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)

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Big question (cont'd)

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

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

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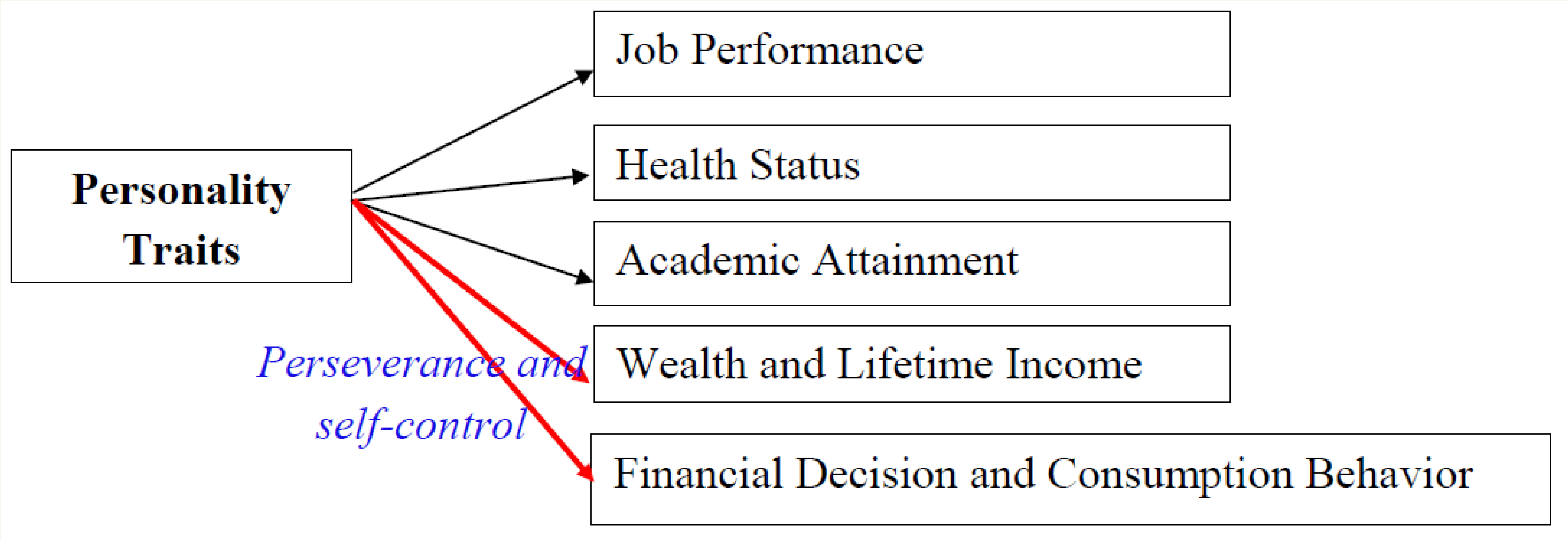
This paper

- 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?
    - Borrowing from 401 (k) has not significantly changed (Vanguard and Fidelity)
    - An increase in default on mortgage (Vanguard and Fidelity)
    - Less changes in the composition of families' portfolios (SCF)
- The direction of correlation?
    - The conscientiousness more likely to aware of the lose and to take actions in response
    - The conscientiousness more likely to trade against the long-run
- No finding, maybe an interesting story though different?
    - Behavior asymmetric?

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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: $\frac{\text{Consumption}}{\text{Income}}$
    - In Duckworth & Weir 2010: strong correlation between conscientiousness and lifetime earnings

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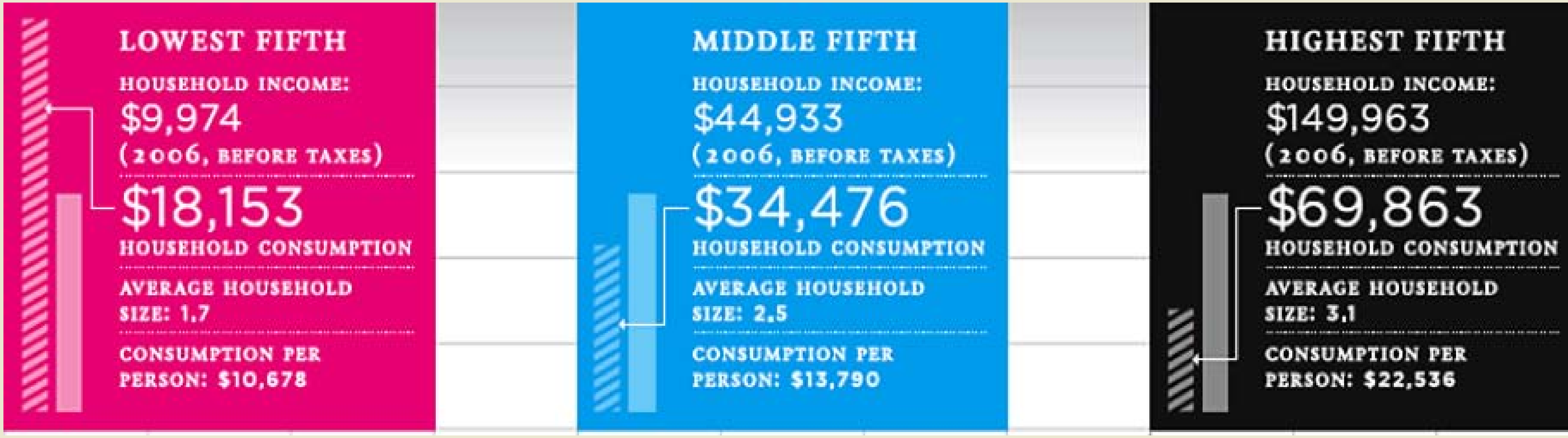
How Americans spend their money



$$\frac{\textit{The incomes of the top fifths}}{\textit{The incomes of the bottom fifths}} = \frac{15}{1}$$

$$\frac{\textit{The consumption of the top fifths}}{\textit{The consumption of the bottom fifths}} = \frac{4}{1}$$

Source: The New York Times.

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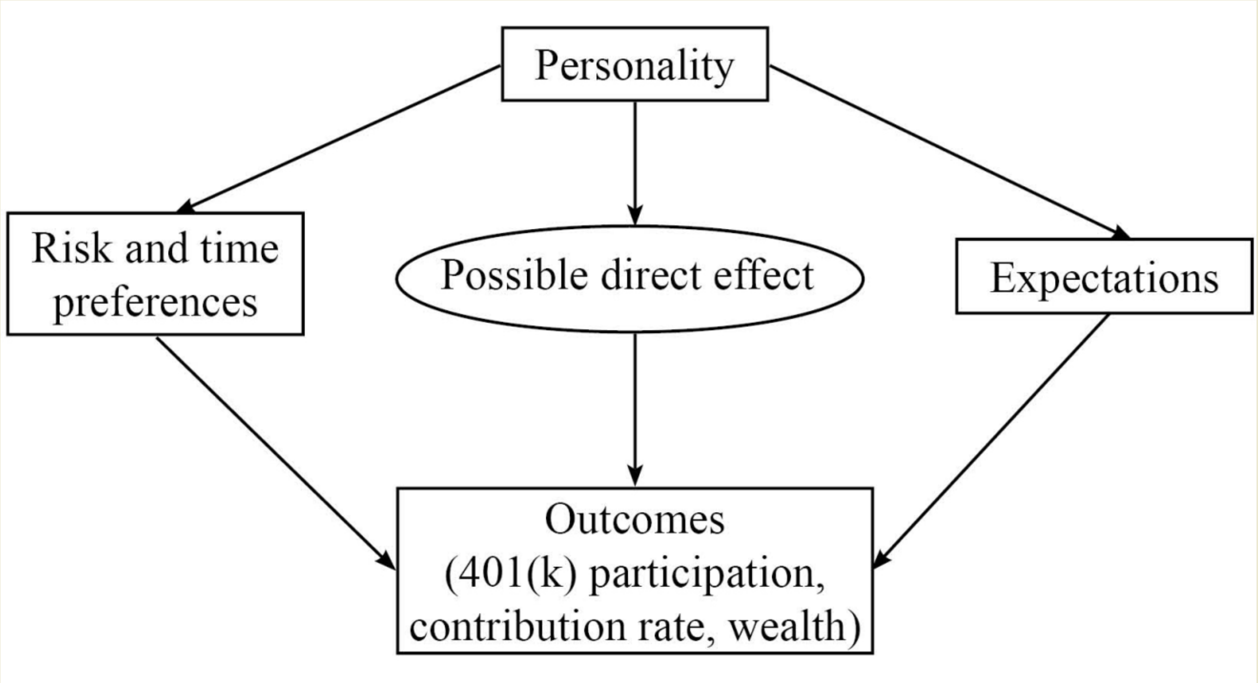
Extensions

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



- Other data sources (like HILDA)and international perspectives

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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