Discussion
Personality and Response to the Financial Crisis

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Big question

- Are older households able to maintain their financial security and well-being during their retired years?

Puzzles:

- Wealth and saving vary considerably
  See: Venti and Wise (1998); Lusardi (1999)

- Over half of households claim Social Security retirement benefits within one year of attaining 62
  See: Coile, Diamond, and Jousten (2002); Hurd, Smith, and Zissimooulos (2004); Sass, Sun, and Webb (2007)

- A sharp decline in consumption in retirement
  See: Banks et al. (1998); Bernheim et al. (2001); Haider and Stephens (2003); Hurd and Rohwedder (2003, 2008)
Big question (cont’d)

• No matter how the data is cut:
  o Unexplained part of variation in wealth accumulation, early claiming behavior, and retirement consumption puzzles
  o Some households fair worse in retirement

• This paper aims to:
  o Explain some of these puzzles from a new perspective: personality traits
  o Help policy makers to aim at improving the financial security and well-being of older adults
This paper

• The new perspective:

- Paper is clean and thorough along many dimensions
- Incorporates different/new data to try to shed light on the questions of interest
Key findings

No notable associations between conscientiousness and responses to the financial crisis

• Means of liquidating assets?
  o Borrowing from 401 (k) has not significantly changed (Vanguard and Fidelity)
  o An increase in default on mortgage (Vanguard and Fidelity)
  o Less changes in the composition of families’ portfolios (SCF)

• The direction of correlation?
  o The conscientiousness more likely to aware of the lose and to take actions in response
  o The conscientiousness more likely to trade against the long-run

• No finding, maybe an interesting story though different?
  o Behavior asymmetric?
Key findings (cont’d)

More conscientious persons spend less of their income, whereas persons who are open to experience spend more

- Relationship between income and consumption

- Potential negative bias from the positive correlation
  - Outcome variable: Consumption
    Income
  - In Duckworth & Weir 2010: strong correlation between conscientiousness and lifetime earnings
How Americans spend their money

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\frac{\text{The incomes of the top fifths}}{\text{The incomes of the bottom fifths}} = \frac{15}{1}
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\frac{\text{The consumption of the top fifths}}{\text{The consumption of the bottom fifths}} = \frac{4}{1}
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Extensions

- The pathways through which personality affect various economic outcomes: direct effect vs. indirect effect

- Other data sources (like HILDA) and international perspectives
What are the policy implications?

• Consistency and change in personality traits across the life course

• Implications for the future cohorts

• Framing, personality, and economic decisions