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# Financial Literacy, Disciplined Investing, and Investment Satisfaction: Evidence from U.S. Retail Investors

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## *Abstract*

Despite widespread efforts to promote financial literacy, little is known about how such knowledge translates into actual investment satisfaction among individual retail investors. This study investigates the role of disciplined investment behavior as a mediating mechanism linking financial literacy to investment satisfaction in the United States. Using primary survey data from 291 investors, a structured questionnaire measured financial literacy, disciplined investment behavior, and investment satisfaction on a five-point Likert scale. Reliability analysis confirmed strong internal consistency across all constructs. Correlation and regression analyses indicate that financial literacy positively enhances disciplined investment behavior, which, in turn, strongly predicts investment satisfaction. Ordinary Least Squares regression shows disciplined investment behavior as the strongest predictor of satisfaction, exceeding the direct effect of financial literacy. Structural Equation Modeling further demonstrates that disciplined investment behavior partially mediates the relationship between financial literacy and satisfaction, highlighting that much of the effect of knowledge operates through behavioral discipline. Gender-based analysis reveals higher financial literacy among male investors, yet no significant differences emerge in disciplined behavior or investment satisfaction, suggesting that knowledge gaps do not necessarily lead to outcome disparities. These findings provide empirical evidence of the behavioral pathway connecting knowledge to investor outcomes and emphasize that financial education programs should focus not only on knowledge acquisition but also on cultivating disciplined, long-term investment habits.

***Keywords:*** *Financial Literacy;Disciplined Investment;Investment Satisfaction;Mediation Analysis;Retail Investors*

## *1. Introduction*

In recent years, individuals have taken on greater responsibility for managing their own financial well-being, making financial literacy an increasingly important skill. Financial literacy refers to the ability to understand and apply key financial concepts such as budgeting, saving, investing, and risk

management. These skills influence not only day-to-day financial decisions but also long-term outcomes such as wealth accumulation and financial security. Despite its importance, many individuals still enter financial systems without a strong foundation in these areas, largely due to the limited emphasis placed on financial education in formal schooling.

At the same time, access to financial markets has expanded significantly, particularly in the United States. The growth of online trading platforms, mobile applications, and digital financial tools has made investing more accessible to retail investors than ever before. While this increased accessibility has encouraged broader participation, it has also exposed a gap between access and understanding. Many individuals begin investing without fully grasping fundamental financial concepts, often relying on informal sources of information or short-term market trends (Huston, 2010). As a result, participation in financial markets does not always translate into positive financial experiences or outcomes.

Within this context, it becomes important to distinguish between financial knowledge and financial behavior. While financial literacy provides individuals with the necessary understanding of financial principles, it does not automatically ensure that this knowledge is applied effectively (OECD, 2017). Behavioral finance research suggests that investors are often influenced by emotions, cognitive biases, and inconsistent decision-making patterns. This highlights the importance of disciplined investment behavior, which involves following structured strategies, maintaining a long-term perspective, managing risk, and avoiding impulsive reactions to market fluctuations. Research suggests that behavioral biases such as overconfidence, herding, and loss aversion can significantly distort investment decisions, even among financially literate individuals (Barber & Odean, 2001).

Prior evidence suggests that financial well-being is strongly shaped by behavioral self-control and disciplined financial actions rather than knowledge alone (OECD, 2013). This study builds on these ideas by examining the relationship between financial literacy, disciplined investment behavior, and investment satisfaction among retail investors in the United States. In particular, it focuses on whether disciplined investment behavior serves as a mediating mechanism through which financial literacy influences investor outcomes. While existing research has established a link between financial literacy and improved financial decision-making, less attention has been given to how this knowledge translates into subjective outcomes such as investment satisfaction. Understanding this relationship is important, as satisfaction reflects not only financial performance but also confidence and perceived control over investment decisions.

This study examines the relationship between financial literacy, disciplined investment behavior, and investment satisfaction among retail investors in the United States. Specifically, it investigates whether disciplined investment behavior acts as a mediating mechanism through which financial literacy influences investment satisfaction. By focusing on behavioral transmission rather than direct effects alone, the study contributes to a more integrated understanding of investor decision-making and financial well-being.

## *2. Literature Review*

There is increasingly emerging literature on the role of financial literacy in influencing financial behavior and outcomes, and much of the literature has been based on primary survey data to model the individual-level patterns of decision-making. One of the studies by Annamaria Lusardi and Olivia S. Mitchell sought to determine the effects of financial literacy on financial decision-making and planning. It used the information of big surveys like the U.S. National Financial Capability Study and overseas data, including thousands of people. The research design was survey based where structured questionnaires were used to measure the knowledge of interest rates, inflation and risk diversification and the results were analysed through regression analysis. The study results indicate that financial literacy has a strong

relationship with better financial planning, increased savings, and effective investments. Another significant area that is noted in the study is the general lack of basic financial knowledge, which has a detrimental impact on financial performance (Lusardi and Mitchell, 2014).

In another study, Maarten van Rooij, Annamaria Lusardi, and Rob Alessie set out to conduct a study to determine the impact of financial literacy on the stock market participation. It was done in the Netherlands using the data of the Dutch Household Survey, which involved almost 1,500 households through questionnaires. The study used a survey-based methodology that utilized the logistic regression analysis. The study results indicate that financially literate people are much more likely to invest in the stock markets, despite the incomes and wealth being taken into consideration (Van Rooij et al., 2011). Marianne A. Hilgert, Jeanne M. Hogarth and Sondra G. Beverly conducted a study to establish the correlation between financial knowledge and the financial practices. It used the U.S. Survey of Consumers data, which is founded on a big national sample gathered using structured survey instruments. The researchers used correlation and regression to investigate the patterns of behavior. Study results indicate that better financial practices such as saving regularly, paying bills on time, and managing credit well are linked to increased financial knowledge **(Hilgert et al., 2003).

Tao Xia, Zhu Wang and Jing Li conducted another study to test the effect of financial literacy on stock market participation and investment choices. It used the information of the RAND American Life Panel, a survey-based information of Americans. The research design was a form of structured questionnaires and econometric regression analysis. The results of the research indicate that financial literacy has a significant positive effect on the engagement of financial markets and makes the decision-making process more informed and rational especially among the less experienced investors (Xia et al., 2014). Antonia Grohmann, Thilo Klues and Lukas Menkhoff conducted a study to establish the relationship between financial literacy and financial inclusion of the countries. It used survey data of over 140,000 persons in various countries, which were gathered using standardized questionnaires. The research uses cross-country regression analysis to determine trends. According to the study findings, it is observed that an increase in financial literacy is closely related to an increase in formal financial systems engagement, such as savings and investment activities (Grohmann et al., 2018).

Finally, a study by So-Hyun Joo and John E. Grable aimed to find the determinants of financial satisfaction among individuals. It used the information of a survey of the U.S. households in which the respondents were asked structured questions about their financial knowledge, behaviour, and satisfaction. The research design was a survey based analysis by use of regression analysis. The study results indicate that financial behavior and perceived control are more effective determinants of financial satisfaction as compared to knowledge alone, regardless of the study's variables (Joo and Grable, 2004).

Although there is a substantial literature on the relationship between financial literacy and financial behavior and participation, and on the relationship between financial behavior and financial satisfaction, there is a significant gap in synthesizing the relationships in a single context. The literature is mostly studying these constructs individually or mostly concentrating on objective outcomes like participation or savings, as opposed to the subjective outcome like investment satisfaction. Furthermore, a little empirical research has focused on the mediating value of disciplined investment behavior in converting financial literacy into satisfaction, specifically with respect to retail investors in the United States. This paper fills this gap with a clear focus on investigating the behavioral channel through which financial literacy moderates investment satisfaction which adds to a deeper comprehension of the behavior of investment decision-making and performance.

## *3. Methodology*

This section outlines the research design, data collection process, and analytical techniques employed to examine the relationship between financial literacy, disciplined investment behavior, and investment satisfaction.

### 3.1 Hypotheses Formulation

The primary objective of this study is to examine the relationship between financial literacy, disciplined investment behavior, and investment satisfaction among individual investors. It further evaluates whether disciplined investment behavior mediates the relationship between financial literacy and investment satisfaction.

Grounded in behavioral finance theory, which suggests that financially knowledgeable investors are more likely to adopt structured and rational investment strategies, the following hypotheses guide the empirical analysis:

**H1:** Financial literacy positively influences disciplined investment behavior.

**H2:** Disciplined investment behavior positively influences investment satisfaction.

**H3:** Financial literacy positively influences investment satisfaction.

**H4:** Disciplined investment behavior mediates the relationship between financial literacy and investment satisfaction.

### 3.2 Research Design

This study adopts a quantitative, cross-sectional research design using primary survey data. The research design is explanatory in nature, as it seeks to examine predictive and causal relationships among financial literacy, disciplined investment behavior, and investment satisfaction rather than merely describing investor characteristics. The study employs multivariate statistical techniques, including correlation analysis, Ordinary Least Squares (OLS) regression, and Structural Equation Modeling (SEM), to test the proposed hypotheses and mediation framework. All statistical analyses were conducted using STATA.

### 3.3 Population and Sampling

The target population comprises individual retail investors based in the USA who actively participate in financial markets and hold financial instruments such as equities, mutual funds, and bonds. A non-probability convenience sampling technique was adopted due to accessibility constraints and the absence of a comprehensive investor database. A total of 291 valid responses were collected and included in the final dataset. The sample includes a heterogeneous group, allowing for demographic comparisons in financial literacy and investment behavior. Although convenience sampling limits external generalizability, the sample size is adequate for conducting multivariate regression and structural equation modeling, satisfying recommended thresholds for SEM estimation.

### 3.4 Data Collection and Measurement

Primary data were collected using a structured questionnaire administered in survey format. Responses were measured on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The questionnaire consisted of three core constructs:

**Financial Literacy**
Measured using three items capturing understanding of diversification, asset allocation, and long-term investment principles.

**Disciplined Investment Behavior**
Measured through three items assessing adherence to investment strategy, avoidance of panic selling, and portfolio rebalancing behavior.

**Investment Satisfaction**
Measured using five items reflecting careful decision-making, disciplined execution, achievement of financial goals, risk-adjusted outcomes, and overall investment satisfaction.

Composite indices for each construct were created by calculating the mean of the respective items.

### 3.5 Reliability and Validity Assessment

Internal consistency reliability was assessed using Cronbach's alpha. All constructs exceeded the commonly accepted threshold of 0.70, indicating satisfactory reliability. The high reliability coefficients confirm strong internal consistency among scale items and support the construction of composite indices for further analysis. Construct validity was preliminarily assessed through correlation analysis, ensuring that the relationships among variables align with theoretical expectations prior to regression and SEM estimation.

### 3.6 Analytical Framework

The empirical analysis follows a multi-stage approach:

**Stage 1: Descriptive Statistics**
Descriptive statistics were computed to summarize the distribution, central tendency, and dispersion of key variables, as well as demographic characteristics of the sample.

**Stage 2: Correlation Analysis**
Pearson correlation coefficients were calculated to examine bivariate relationships among financial literacy, disciplined investment behavior, and investment satisfaction.

**Stage 3: Ordinary Least Squares (OLS) Regression**
Regression analysis was conducted to examine the direct effects of disciplined investment behavior and financial literacy on investment satisfaction (H2 and H3), while controlling for risk tolerance and diversification. The relationship between financial literacy and disciplined investment behavior (H1) was primarily assessed using correlation analysis and structural equation modeling (SEM). The OLS model for investment satisfaction is specified as:

$$\text{Satisfaction} = \beta_0 + \beta_1 \text{ Discipline} + \beta_2 \text{ Financial Literacy} + \text{Controls} + \varepsilon$$

**Stage 4: Structural Equation Modeling (SEM)**
SEM was employed to simultaneously estimate direct and indirect effects and to formally test the mediation hypothesis (H4). The SEM framework allows examination of both the direct impact of financial literacy on satisfaction and the indirect pathway operating through disciplined investment behavior.

### 3.7 Ethical Considerations

The study adhered to standard ethical research guidelines. Participation was voluntary, and informed consent was obtained prior to survey administration. Respondents were assured of anonymity and confidentiality, and no personally identifiable information was collected. Data were used solely for academic purposes, and participants retained the right to withdraw from the study at any stage without consequence.

## *4. Results and Findings*

This section presents the empirical findings of the study. The analysis begins with reliability and descriptive statistics, followed by gender-based comparisons, correlation analysis, regression estimation, and structural equation modeling (SEM). The hypotheses are evaluated within the relevant analytical contexts.

### 4.1 Demographic Profile of Respondents

The study sample consists of 291 retail investors based in the United States. The respondents exhibit variation across age, gender, education, employment status, and financial education background. In terms of age distribution, the largest proportion of respondents belongs to the 45–54 age group, followed by the 35–44 and 55 and above categories. A smaller share of respondents falls within the 25–34 age group and below 25 categories, indicating relatively lower representation of younger investors. With respect to gender, the sample is slightly male-dominated, with male respondents constituting a higher proportion compared to female respondents. A small number of respondents preferred not to disclose their gender.

Regarding educational attainment, the majority of respondents hold undergraduate or postgraduate degrees. A notable proportion of respondents possess doctoral degrees, while a smaller share report high school-level education. Additionally, several respondents reported professional qualifications such as CFA, CFP, CPA, and MBA, indicating a relatively high level of financial and professional education within the sample. In terms of employment status, most respondents are employed full-time, followed by self-employed individuals. Smaller proportions include retired individuals, part-time workers, unemployed respondents, and students.

With respect to financial education, respondents reported diverse forms of exposure. These include formal post-secondary coursework in finance or economics, informal self-directed learning through books, podcasts, and online resources, and professional certifications. A minority of respondents reported having no formal or structured financial education. Overall, the sample represents a heterogeneous group of retail investors with variation in demographic and educational characteristics, making it suitable for examining differences in financial literacy, investment behavior, and investment satisfaction.

### 4.2 Reliability Analysis

The internal consistency of the measurement scales was assessed using Cronbach’s alpha. The results indicate strong reliability across all constructs, thereby supporting the construction of composite indices.

Table 1. Reliability Statistics

| Construct | Number of Items | Cronbach's Alpha |
|---|---|---|
| Financial Literacy | 3 | 0.939 |
| Disciplined Investment Behavior | 3 | 0.759 |
| Investment Satisfaction | 5 | 0.937 |

All reliability coefficients exceed the recommended threshold of 0.70, confirming satisfactory internal consistency.

### 4.3 Descriptive Statistics

Descriptive statistics were computed to summarize the central tendency and dispersion of the principal variables.

Table 2. Descriptive Statistics

| Variable | N | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| Financial Literacy | 291 | 4.19 | 0.97 | 1 | 5 |
| Disciplined Investment Behavior | 291 | 3.91 | 0.93 | 1 | 5 |
| Investment Satisfaction | 291 | 4.11 | 0.81 | 1 | 5 |

The mean values suggest that respondents, on average, report relatively high levels of financial literacy and investment satisfaction, along with moderately high levels of disciplined investment behavior.

### 4.4 Gender-Based Differences

Independent samples t-tests were conducted to assess whether significant differences exist between male and female respondents.

Table 3. Independent Samples t-Test by Gender

| Variable | Female Mean | Male Mean | t-value | p-value |
|---|---|---|---|---|
| Financial Literacy | 3.93 | 4.36 | -3.80 | 0.0002 |
| Disciplined Investment Behavior | 3.79 | 3.99 | -1.77 | 0.078 |
| Investment Satisfaction | 4.05 | 4.15 | -0.96 | 0.340 |

The results indicate a statistically significant gender difference in financial literacy ($p < 0.01$), with male respondents reporting higher levels. However, no statistically significant differences are observed in disciplined investment behavior or investment satisfaction at the 5 percent significance level.

### 4.5 Correlation Analysis

Pearson correlation coefficients were computed to examine the bivariate relationships among the study variables.

Table 4. Correlation Matrix

| Variables | (1) FL | (2) Discipline | (3) Satisfaction | (4) Risk Tol | (5) Diversification |
|---|---|---|---|---|---|
| (1) Financial Literacy | 1.000 | | | | |
| (2) Discipline | 0.543*** | 1.000 | | | |
| (3) Satisfaction | 0.608*** | 0.731*** | 1.000 | | |
| (4) Risk Tolerance | -0.027 | -0.082 | -0.084 | 1.000 | |
| (5) Diversification | 0.093 | 0.237*** | 0.249*** | -0.050 | 1.000 |

***p < 0.001

Financial literacy is positively and significantly correlated with disciplined investment behavior ($r = 0.543$, $p < 0.001$), providing preliminary support for H1. Disciplined investment behavior exhibits a strong positive correlation with investment satisfaction ($r = 0.731$, $p < 0.001$), offering initial support for H2. Financial literacy also demonstrates a significant positive association with investment satisfaction ($r = 0.608$, $p < 0.001$), consistent with H3.

### 4.6 Regression Analysis

An Ordinary Least Squares (OLS) regression model was estimated to examine the determinants of investment satisfaction.

**Model Specification:**

$$\text{Satisfaction} = \beta_0 + \beta_1 \text{ Discipline} + \beta_2 \text{ Financial Literacy} + \beta_3 \text{ Risk Tolerance} + \beta_4 \text{ Diversification} + \varepsilon$$

Table 5. OLS Regression Results

| Variable | Coefficient | Std. Error | t-value | p-value |
|---|---|---|---|---|
| Discipline | 0.475 | 0.040 | 11.93 | 0.000 |
| Financial Literacy | 0.255 | 0.037 | 6.89 | 0.000 |
| Risk Tolerance | -0.021 | 0.029 | -0.72 | 0.472 |
| Diversification | 0.040 | 0.017 | 2.37 | 0.018 |
| Constant | 1.123 | 0.173 | 6.48 | 0.000 |

Model Statistics:
$R^2 = 0.6065$
Adjusted $R^2 = 0.6010$
$F(4, 286) = 110.18$ ($p < 0.001$)

Disciplined investment behavior exerts a strong positive and statistically significant effect on investment satisfaction ($\beta = 0.475$, $p < 0.001$), thereby supporting H2. Financial literacy also has a positive and statistically significant direct effect on investment satisfaction ($\beta = 0.255$, $p < 0.001$), supporting H3. Diversification shows a modest positive effect, while risk tolerance is not statistically significant.

### 4.7 Structural Equation Modeling and Mediation Analysis

Structural Equation Modeling (SEM) was employed to simultaneously estimate direct and indirect relationships among the constructs and to formally assess mediation.

Table 6. Standardized SEM Path Coefficients

| Path | Standardized Coefficient | z-value | p-value |
|---|---|---|---|
| Financial Literacy → Discipline | 0.543 | 14.22 | 0.000 |
| Discipline → Satisfaction | 0.569 | 14.31 | 0.000 |
| Financial Literacy → Satisfaction (Direct) | 0.299 | 6.97 | 0.000 |

All structural paths are positive and statistically significant at the 1 percent level.

The indirect effect of financial literacy on investment satisfaction through disciplined investment behavior is approximately 0.309 (0.543 × 0.569), indicating a substantial mediated pathway. Because the direct effect of financial literacy on satisfaction remains statistically significant after inclusion of the mediator, the results indicate partial mediation. Accordingly, H1, H2, and H3 are supported, and H4 is supported in the form of partial mediation.

### 4.8 Overall Findings

The empirical findings demonstrate that financial literacy significantly enhances disciplined investment behavior, which in turn substantially increases investment satisfaction. Although financial literacy directly influences satisfaction, a considerable proportion of its effect operates indirectly through disciplined investment practices. Disciplined investment behavior emerges as the strongest predictor of investment satisfaction within the estimated model. While gender differences are observed in financial literacy levels, these differences do not extend to disciplined behavior or satisfaction outcomes. Collectively, the results underscore the central role of financial literacy and behavioral discipline in shaping positive investment experiences among individual investors.

## *5. Discussion*

The results of this research provide a subtle insight into the way financial knowledge can be transformed into the results of meaningful investor behavior. Although financial literacy may be considered as a pillar in financial decision-making, the findings show that its influence on investment satisfaction is mostly indirect and works mainly via disciplined investment behavior. This supports the notion that knowledge is not enough unless it is put into practice regularly and systematically by using rational and organized financial procedures.

The positive correlation between financial literacy and disciplined investment behavior is consistent with the rest of the literature that highlights the importance of knowledge in forming financial behavior. Previous studies by Lusardi and Mitchell (2014) show that financially literate people tend to have more and more planning-oriented and prudent financial behaviors. The current results build on this argument by demonstrating that these types of knowledge have a specific effect on disciplined investment practices, such as the need to follow long-term plans and to avoid making impulsive investment decisions.

More critically, disciplined investment behavior comes out as the strongest factor of investment satisfaction. This underscores that financial returns or performance in the market is not the only thing that drives investor satisfaction, but it is also the uniformity and quality of decision-making processes. Structured strategies and behavioral discipline among investors have a higher probability of them feeling that they have control, confidence and satisfaction in their investment process. This result aligns with the study of Xiao and Porto (2020) who state that positive financial behaviors are more significant predictors of financial well-being in comparison to financial knowledge.

This interpretation is further supported by the mediation analysis which shows that disciplined behavior is an important transmission channel between financial literacy and investment satisfaction. In spite of the fact that financial literacy has a direct effect, a large part of the impact is achieved through behavioral discipline. This indicates that financial literacy helps in achieving improved results mainly when it is converted into actionable and goal-focused results. The results thus confirm a model of behavior pathways, in which knowledge influences behavior, and behavior eventually determines the results.

Another learning comes about as a result of the gender-based analysis. Although variations in financial literacy are noted, they do not relate to variations in disciplined behavior or investment satisfaction. This indicates that behavioral discipline can serve as an equalizing factor whereby individuals with different degrees of knowledge can share a similar investment experience. It also shows that the enhancement of financial performance might not be as much tied to demographic factors as to the capacity to follow regular investment patterns.

The diversification factor also justifies the significance of structured financial behavior since it has a positive effect on investment satisfaction. Conversely, the risk tolerance does not seem to have a big impact on the satisfaction meaning that the way investors handle their risk is more critical than the risk preferences. This once again provides emphasis on the major part played by disciplined behavior in the making of the investor outcomes.

In general, the research points to a pivotal change of a strictly knowledge-based approach of financial ability to a more holistic behavioral one. Financial literacy is also a vital groundwork but it will only work well when the individuals can translate knowledge to disciplined and regular investment behaviors. These results serve to add to the existing body of literature that stresses that the issue of financial well-being depends not only on what people are aware of, but their ability to put this knowledge into practice.

## *6. Conclusion*

This research paper aimed at investigating the interconnection between financial literacy, disciplined investment behavior and investment satisfaction among retail investors in the United States with a specific view of the mediating variable of behavior. The results present a clear indication that although financial literacy is a key factor in determining how investors would perform, its effects are enhanced when financial literacy is converted into disciplined and regular investment habits. These

findings indicate that financially literate people tend to use more organised investments, have a long-term orientation, and eliminate impulsive decision-making. But the most valuable lesson to be learnt through the analysis is that the disciplined investment behavior is the main force behind investment satisfaction. Both short-term changes in the market and long-term behavioural control of investors who adhere to their planned strategies are more likely to report higher levels of satisfaction. This indicates that returns are not the only determinants of satisfaction but the process and quality of decision-making. This conclusion is further supported by the mediation analysis, which indicates that a significant percentage of the impact of the financial literacy on the satisfaction works through disciplined behavior. This affirms the fact that knowledge is not enough but its value is in its use. Financial literacy has the most effective results in case it results in goal-oriented and constant financial behaviors. Moreover, there is no strong gender disparity in disciplined behavior and investment satisfaction, although there is variation in financial literacy, which is indicative that behavioral discipline could be an equalizer among demographic groups. This discovery highlights the essence of prioritizing behavior and not just knowledge in a bid to enhance financial performance.

Policy-wise and practically, the study underscores the necessity to re-evaluate financial education programs. Conventional programs mainly focus on learning the knowledge; however, the results indicate that the same, or more, focus should be on the learning of behavioral skills like planning, consistency, emotional regulation, and long-term orientation. The inclusion of such components in financial education would help a lot in the effectiveness of the financial education programs in increasing the real-world investor outcomes. The study has made good contributions, but it is not without limitations. Cross-sectional data does not allow making clear causal conclusions, and convenience sampling can limit the extrapolation of the results. Future studies might expand this study by using longitudinal designs, studying other behavioral variables, and investigating the effects of digital financial platforms on the connection between knowledge and behavior and satisfaction. The present research can be added to the existing body of research on financial literacy and investor behavior by proving that the way to satisfaction via knowledge is essentially behavioral. It stresses that enhancing financial results necessitates not merely augmenting what investors understand but also enhancing the manner in which they behave.

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