

# Risk and Time Preferences and Financial Decisions of Couples

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# The paper: purpose & contribution

**Main goal:** analyse how (time and risk) preferences of **individuals** in **couples** affect decisions in real life, which involve some **degree of risk**

## Two steps:

1. Measure **risk** and **time preferences** of partners and analyse their **correlation**
  - Is there assortative mating wrt preferences?
  - Is correlation higher for couples who have lived longer together?
  - *Does correlation depend on the way preferences are measured (self-reported Vs experiment)?*
2. Examine to which extent partners' preferences reflect into **households portfolios**

# The paper: data & empirical strategy

## Data:

Experiment to elicit individual preferences of respondents in LISS survey  
(→ measures linked with covariates and household's wealth)

- **4 treatments** (with different payoffs and timing)
  - **5 choices** (with different probabilities)
- each respondent choose 20 times

## Strategy:

1. Structural framework to estimate preference parameters + analysis of correlation between partners
2. Estimate the effect of preferences of both spouses on risk exposure of households' portfolios (extensive and intensive margins)

# The paper: main findings

## 1. Preferences of spouses

- **Time preferences:** both measures (experimental and self-assessed) are not significantly correlated within couples (even after controlling for observables)
- **Risk aversion:** Small/insignificant correlation using experimental parameters; significant and more sizeable correlation between self-reported measures. Stronger correlat. for couples who have lived more together (difference not signific.)

## 2. Portfolio management

- Risk aversion significant predictor for stock market participation (gender differences in the level of significance, depending on the weight used)
- Impatience turns out to significantly reduce household financial wealth

# Comments: the experiment

- **Set-up:**

Each individual decides 20 times (4 treatments\*5 choices): is there an increase in the error propensity over treatments (lower concentration/effort 20<sup>th</sup> choice/4<sup>th</sup> treatm.)?

- **Random coefficients model:** more details on the procedure

Explain more precisely why you assume  $\beta=1$  (present bias parameter)

(“Initial estimation results showed that the estimated present bias parameter was not significantly different from one. In the empirical results, we will therefore work with estimates assuming  $\beta = 1$ ”)

- **Estimated param.s from structural mode (risk aversion, time pref., error propensity):**

How to interpret their size? Are they high/low? Put them in the literature (for NL).

Minor comments:

- “*Treatments*”: each respondent is subject to **all** 4 treatments.  
Labelling “scenarios” or “*configurations*” instead of treatments?
- Table A1, describing details of the experiment: explain better notations in note

# Comments: results on preferences of spouses

Correlation between preferences of the spouses is **smaller (risk aversion) or not significant (time preferences) for experimental parameters** wrt self-assessed measures

- Does the scale matter? What if you consider high/low (risk averse) groups?
- Plot the distribution of preferences for the two spouses?
- Self-reported preferences have a qualitative interpretation: alternative measures to correlation?

## Minor comment:

- I would discuss estimates showing correlation of preferences with covariates in the Appendix

# Comments: results on portfolio choices

- Why **error propensity** should affect households' portfolio? Which economic rationale behind?
- **Changing weights** (income vs stated) affects the significance of preferences of males/females. How to interpret this finding?
  - Show descriptives of the regressors (also weighted ones) and correlation between weights and estimated preferences
  - Controlling for family (instead of individual) income?
- How big are the estimated effects? Report also marginal effects in Table 5 (estimates from probit of holding risky assets)

## Minor comments to Table 5:

- Mention that controls are included (and refer to complete tables in the appendix)
- Show only columns 1/3 or 4/6

# Comments: results on portfolio choices

## Which future steps? ....

- Does the impact of preferences of one partner depend on preferences of the other one? E.g. Less risky portfolio when both spouses are risk averse? Add interaction term?
- Heterogeneity:
  - by cohort (preferences may have a different effect for young/elderly)
  - for couple who agree/disagree on who is the household head
- .....



# Comments: additional results

## **Determinant of stated decision power** (decisions about financial affairs)

These results are relevant *per se*.

Suggestion: discuss them more extensively in Appendix or in a short paper

Some points:

- Which vars are correlated with disagreement within the couple about who is the household head?
- Do *financial affairs* have different meaning for different respondents?  
E.g. portfolio management vs paying bills.