# FINANCIAL DECISION MAKING IN COUPLES

January 2015

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Led by famed behavioral economist **Dr. Dan Ariely** and founder **Kristen Berman**, Irrational Labs is a nonprofit that applies behavioral economics findings to product, marketing, and organizational design problems. By understanding human decision making and motivations, Irrational Labs helps companies create compelling value propositions, grow their customer base and keep those customers engaged.

# I. PURPOSE OF THIS GUIDE

**Our goal with this guide is to provide background on how couples make decisions, and provide a framework for thinking around improving the way couples make decisions.**

**We start off the guide with defining what it is we mean by successful decision. We discuss this both in terms of objective and subjective metrics. As researchers and thus proponents of experimentation, we advise anyone who wishes to use this guide to create tools or implement policies to consider these metrics of success carefully. Define what success means, and then create tests to see whether the new tools and policies you create and implement do better or worse than what you previously had. Remember, you are what you measure. So, take our metrics of success under consideration, and continue to evaluate which measures require more or less attention.**

**In the next section, we outline the current state of affairs in financial decision making within couples. We find that a substantial amount of marital strife is a result of disagreements about finances. We hypothesize that there are few cause of such disagreements. First, there is dishonesty and stigmatization around being honest about finances. Second, there is asymmetry, and thus unfairness, in financial decision-making based on differences in gender and income. Finally, we find that levels of education are big predictors in the quality of financial decision.**

**Once the current landscape of financial decision making is laid, we continue with an overview of research and the implications this research has for how to help couples make better financial decisions. We pull from work on decision making in groups, financial decision making in couples, and work on marital and relationship satisfaction. We derive 8 guiding principles for**

**designers and policy makers to consider, and for each principle provide ideas for how the implementation of these principles might look.**

**In the appendix, you will find the summary of research cited as well as the citations of the work. The summaries provide more detailed information about the experiments. The citations provide the original source of the experiments, should you require more detail.**

**Our hope is that this guide will results in better tools and policies to help couples make good financial decisions and build more satisfying relationships.**

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# II. WHAT IS SUCCESSFUL DECISION MAKING?

**We define successful decision making along both, the objective and subjective lines.**

**<u>Objectively</u>, successful financial decision-making is defined by how well prepared people are for financial emergencies and retirement.**

**<u>Subjectively</u>, successful financial decision-making is defined by people's satisfaction with their financial situations and satisfaction with relationship they have with their partner regarding finances.**

# III. CURRENT STATE: COUPLES' FINANCIAL DECISION MAKING

**Based on research, survey data, as well as interview with financial advisers on their experiences with couples, we will present some of the pitfalls that couples encounter in their financial decision making process.**

## FINANCES AND RELATIONSHIP SUCCESS (OR LACK OF IT)

**You are sharing a life, a home and your pocketbook with your significant other, and maybe even some kids. Among all of the things you could fight about with your significant other, financial disagreements are a major source of strife in many relationships. In fact, 70 percent of all divorces cite money as the reason for their split (Palmer and Palmer; Paull 2013).**

- ✓ **"Couples who reported disagreeing about finance once a week were over 30 percent more likely to get divorced than couples who reported disagreeing about finances a few times a month" (Rampell 2009a).**

- ✓ **For women, disagreements over finances are the best predictors of divorce. For men, while also being a predictor of divorce, financial disagreements were not the as strong of a predictor of divorce as they are for women (Rampell 2009a).**

- ✓ **Spending decisions are a common source of marital conflict and a major contributor to divorce. Couples with different financial outlooksreport**

**greater conflict over money, and lower levels of satisfaction (Rampell 2009b).**

- ✓ **40% of surveyed Americans between the ages of 25-55 agree that honesty about finances is more important than honesty about fidelity (LewisNexis 2011).**

## HOW DECISIONS ARE MADE

**How are decisions in the household made? Who holds the power stick and for what type of decisions? If we understand this dynamic, we may be closer to understanding the root cause of financial disagreements.**


## WHO MAKES THE DECISION?

- ✓ **Couple's joint decision is closer to preference of husband, unless wife makes relatively more money (Carlsson et al. 2012).**

- ✓ **Within couples, men are more likely to be chosen in surveys as the financial representative of the household (Fonseca et al. 2012).**

**While couples generally agree on what decisions are made by whom within the household (Fonseca et al. 2012), both partners often think that they contribute more to the partnership than their partner. Both men and women are more likely to report "mostly me" than "mostly my partner" in who makes most financial decisions at home (Fonseca et al. 2012).**

## WHO DECIDES WHAT?

- ✓ **Women have a stronger influence in small financial decisions (Carlsson et al. 2012). For example, women are more likely to be responsible for paying the bills (Fonseca et al. 2012).**

- ✓ **Big investment decisions are more likely to be made jointly by the couple (Carlsson et al. 2012). In paying taxes and tracking investments, half of men say they are primarily responsible, but women report these responsibilities are more evenly distributed (Fonseca et al. 2012).**

## HOW DOES EDUCATION FACTOR IN?

**Why are men in the power seat of financial decision making? It may have something to do with the uneven literacy balance. In good news, it seems this is not static: the balance of power can change when education levels go up.**

- ✓ **Less than 20% of middle-aged college-educated women were able to answer a basic compound interest question compared to about 35% of college-educated males of the same age (Carlsson et al. 2012).**

- ✓ **Financial illiteracy is more prevalent among women than men (Carlsson et al. 2012).**

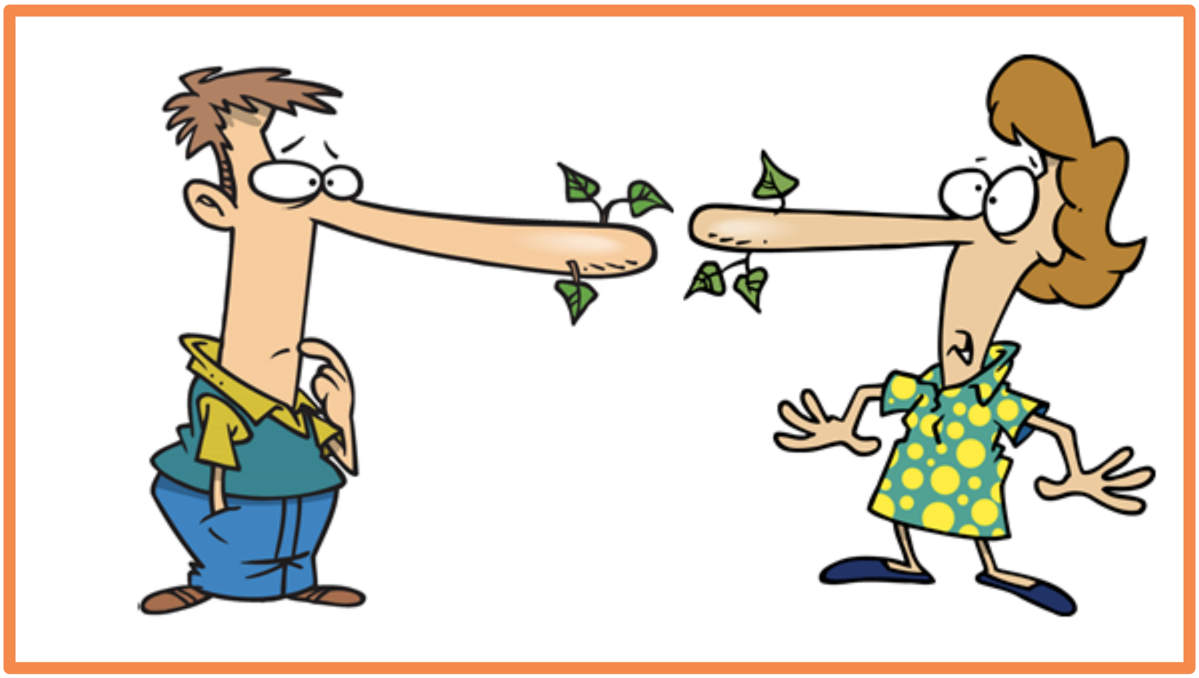
- ✓ **If the wife is better educated than the husband, she has a stronger influence on joint decisions (Carlsson et al. 2012).**

- ✓ **Women and men with education similar to their partners tend to take on the same number of financial responsibilities (Fonseca et al. 2012). But, as a partner's education increases relative to their spouse, this person is likely to become more responsible for more financial activities(Fonseca et al. 2012).**

## HOW MUCH DO WE HIDE THE TRUTH?

**Where do the disagreements stem from? In some cases, disagreements may be due to fundamental value differences. But as it turns out, there is another potential source of arguments: honesty about our financial behaviors.**

**91% of Americans in committed relationships agree that it is important to discuss financial history before marriage, yet 26% admit they tend to avoid talking about finances (LewisNexis 2011). This hesitancy to talk about finances leads *to only* 25% of couples aged 18-35 having a clear picture of each other's income and debt. Baby boomers tend to be more transparent - 60% of Baby Boomers clearly understand their financial footing (Paull 2013).**



- ✓ **Men are nearly twice as likely as women to say that they have withheld information from their spouse or partner regarding their salary (11% vs. 6%) (LewisNexis 2011).**

- ✓ **12% have withheld information about their household finances, 12% about their debt, 10% about their spending from a joint account, 8% about their salary (LewisNexis 2011).**

- ✓ **29% admit that they have withheld information from their spouse or partner regarding their spending on discretionary items, such as apparel, accessories, electronics and entertainment (LewisNexis 2011).**

- ✓ **Only 60% of married people trust their partners to manage their finances—a number that rises to 70% among couples in their 60s and up (Paull 2013).**

# IV. BUILDING FINANCIAL DECISION-MAKING TOOLS FOR COUPLES

**In this section we outline the key hypotheses of building a successful tool for couples to make financial decisions. These 8 principles are based on literature from three domains. Not only do we explore the literature on financial decision making in couples, we also leverage the knowledge from literature on joint decision making in other contexts, and relationship satisfaction to draw novel predictions on how a successful decision making tool would look:**

- **FINANCIAL DECISION MAKING IN COUPLES: We review the existing literature on financial decision making in couples. This includes the antecedents of both positive and negative results in the decision making process.**

- **JOINT DECISION MAKING: The domain of joint decision-making has had a long history in economics and organizational behavioral research. We leverage this knowledge and apply the relevant findings to help optimize decision making in couples.**

- **RELATIONSHIP SATISFACTION: Considering that financial issues are one of the leading causes of strife and disagreement in relationships, we also leverage the research on predictors of relationship satisfaction. From this literature, we draw conclusions about successful interactions around financial decision-making.**

# 8 Design Principles

**Principle 1: Clarify each person's full contribution to the household. Ensure financial and other household contributions are appreciated.**

**SUMMARY OF RESEARCH: Across four different countries, it was found that women with greater property rights were given greater bargaining power (Doss et al. 2014). In another study, it was found that the more similar the relative income between the spouses, the more decision-making power the wife has (Carlsson et al. 2013; De Palma et al. 2011).**

**TAKEAWAY: This suggests that when someone's input into a household is made clear and is seen as important, they get a greater say in what happens.**

**This is especially relevant given that much of financial conflicts in marriages occur due to the feeling of imbalance in the household. Both partners often think that they contribute more than their partner (this, of course, is impossible) (Fonseca et al. 2012).**

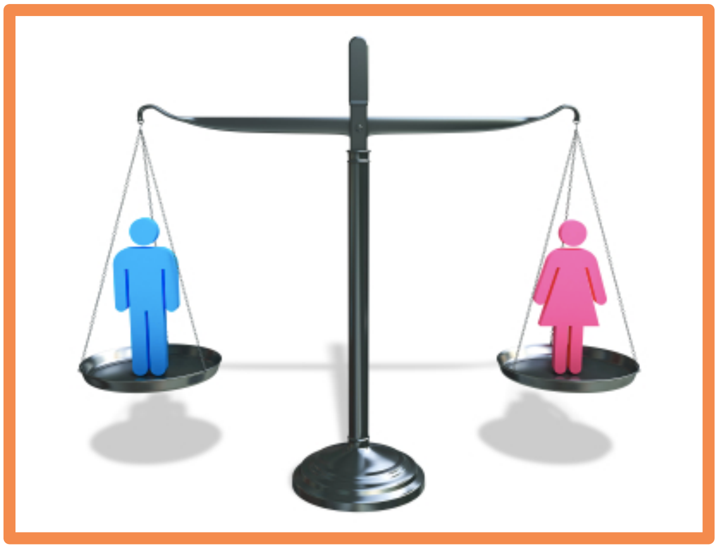
**We know that people struggle with assigning value to tasks that have no monetary value attached to them. For example, what's the monetary value of a friend picking you up from the airport? What's the monetary value of your mother-in-law cooking Thanksgiving dinner? There is a significant difference between social and transactional relationship, and the questions we asked attempts to combine them into one. Thus, trying to assign a value to a stay at home spouse is difficult.**

## IL SUGGESTION:

- **Before couples start financial planning, they should be required to list all of their contributions to the household and share those with their partner.**
- **Contributions to the household should not be used as a way to justify that one partner gets to make fewer or greater number of decisions, or get more/less money. It should be done as a way to make the other person aware of the contribution.**
- **Implement before and after measures of perceived contribution of each partner to the household. Once partners share their individual contribution, the bias that people have that they are contributing more to the relationship than their partner should be reduced.**

**BENEFIT: This would make it more salient to both partners what the other is contributing and therefore make the balance of power more equal. Given the above-mentioned research, a more equal balance of power indicates that financial decisions will also become more equal.**

**Principle 2: Decrease the disparity in power dynamics present in a couple's decision making process.**



**SUMMARY OF RESEARCH: For the most part, the husband in a relationship makes financial decisions. However, couples generally make big investment decisions jointly (Carlsson et al. 2013; De Palma et al. 2011). In another study it was found that women have less power than men in negotiating financial decisions, and are less likely to initiate these negotiations than men are (Thompson et al. 2010).**

**TAKEAWAY: There is a power hierarchy in households regarding financial decision-making, as many decisions are made by the man, acting alone This suggests that couples don't cooperate in financial matters, unless the decision is particularly big, in which case both are involved. Gender stereotypes in terms of money management still seem to be present in the financial space.**

**In addition to having negative gender stereotype implications, this solo decision, is actually harmful to the couple's bank account.**

**It was found that consulting with others regarding a decision reduces the possibility of making an error, and causes the decision-maker to better understand the decision-making landscape. It was also found that the more complex a decision was, the more likely the decision maker would be to discuss possible choices with another person (Bateman and Munro 2005; Charness et al. 2007).**

**IL SUGGESTION: Incentives should be given to couples for engaging in financial matters together, and financial tools should have requirements for joint decision making.**

- **Partners can only unlock the next part of the tool, once their partner has approved something or signed off on it.**

- **Every time a decision is made together, $X is deposited into a vacation fund.**

- **Assigning various responsibilities of the financial making process to each partner. Based on a survey, can assign tasks to the different strengths. For example, the one partner might be in charge of investing and the other partner in charge of budgeting.**

- **Incentivize partners to teach the other one about their financial decision-making. It is often the case that the person who knows more about finances will take over the process. Get them to teach the other partner about the process.**

- **Create a game, where you predict what your partner would do in this scenario, and then see what their decision is.**

- **The more complex the decision, the more likely people are to consult a partner. Lay out options for people, so that information**

**underlying the decision is not complicated, but the tradeoffs in making one decision or another are high enough that they will be inclined, given your encouragement, to consult their partner.**

**BENEFIT: We know that decisions made in groups, rather than by individuals, are less risky. If couples make more decisions together, they are more likely to think through the decision carefully, and act in their own best long-term interest. Cooperation in the decision-making process will also lead to trust and a sense of equality among partners. Further, these tools will provide a reason and empower women to get more involved in financial decision-making.**

**PRINCIPLE 3: Make money a part of the conversation when needed, but don't overdo it.**

**SUMMARY OF RESEARCH: Participants who are reminded of money and thus put greater importance on it behave in more selfish ways. When money is given great importance, people tend to be less helpful, prefer to do activities on their own rather than with a partner, and are less physically intimate (Vohs et al. 2006; Vohs et al. 2008).**

**TAKEAWAY: This suggests that money can have a negative impact on how much effort we put into relationships. People can get too emotionally attached to their finances or the idea of wealth, and begin neglecting their significant other.**

**IL SUGGESTION: Although a financial tool for couples, should help couples think about money, it should also be weary of making money too important in a relationship.**

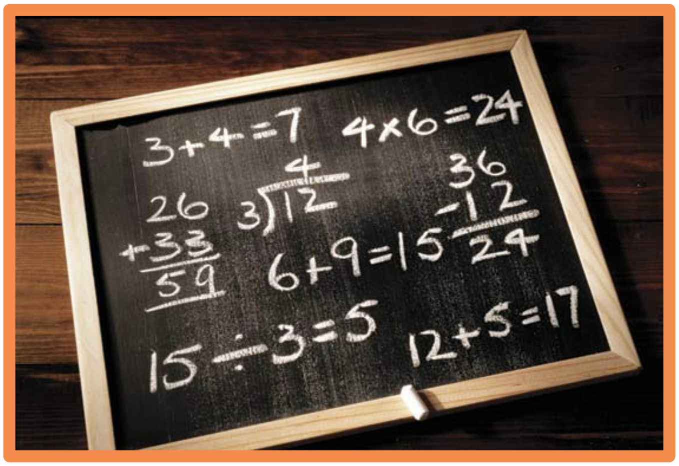
- **Money saved should be framed less in terms of the value of the money and more in terms of what the couple can do with the money. For example, "When you are 60, you'll be able to take the trip you've always wanted to take," or, "if you keep saving, you'll be able to buy that new Mini Cooper in 1 year and take it on a road trip!"**

- **Although many apps these days look to have high touch with their customer, they should be weary of overdoing it. Reminding couples of how much money they have too frequently can make people more focused on money than they ought to be.**

- **Give people money saving tips that involve spending time together. This serves the purpose of both stay on track financially, and maintaining a healthy relationship. For example, "Go on a hike today instead of seeing a movie and add an extra $20 to your vacation fund."**

**BENEFIT: It's important achieve a balance between focusing on saving money, but at the same time remembering why you are striving to do so. By reminding people that they are saving their money in order to spend time with their family, you can increase financial planning without increasing selfishness.**

**PRINCIPLE 4:** **Assess each partner's ability to make financial decisions. Pre-qualifying each person in the relationship with a numeracy test can help assess what help/training they may need and help assign roles within the decision making process.**




**SUMMARY OF RESEARCH:** **Numeracy (ability to understand numbers) was measured using three very basic questions (e.g., "If the chance of getting a disease is 10 per cent, how many people out of 1,000 would be expect to get the disease?"). The estimated effect of answering a question correctly is an extra $22,000 of household wealthy, if the person answering the question is in charge of finances and $4,000, if the person is not the one primarily in charge of household finances (Smith et al. 2010).**

**TAKEAWAY:** **Although this is a correlational study, there is some evidence to suggest that the basic understanding of numbers and math operations can have a large impact on the assets of a household.**

**IL SUGGESTION: Our suggestion is that any financial making tools first assess the numeracy skills of decision makers. This assessment should funnel the financial decision makers to the correct tools.**

- **It's important that both partners, regardless of financial decision making role, have strong numeracy skills.**

- **If someone has strong numeracy skills, they should be given this feedback to encourage financial decision-making on their part. Knowing that you have the tools to make decisions, reduces anxiety, and empowers people to act.**

- **Numeracy skills (addition, subtraction, and percentages are key) can be taught, and ought to be taught before involving people in financial decisions. Unless these skills are established, the understanding of financial decisions will be low, will make the process more frustrating and anxiety provoking, and thus less likely to occur.**

- **Find a way for people to learn numeracy skills in the context of their own finances (within a concrete domain). This will help people understand the real benefit of learning these skills. Abstract lessons are not as engaging or meaningful to the learner.**

**BENEFIT: Numeracy is the foundation of having the ability to make financial decisions, and subsequently making those decisions.**

**PRINCIPLE 5: Cut down on avoidance. Couples avoid making big financial decisions, unless there is a trigger to do so.**

**SUMMARY OF RESEARCH: In a survey with 24 couples, it was found that couples struggle with making important financial decisions. Although they recognize the importance of making such decisions, they do not enjoy managing their finances. When they need to make decisions, couples will often act on those that take the least amount of time, and have the most short-term consequences (e.g. purchases for children, buying holidays). Couples will make bigger financial decisions when there is a "life" trigger, a dramatic change that forces action (e.g. marriage, children, job) (Wood et al. 2012).**

**TAKEAWAY: There is an avoidance of making big financial decisions, because people fear making the wrong decisions. However, putting off these decisions leads to worse financial outcomes than if any decision had been made (even if not optimal among a set of choice). Pushing decisions to a later time can lead to debt and fewer options of financial vehicles later on..**

**IL SUGGESTION: Opportunities to make financial decisions need to either be created artificially or presented at the right time.**

- **Tools for couples should be marketed to couples during important life transitions – marriage, having children, purchasing a house.**

- **Creating a pre-marriage tool that fits into wedding planning. This may help couples start the conversation about money, and also create a good opportunity for couples to learn more about making financial decisions.**

- **Create new triggers and norms for times when couples should make financial decisions.**

- **Tax season is when people have to examine their finances out of necessity. Consider a tool that would combine tax making decisions with financial planning, thereby simplifying the process.**

- **Break down the process of financial decisions, thereby making the process less intimidating and more likely to happen on a more regular basis.**

**BENEFIT: Creating opportunities and triggers for people to make important financial decisions, increases their likelihood of doing so.**

**PRINCIPLE 6: Expose people to their partner's good self-control practices – it's contagious.**

**SUMMARY OF RESEARCH: Self-control can depend on situational factors rather than anything inherent about the person ([vanDellen 2009]). When participants were asked to think of an example of a close other and time they exhibited self-control, the participants was able to exhibit much greater self control (hand-grip task), than when the participant was asked to think of an example when the close other did not exhibit self control ([Hoyle 2010]).**

**TAKEAWAY: People are more likely to behave in ways that exhibit self-control, when they are exposed to close others who exhibit self-control. Partners can influence each others self-control in their spending and financial planning habits.**

**IL SUGGESTION: Incorporate measures of self-control into the financial tool.**

- **Measure people savings each week, month, etc. and present this in units of will-power rather than the amount of money saved. This will get people focusing on the benefits of self-control, while not making them focus too much on money.**

- **Prompt partners to think about ways the other partner exemplifies self-control. This will encourage them to show more self-control in their own decisions.**

- **Get partners to focus on instances in which they exhibited self-control (something we don't do often). They can input times when they decided against a purchase, and get positive feedback from their partner.**

- **Make it easier for both partners to exercise self-control, by reducing temptation. Make partners practice with prepaid debit cards for a few months. Every week, they get $X dollars on the card, and that's all they can spend. Initially people will need hand holding (debit card), but later will be able to manage the self-control on their own.**

**BENEFIT: Many of our decisions are instantaneous and require much self-control to make the right ones. People often succumb to old, unhealthy habits or choose immediate gratification over long-term welfare (hyperbolic discounting), causing damage to their financial stability. By increasing self-control, we can decrease the likelihood of an unhealthy, impulsive decision.**

**PRINCIPLE 7: Encourage supportive behaviors. Effective problem solving strategies and support for partner can mitigate the negative marital effects of financial pressure.**

**SUMMARY OF RESEARCH: This study examined 451 families with an average family size of 4.95 and average income of $33,399 (in 1988). The study replicated previous findings that increased financial pressures leads to greater marital distress. It also found that martial distress in response to financial troubles is buffered in couples that show greater support for one another (as observed by researchers) as well as when they exhibit strong problem solving skills (Conger et al. 2009).**

**TAKEAWAY: Household finances can be very stressful, but the way couples manage that stress can determine the outcome of the relationship. To solve finances, you have to solve for relationships, and to solve for relationships, you have to solve for finances. These two go hand in hand, and should be addressed simultaneously.**

**IL SUGGESTION: Help couples deal with finances by helping them deal with their relationship.**

- **Ask couples to think of at least three solutions to any financial problem they are facing. People often attack each other and fight before even trying to solve a problem.**

- **Ask couples think of 3 ways to reduce the chances of a problem happening again. Again, this will get people into the mindset of solving problems rather than harping on them.**

- **In the sign up process ask couples to choose from a list, 5 ways that they can help their partner meet their financial goals. Then, intermittently remind people about what they promised to do and**

**how they can achieve those goals (e.g., eat out only 2 times a week instead of 4).**

- **These requirements may seem overwhelming to a couple, so ask them to commit to doing this for 2 months, rather than making them feel as though they are going to be required to do something indefinitely. They will be more likely to engage in this approach to problem solving and support for each other, and thus more likely to reap the benefits, and subsequently more likely to engage in this behavior.**

**BENEFIT: Couples equipped with tools to support each other, and problem solve will not only be more financially stable, but also more stable in their relationship.**

**PRINCIPLE 8: Increase transparency between the couple. Self-disclosure is an important component of marital satisfaction.**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**SUMMARY OF RESEARCH: Self-disclosure is "the verbal revelation of one's thoughts and feelings to another person". People often avoid self-disclosing information and are often reluctant to share their feelings and thoughts. However, this study shows that the more frequently the partners practice self-disclosure with each other, the higher their marital satisfaction. By sharing with each other thoughts and concerns regarding a decision, marital satisfaction can dramatically increase (Hendrick 1981).**

**TAKEAWAY: This has a direct impact on financial decision-making. Considering that couples are frequently dishonest about their finances, creating a way for people to self-disclose about their finances can be important for finances as well as for the relationship**

**IL SUGGESTION: Create an environment where each partner feels comfortable disclosing information about his or her finances.**

- **Target couples who are about to get married or are moving in together. The earlier you get people to self-disclose in the relationship the easier it is for them to be honest.**

- **Encourage people to self-disclose about things other than finances. This will give them more opportunities to practice self-disclosure.**

- **Make self-disclosure into a game. People can do various favors for the other person in order to get a "secret."**

- **Have self-disclosure about finances be paired with problem solving. For example, "I have large educational debt, and I plan to reduce it by paying $300 each month." This empowers the person disclosing the information, and pacifies that person hearing that information because a solution is being proposed.**

**BENEFIT: Creating a sense of being able to share and be open, creates an environment where people are not only more likely to be honest about their finances but also more likely to work together to make better financial decisions and remedy poor decisions made in the past.**

# V. SUMMARY

**PRINCIPLE 1: Clarify each person's contribution**

**PRINCIPLE 2: Limit power disparity**

**PRINCIPLE 3: Limit money-focused perspective**

**PRINCIPLE 4: Assess and improve numerical ability**

**PRINCIPLE 5: Attack the avoidance to make decisions**

**PRINCIPLE 6: Expose people to their partner's self control**

**PRINCIPLE 7: Encourage supportive behaviors**

**PRINCIPLE 8: Increase transparency between partners**

# VI. APPENDIX

**Previous sections present the synthesized review of the literature, which presents the themes that we think are most important in building a tool for couples, this appendix presents information from the original sources used to make our predictions, as well as the brief summary of findings in each source.**

## COUPLE'S DECISION MAKING

### Women's Individual and Joint Property Ownership (Doss et al. 2014)

- ✓ **Women with individual land ownership have greater input into household decision making than women whose land ownership is joint; both have more input than women who are not landowners.**

- ✓ **Increasing a woman's property rights provides a path to increasing household efficiency and individual equity - if you increase a woman's property rights, you increase her bargaining power within the household, which can boost the productivity of that household and will also increase the woman's overall empowerment.**

- ✓ **Asset ownership by women influences women's relative bargaining power within their households and contributes to the well-being of their children and of the women themselves.**

### Financial Decision Making and Cognition in a Family Context (Smith et al. 2010)

- ✓ **The value of cognitive skills in economic decision making is especially important at older ages as individuals are increasingly asked to take greater**

**control or to adjust prior decisions relating to their household wealth, their pensions and their health care.**

- ✓ **Numeracy (ability to understand and use numbers), measured by answers to three simple mathematical questions, is by far the most predictive of wealth.**

  - **The estimated impact of answering a question correctly (numeracy) is much higher for the financial respondent compared to non-financial respondents. To illustrate, the estimated effect of answering a question correctly is $22,000 greater household wealth for the financial respondent and only $4,000 if one is the non-financial respondent. (They asked the wife/husband if they are the financial respondent in the household).**

- ✓ **For cognitive functions, such as numerical ability, the cognitive training of these skills seems to be readily attainable by most persons and the economic returns seem high.**

**The influence of spouses on household decision making under risk: an experiment in rural China (Carlsson et al. 2013)**

- ✓ **Decision-making power in the household:**

  - **In most cases, a couple's joint decision is to a larger extent influenced by the husband.**

  - **Income relativity has great impact on household decision making: the spouse that makes more money has generally more decision power.**

  - **If the wife contributes relatively more to the household income, then she has more influence over the risk preferences.**

- **In households where the wife is better educated than the husband, she has a stronger influence on joint decisions.**

- **A couple's joint decision is typically closer to the individual preferences of the husband (with the exception that the wife makes relatively more money).**

✓ **Risky decision-making:**

- **Joint decisions are more risk averse than people's individual decisions**

- **The higher the household income, the more similar the spouses' individual choices with respect to risk taking**

- **Spouses have more similar individual risk preferences the richer the household and the larger the income share contributed is by the wife**

✓ **Investment decision making:**

- **Women have a stronger influence in small investment decisions**

- **Men have a larger influence on small investment decisions**

- **Big investment decisions are often made jointly by the couple**

**An Experiment on Risky Choice Amongst Households (Bateman and Munro 2005)**

✓ **Joint decisions are typically more risk averse than those made by individuals.**

✓ **Choices made by couples depart from the expected utility theory to a similar extent as with individual decisions.**

### Exponential Individuals, Hyperbolic Households (Hertzberg 2011)

- ✓ **Households want to pre-commit to plans (through technology) that increase their savings.**

- ✓ **Individuals have hyperbolic discount factors or self control problems; they realize that their future actions will differ from how they hope they will act.**

### Individual and Couple Decision Behavior Under Risk: Evidence on the Dynamics of Power Balance (De Palma et al. 2011)

- ✓ **In most couples men have the initial decision-making power, but women who implement the join decisions gain power over time.**

- ✓ **Income given to women is more likely to be used for investments in education and housing, than income given to men.**

- ✓ **The main differences between couples and other groups is that a large degree of altruism often takes place within the couple, and spouses are more willing to share information.**

- ✓ **An increase in the degree of risk aversion of one household member may induce the household to take more risk.**

### Regulatory Accessibility and Social Influences on State Self-Control (vanDellen et al. 2009)

- ✓ **Thinking of others with a good trait leads to increases in state self-control, and thinking of others with a bad trait leads to decreases in state self-control.**

## Income Pooling and Household Division of Labor: Evidence from Danish Couples (Amuedo-Dorantes et al. 2010)

- ✓ **The higher the wage of unskilled female workers in the region of residence, the more couples are likely to completely share their income.**

- ✓ **Women who perform home production in excess of what their spouses do get compensated for this extra work in the form of access to extra income earned by their husbands.**

- ✓ **Individuals living together in unmarried cohabitation (for short, cohabitation) or marriage often keep separate bank accounts in the U.S. (Treas 1993; Klawitter 2008) and Canada (Woolley 2003)**

- ✓ **Korean law requires that married Koreans hold separate savings accounts (Lee and Pocock 2007)**

- ✓ **In traditional households, the higher the costs of commercial domestic services, the higher women's value in markets for household work and, in turn, their bargaining power in marriage and their access to their husbands‟ earnings via complete income pooling.**

## JOINT DECISION MAKING

### Individual and group decision making under risk: An experimental study of Bayesian updating and violations of first-order stochastic dominance (Charness et al. 2007)

- ✓ **Likelihood of risky decisions is substantially lower, and decreasing with group size, suggesting that social interaction improves the decision-making process.**

- ✓ **Greater transparency of the decision task reduces violation rate, suggesting that these violations are due to judgment errors rather than the preference structure.**

- ✓ **The less familiar and/or more complicated the decision problem, the more inclined the decision maker is to consult others before acting.**

- ✓ **Seeking advice and/or merely deliberating the implications of choosing alternative courses of action helps improve the understanding of the decision problem and makes errors less likely.**

- ✓ **The paper contains two main findings. First, when making decisions in isolation, a substantial number of individuals choose first-order stochastically dominated alternatives. Second, when social interaction is allowed, the number of such violations tends to decrease with the size of the group.**

- ✓ **Recent experimental studies indicate the tendency of groups to outperform individuals in situations involving decisions and games.**

**Solving coordination failure with "all-or-none" group-level incentives (Hamman et al. 2007)**

- ✓ **Incentives of all kinds are effective at improving coordination (group communication) while they are in place, but there is little long-term persistent benefit of incentives - once incentives are removed, groups tend to return to the inefficient outcome.**

- ✓ **Substantive incentives induce greater improvements than nominal ones.**

- ✓ **Over half of the groups experiencing initial coordination failure are able to coordinate better when incentives are introduced. This improvement disappears following the removal of the incentive.**

**Negotiation (Thompson et al. 2010)**

- ✓ **Because women traditionally have less power than do men in U.S. society (Eagly and Wood 1982), they initiate negotiations less often.**

- ✓ **Women were less likely than were men to initiate negotiations with a male (but not a female) evaluator.**

- ✓ **Women negotiate slightly more cooperatively than do men, but situational factors such as relative power of the negotiator, integrative potential of the task, and mode of communication often override this effect.**

## MARITAL SATISFACTION

### Self-Disclosure and Marital Satisfaction (Hendrick 1981)

- ✓ **There is a consistent positive correlation between self-disclosure and marital satisfaction.**
- ✓ **Self-disclosure is a significant predictor of marital satisfaction.**
- ✓ **Attitude similarity has a strong positive relationship to marital satisfaction.**
- ✓ **Communication is an important factor in relationship behavior, and a crucial modality of communication in relationships is self-dis- closure (Morton et al. 1976).**
- ✓ **Self-disclosure is the verbal revelation of one's thoughts and feelings to another person**
- ✓ **It is of this relationship that Jourard (1971) writes: "The optimum in a marriage relationship, as in any relationship between persons, is a relationship between I and Thou, where each partner discloses himself without reserve."**
- ✓ **Altman and Taylor (1973) proposed that depth of self-disclosure increases as a relationship becomes more intimate**

### Current Directions in Psychological Science (Vohs et al. 2008)

- ✓ **Money is bad for the interpersonal self but can be good for the personal self (Vohs et al. 2006).**
- ✓ **Americans who highly value money have poorer relationships than do those who take a more moderate approach to money (Kasser and Ryan 1993).**

- ✓ **When reminded of money, people will work harder on challenging tasks and lead to desire to take on more work as compared to people not reminded of money.**

### The Psychological Consequences of Money (Vohs et al. 2006)

- ✓ **Participants primed with money preferred to play alone, work alone, and put more physical distance between themselves and a new acquaintance.**

- ✓ **Participants who are reminded of money work longer than other participants before requesting help.**

- ✓ **Participants that are reminded of money volunteer to help less than participants that aren't reminded.**

- ✓ **Participants reminded of money choose more individually focused leisure experiences than others not reminded of money.**

### The Key to Wedded Bliss? Money Matters (Bernard 2008)

- ✓ **Money is huge factor in relationship satisfaction, important to find partner that has similar financial goals and behaviors.**

- ✓ **Before marrying, couples should have a talk about their financial health and goals. Weekly meetings about financial situation and goals (Karen Altfest, a financial planner who runs the New York firm L. J. Altfest & Company).**

- ✓ **Make a budget and keep track of earnings, expenses and debts. Structure your business as a partnership (Mary Ann Sisco, national wealth adviser at JPMorgan's private wealth management division).**

- ✓ **Have a supportive partner of your career.**

- ✓ **Maintain a degree of financial independence -- amount for both partners to spend on things that make them happy.**

Couple Resilience to Economic Pressure (Conger et al. 1999)

- ✓ **Economic pressure increases risk for emotional distress, which, in turn, increases risk for marital conflict and subsequent marital distress.**

- ✓ **High marital support reduced the association between economic pressure and emotional distress.**

- ✓ **Effective couple problem solving reduced the adverse influence of marital conflict on marital distress.**

- ✓ **One of the most significant stressors in married life involves the inability to meet basic economic needs.**

- ✓ **Involvement in a satisfying marriage may help each spouse cope more successfully with financial problems.**

- ✓ **Even a strong marital relationship will likely suffer under the weight of serious and continuing financial deprivation (Angell 1965; Cavan and Ranck 1938; Komarovsky 1940; Liem and Liem 1990; Liker and Elder 1983).**

- ✓ **In a study of 74 Midwestern couples, Conger and his colleagues (1990) demonstrated that economic problems appear to affect marital quality and stability by decreasing the positive and increasing the negative behaviors that husbands and wives demonstrate in their interactions with one another.**

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