



Personality and wealth accumulation among older couples: Do dispositional characteristics pay dividends?



Irene Mosca, Cathal McCrory*

The Irish Longitudinal Study on Ageing (TILDA), Department of Medical Gerontology, Lincoln Gate, Trinity College Dublin, Dublin 2, Ireland

ARTICLE INFO

Article history:

Received 14 November 2014

Received in revised form 17 February 2016

Accepted 28 April 2016

Available online 3 May 2016

JEL classification:

G02

D03

D14

D31

PsycINFO Classification:

3120

Keywords:

Personality traits

Big five

Non-cognitive traits

Wealth accumulation

Cohort study

ABSTRACT

This paper explores whether the 'Big 5' personality characteristics: *Emotional Stability*, *Extraversion*, *Conscientiousness*, *Agreeableness*, and *Openness to Experience*, contribute to net household wealth accumulation among 1172 couple pairs ($n = 2344$) participating in The Irish Longitudinal Study on Ageing, independent of other socio-demographic and human capital variables. We employ quantile regression to determine whether the effects of personality vary at different levels of the conditional distribution of wealth. Results reveal that the personality characteristics of the financial respondent to the survey are more strongly associated with wealth than those of the non-financial respondent. Specifically, we find that emotional stability and extraversion are positively associated with wealth at the household level among spousal pairs. We also find that conscientiousness is positively associated with wealth, but the relationship is only significant at the lower end of the wealth continuum. In general, agreeableness and openness are negatively associated with wealth although the relationships are non-significant. These findings indicate that personality is an important factor shaping individuals' consumption preferences and financial decision-making behaviour over the life-course.

© 2016 Elsevier B.V. All rights reserved.

1. Introduction

Recent years have witnessed rapid increases in the proportion of the population living to pension age and beyond. This 'greying' of the population represents a number of challenges for national governments, not the least of which is how to sustain current levels of pension provision at a time when life expectancy is increasing and the number of persons of working age supporting retired persons is falling. A recent report from the International Monetary Fund found that, among advanced economies, expenditure on public pension provision increased from 5% of GDP in 1970 to 8.5% of GDP in 2010 (Cottarelli, 2011) and there is growing concern about the future sustainability of public pension provision. It is becoming increasingly clear that governments need to encourage people to plan and provide more for their own retirement. We would argue that it is important to consider the role of dispositional factors (i.e. personality) when attempting to understand the complex nexus of factors that make a person more or less likely to be making financial preparations for their retirement.

* Corresponding author.

E-mail address: mccrory@tcd.ie (C. McCrory).

1.1. How is personality defined?

Trait theorists in the factor analytic tradition argue that personality comprises a number of broad dimensions that represent dispositional characteristics that reflect enduring patterns of thoughts, feelings and behaviours (Roberts & Mroczek, 2008). Although psychometrists continue to debate the higher order structure of personality, there is at least some broad consensus that the main dimensions include extraversion, neuroticism, and conscientiousness; to which five factor advocates would add agreeableness and openness (Caspi, Roberts, & Shiner, 2005). Extraversion indexes a number of traits that are associated with positive emotionality including warmth, sociability, activity and optimism. Neuroticism reflects a dispositional tendency to experience the world as distressing or threatening and is characterised by anxiety, hostility, and heightened sensitivity to stress. Conscientiousness measures self-discipline, orderliness, competence, and planning. Agreeableness captures a constellation of prosocial tendencies that foster positive relationships with others including trust, altruism, and compliance. Finally, openness reflects a number of traits including intellectual curiosity, imagination, and enjoyment of novelty. A voluminous literature attests to the power of personality for predicting a whole variety of outcomes in later life including educational and occupational success, lifestyle behaviours, subjective health and wellbeing, success in personal relationships, and physical health and longevity (Bogg & Roberts, 2004; Caspi et al., 2005; Ozer & Benet-Martinez, 2006). Indeed, a recent meta-analysis concluded that personality traits are as powerful a predictor of mortality, divorce and occupational status as socio-economic status or cognitive ability (Roberts, Kuncel, Shiner, Caspi, & Goldberg, 2007).

1.2. The role of non-cognitive traits

More recently, economists have become interested in the role of non-cognitive traits such as personality characteristics, self-efficacy, and locus of control as predictors of educational attainment, labour market success, lifetime earnings, wealth, and savings behaviour (Brown & Taylor, 2014; Cobb-Clark, Kassenboehmer, & Sinning, 2013; Duckworth & Weir, 2010; Nyhus & Pons, 2005; Nyhus & Webley, 2001). This interest stems from an increasing awareness that individual differences in non-cognitive traits may account for some of the unobserved heterogeneity in economic behaviour, preferences, and outcomes (Cobb-Clark & Schurer, 2012).

For example, Nyhus and Webley (2001) examined the extent to which personality influenced savings and borrowing behaviour among a sample of Dutch households involving 532 couple households and 202 single households. They found that emotional stability (the inverse of neuroticism) was positively associated with liquid savings (i.e. balance on current/savings accounts), total savings (savings minus debt), and intention to save in the next 12 months. Extraversion was negatively associated with savings and household debt; while agreeableness was negatively associated with savings. Interestingly, conscientiousness was found to be unrelated to either savings or borrowings despite previous studies involving the same longitudinal dataset showing that it was associated with saving behaviour. Nyhus and Webley (2001) speculated that differential attrition in the sample may have constrained their ability to test this hypothesis, as less conscientious individuals might be more likely to be lost at follow-up.

Davey and George (2010), by contrast, found that conscientiousness was the personality trait that was most consistently related to prudent financial planning behaviour in a study from the UK. Another interesting finding to emerge from this study was that agreeableness was associated with having savings. In agreement with Nyhus and Webley (2001), they noted that extraverts were more likely to carry debt, and were less likely to pay off debt before incurring interest charges. Taken in conjunction, these findings suggest that dispositional tendencies associated with this trait (i.e. high sociability, need for stimulation) may lead extraverts to be more profligate in terms of their personal finances.

Nyhus and Pons (2005) examined the extent to which different personality dimensions were rewarded in the labour market using measures of the Big 5 personality factors among respondents to the Dutch Household Survey. They found that emotional stability was associated with higher earnings among men and women, and that agreeableness was associated with lower wages, among women only, after adjustment for human capital variables including education, experience and tenure. Interestingly, they did not observe any positive effects of extraversion or conscientiousness on wages, which were the two personality dimensions they most expected to be rewarded in the labour market. Although they did observe a rather counter-intuitive negative interaction between conscientiousness and tenure on wages, which they speculated might arise because employers interpret educational attainment as a marker of this trait. Hence conscientiousness may be rewarded upon appointment but these individuals will have shallower income curves as experience increases.

Mueller and Plug (2006) estimated the effects of personality on male and female earnings among participants in the Wisconsin Longitudinal Study. They found that personality traits were differentially rewarded in the labour market for men and women. Emotional stability, and antagonism (the inverse of agreeableness) were associated with higher earnings among men (4% and 2% respectively), but not among women. Conscientiousness by contrast was associated with higher earnings (+2%) among women, but not among men. Openness to experience was associated with significantly higher earnings for both men and women, which is perhaps unsurprising as this personality trait is modestly correlated with intelligence (Ackerman & Heggestad, 1997; Gignac, Stough, & Loukomitis, 2004).

Duckworth and Weir (2010) examined whether the Big 5 personality dimensions were related to lifetime earnings and household savings behaviour using data from the US Health and Retirement Study (HRS). They found that conscientiousness was associated with a 9% increase in lifetime earnings net of other factors including education and cognitive variables, while neuroticism was associated with a 5% penalty in lifetime earnings. Conscientiousness was also an important contributor to

Download English Version:

<https://daneshyari.com/en/article/7244185>

Download Persian Version:

<https://daneshyari.com/article/7244185>

[Daneshyari.com](https://daneshyari.com)