comparative analysis of how public financial literacy influences the real estate markets of the USA and Ukraine, incorporating behavioral economic theories tailored to the specific institutional settings of each country.

Purpose of the article

The purpose of this article is to define the impact of public financial literacy on the real estate markets of the USA and Ukraine, analyze the specific factors influencing investor behavior in each country, and clarify the role of financial awareness in shaping



effective investment strategies in the real estate sector. The following *tasks* were set to achieve this goal: 1) identify the theoretical and practical characteristics of financial literacy as a factor in investment decision-making; 2) conduct a comparative analysis of the US and Ukrainian real estate markets based on key institutional and economic indicators; 3) compare approaches to financial literacy in the USA and Ukraine and assess its importance for the stability and development of their respective real estate markets.

Research results

Behavioral economists have drawn on theories of human cognitive behavior from sociology, anthropology, and psychology to explain various rational and irrational investor behavior patterns in financial markets. Their research is based on four theoretical approaches – prospect theory, herd behavior theory, regret theory, and investment market theory.

Prospect theory. This theory suggests that an investor who tends to avoid risk when making a profit usually tries to sell an asset that has appreciated relative to its purchase price. On the other hand, an investor who is willing to take risks when facing losses is likely to hold onto a depreciating asset. Therefore, investors typically avoid risk when it comes to gains but are more willing to take risks when confronted with losses. Prospect theory describes the mental states that may influence an investor's decision-making process. However, it does not provide psychological explanations for these processes and overlooks other important factors, such as emotions, which limits its value as a basis for fully rational decision-making [5].

Herd behavior theory. In the context of financial markets, herd behavior is viewed as an investor's tendency to follow the actions of other market participants or general market trends, while disregarding their own knowledge and convictions. Although such biases alone may not be strong enough to affect market prices, they can gain considerable influence when widely adopted and accompanied by strong emotional reactions [5]. An investor's decision, driven by the behavior of others, is typically associated with herd thinking. Any investment action that is not based solely on financial data about a specific company or sector should be considered through the lens



of this theory. Studies confirm that irrational investor behavior can distort financial markets [5].

Regret theory. This theory is highly relevant in situations involving uncertainty and is based on the idea that people consider not only the actual outcomes of their decisions but also the potential outcomes they could have achieved by making different choices. It is built around two functions – the regret function, which reflects emotional impact, and the utility function, which describes attitudes toward results. Despite its simple structure, this theory explains many deviations from expected utility. Its key idea is aversion to regret, which reflects a person's psychological unpreparedness to face significant losses that could have been avoided [5].

Investment market theory. The role of market information in pricing financial assets has been studied since the 19th century. Over time, two main schools of thought emerged. One claims that information is irrelevant to asset pricing since prices change randomly, making it impossible to predict investment returns. This contradicts rational decision-making theory, which assumes that reliable and relevant information is essential for making effective decisions. Without it, the market becomes prone to biases and inconsistencies [5].

Behavioral finance focuses on how investors make various financial decisions. Research shows that financial literacy enhances the ability to interact effectively with behavioral factors that influence investment choices. In this context, it becomes especially relevant to explore the role of financial literacy in real estate, particularly in the markets of the USA and Ukraine.

Modern financial markets are becoming increasingly accessible to retail investors – in the USA, this is due to the expansion of financial services and the introduction of new products, while in Ukraine, affordability stems from relatively low real estate prices that attract investors with their own capital.

Despite a certain external similarity – accessibility for a wide range of investors – the real estate markets of the USA and Ukraine differ fundamentally in terms of institutional foundations, development level, transparency, supply and demand structure, and financing and regulatory mechanisms.



Because of this, applying financial behavior models based on practices from developed markets – especially the American market – is largely ineffective or even inappropriate in the context of Ukraine's real estate sector. Similarly, relying on principles formed in the Ukrainian economy will not yield the desired results in the US market. These contradictions stem from structural, economic, and legal differences that define the logic of each market's functioning.

The key differences between the real estate markets in the USA and Ukraine are presented in *Table 1*.

Financial literacy, in this context, refers to an individual's ability to interpret financial information and make informed investment decisions. According to conceptual approaches, financial awareness is viewed as a form of investment in human capital that enables individuals to earn above-average returns. However, even with such knowledge, a significant level of financial illiteracy may persist [4]. Some researchers focus on the process of acquiring financial literacy and the connection between savings, investment behavior, and financial knowledge. People develop financial knowledge throughout their lives by dedicating time and effort to learning about issues that affect household income, saving, and spending. Financial skills are essential for everyday tasks such as comparing prices, budgeting, paying bills, using credit cards, and managing bank accounts. They also play a critical role in achieving long-term goals – homeownership, retirement savings, and funding children's education [6].

Financial awareness includes understanding aspects such as the return on alternative investments, risk assessment, compound interest, the benefits of diversification, tax regulations, mortgage financing options, credit institution operations, costs of various financial products, and levels of public trust in them. People who deal with financial matters in their professional life tend to have higher financial literacy, which can lead to greater asset accumulation compared to those without such experience.

Financial literacy is closely linked to the likelihood of engaging in a range of financial practices: controlling expenses, paying bills on time, budgeting, regular



saving, paying off debts in full, building an emergency fund, setting financial goals, and diversifying investments. It plays a crucial role in investment decisions, as it helps individuals choose the most suitable opportunities. Sound investment decisions contribute to improving investors' overall financial well-being.

Table 1. Comparative characteristics of the real estate markets in the USA and Ukraine

Criterion	US market	Ukrainian market
1. Property value (commercial and non-commercial)	High prices even in small towns; the average cost significantly exceeds household income	Low prices in most regions, especially in sparsely populated or economically depressed areas; affordable for investors with their own capital
2. Age of buildings	Older properties (often 60–100 years), but well-maintained due to service standards and insurance requirements	Mainly Soviet-era or 1990s–2000s construction; the most affordable real estate is found in areas with buildings not older than 50 years
3. Brokers/intermediaries	Brokers are licensed, have access to a unified national database (MLS), and work on a fixed commission (typically 5–6% of the deal value), paid by the seller	Realtors operate independently or in small networks, maintain their own databases, earn around one month's rent as commission, paid by the tenant; for purchases, the fee is negotiable
4. Source of financing	The main sources include bank loans, mortgages, and government lending programs (FHA, VA, etc.); large volumes of attracted capital	Primarily funded through personal capital; long-term mortgage options for individuals are virtually unavailable
5. Access to financial instruments	A wide range of products: fixed/adjustable-rate mortgages, reverse mortgages, refinancing, mortgage insurance	Limited access to financial instruments, underdeveloped capital market infrastructure, minimal refinancing opportunities
6. Market regulation	Strong legal framework, consumer protection, title insurance, and a clear property registration system	Insufficient legal protection, frequent documentation issues, widespread shadow rental market, risks of double sales
7. Long-term investment appeal	Stable market with forecasts based on analytics, generally rising prices	High volatility, political and economic risks, prices depend on macroeconomic conditions and wartime factors
8. Market transparency	High: centralized electronic databases, access to property history, automated market analysis	Low: lack of unified and objective market information, many transactions occur outside official records
9. Rental relations	Formal lease contracts, rentals often involve long-term commitments, credit history system in place	Leases are often informal, tenants lack legal protection, a large share of short-term agreements

Note systematized by the author based on sources [2,9]



Financial awareness also underpins investment behavior, including participation in the stock market, better asset diversification, more frequent trading of securities, and selection of low-fee investment portfolios [8].

Given the significant structural, economic, and institutional differences between the US and Ukrainian real estate markets, financial literacy carries different meanings and serves different purposes in each country.

In the Ukrainian context, financial literacy primarily acts as a tool for protection against risks and poor decisions in a real estate market that lacks transparency, regulation, and stability. In this environment, financial literacy must include the following key components:

- market analysis skills: understanding the structure of supply and demand, typical pricing across regions, and the potential for property value growth; given the limited market transparency, this requires actively gathering information from various sources;
- decision-making for buying/selling: a financially literate person can evaluate whether a deal is appropriate, recognize the impact of macroeconomic and political factors on price trends, and consider alternative investment options;
- legal due diligence: because of widespread market fraud, it is crucial to verify property ownership, potential encumbrances, ongoing litigation, and other legal risks;
- property value assessment: in the absence of reliable statistics or open databases, it is important to know how to compare the asking price with average market values to avoid overpaying or engaging in high-risk transactions;
- understanding macroeconomic trends: linking economic indicators – such as inflation, exchange rates, and interest rates – with the future outlook of the real estate market is critical for strategic investment decisions [9].

Thus, in Ukraine, financial literacy plays an adaptive role in an unstable environment where there is no clear system of consumer protection and the responsibility for decisions lies entirely with the investor.



In the well-developed and highly regulated US real estate market, financial literacy primarily serves an optimization function – it is geared toward maximizing investment efficiency under stable and predictable conditions. The main components of financial literacy in the American context include:

- ✓ long-term cost calculations: financially literate individuals estimate the total cost of ownership, including mortgage interest, taxes, insurance, maintenance, and more
- ✓ comparison of alternative scenarios: Americans actively use rent vs. buy calculators, profitability analysis tools, and projections of returns and cash flows
- ✓ understanding credit instruments: familiarity with mortgage conditions, credit scores, and refinancing options is essential; individuals are capable of evaluating the benefits of fixed vs. adjustable rates and optimizing mortgage terms
- ✓ financial planning: homeownership is closely tied to broader financial planning – a portfolio approach to investments, tax optimization, retirement planning, and risk insurance
- ✓ risk evaluation and insurance: there is a high level of risk management culture supported by insurance instruments – covering both property and income loss (due to disability, job loss, etc.).

In the US, then, financial literacy is a tool for managing a personal financial portfolio effectively within a developed market infrastructure, supported by reliable institutions and access to analytical data. Financial literacy plays a critical role in shaping investor behavior in the real estate market, but its impact varies significantly in the contexts of the USA and Ukraine due to the structural, institutional, and economic features of each country [11].

In the USA, where the real estate market is highly regulated, transparent, and offers wide access to financial instruments, financial literacy enhances the quality of investment decisions. People with a high level of financial awareness can make effective use of mortgage lending, evaluate total ownership costs, plan long-term expenses, and manage risks through insurance [10]. This enables them to make



informed decisions regarding property purchase or rental, factoring in interest rates, tax benefits, and expected returns.

In contrast, in Ukraine's less developed real estate market, which lacks access to financial tools and legal protection, financial literacy serves a protective function. Investors with strong financial knowledge are better equipped to navigate instability, avoid fraudulent schemes, verify property legal status, and assess the risks associated with real estate investment [9]. This is especially relevant in the absence of a centralized property database and the prevalence of off-the-record deals.

Studies show that Ukraine's low financial literacy levels limit the population's ability to use savings effectively and invest in real estate, which in turn hampers the development of the national financial market. In the USA, by contrast, widespread financial literacy promotes active public engagement in real estate, supporting stability and growth in the sector.

Financial literacy is therefore a key factor influencing real estate markets in both countries, although its function and significance differ greatly. In the US, it serves as a tool for investment optimization and risk management, while in Ukraine, it is a means of protection against market instability and fraud.

Conclusions

Financial literacy is a critically important competency that directly affects the quality of investment decision-making, including in the real estate sector. It enables investors to assess risks and returns rationally, interpret economic and financial information accurately, and make decisions with long-term consequences in mind. A high level of financial literacy helps avoid cognitive biases identified by behavioral economists (prospect theory, herd behavior, regret theory, investment market theory) and allows investors to adapt to market changes and prevent major financial losses.

The real estate markets of the USA and Ukraine differ significantly in both economic and institutional characteristics. The US market is marked by strong regulation, transaction transparency, access to a wide range of financial instruments (including fixed and adjustable mortgage programs, collateral and title insurance), and stable, predictable price dynamics. In contrast, the Ukrainian market suffers from low



transparency, weak regulation, limited access to financial instruments and bank financing, unstable prices, legal uncertainties, and a high prevalence of shadow transactions.

Due to these substantial differences, financial literacy fulfills fundamentally different roles in the USA and Ukraine. In the American context, it is aimed at optimizing investment decisions, managing assets effectively, planning finances over the long term, making full use of available financial instruments, and minimizing risks through insurance mechanisms. In the Ukrainian context, financial literacy primarily serves a protective function, helping investors avoid risky deals, verify legal property status, assess fair market value, and adapt to economic and political instability. For this reason, in Ukraine, financial literacy is a vital tool for investor protection, while in the USA, it is a means of achieving financial stability and efficient capital accumulation.

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