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Financial Decision-Making in the Household: Exploring the Importance of Survey Respondent, Health, Cognitive Ability and Personality

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September 9, 2016

Abstract

Using detailed longitudinal data that tracks couples for 8 years, and asks each partner annually about who is responsible for making major financial decisions, we examine multiple potential determinants of financial decision-making allocations. An important focus is on the role that non-economic dimensions have in determining financial decision-making, in particular the physical and mental health of each partner, as well as their cognitive ability and personality traits. We find that increased employment and wages are positively associated with own decision-making responsibility in both cross-sectional and within-couple panel models, and that non-economic characteristics of couples are also important. Interestingly, we find that many results are sensitive to whether we use male or female reports of who is the decision-maker, suggesting that studies with information from only one person in the household need to consider that their results may be partially dependent upon the gender of the respondent.

JEL classification: J12, D13, E21, G11.

Keywords: decision-making, gender, disagreement, financial decisions

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