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Financial decisions in the household

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Abstract

Financial decisions are a frequent occurrence within households. Depending on characteristics of the relationship between household members, the situation, and the concrete decision object, decisions can either be made jointly by multiple members of the household or individually by one member. This chapter outlines the four types of financial decisions (spending, saving and credit use, investment, money management) and identifies key parameters that are specific to and guide each of these decisions. The parameters that matter for a decision vary depending on whether a decision is being made individually or jointly. To understand the theoretical and practical implications of a decision it is, thus, necessary to understand whether or not a decision is being made jointly. We delve into this question by empirically assessing observed parental as well as intended own financial decision profiles; thus capturing possible intergenerational and gender influences. Results show a trend towards joint decisions in a household that appears at odds with increased financial autonomy of the spouses, current marketing communication strategies, and research in the field of financial decision making.
Introduction

What decisions are “about” can influence the way decisions are made. When deciding about money, most people aim to make particularly “smart” decisions. Mere reminders of money suffice to elicit decisions that are geared towards maximizing personal economic benefits (e.g. Kouchaki, Smith-Crowe, Brief, & Sousa, 2013; Vohs, Mead, & Goode, 2008).

Many decisions are in fact about money and of a financial nature. This also holds for decisions that are made at the level of a household (e.g. Kirchler, Hoelzl, & Kamleitner, 2008). Private households dispose of larger amounts of financial resources than any other “institution” in the state; yet, financial literacy determining smart decisions is surprisingly low (e.g., Lusardi, & Mitchell, 2007). Financial decisions in a household focus on what money is used for, when, how, and by whom. These decisions range from small-scale to large-scale and from short to long-term. Notably, household decisions often involve a varying set of actors. Beyond leading to economic outcomes, they can also influence the relationship quality of household members. As a consequence, smart financial decision making in a household entails the need to balance social and economic aspects. Eventually these decisions play a key role for the financial and psychological well-being of individuals and households.

In this chapter we aim to provide an overview of the scope of financial household decisions and the complexity of the underlying dynamics. We do so by using a comprehensive framework of financial decision making as a starting point and by focusing on its key components in turn. We will first provide a brief review of the
different types of financial decisions made by individuals. We will next extend the lens to multiple players in household decisions.

One of the key questions in household decision making is which of these lenses, individual or joint, is more suitable. When are decisions made jointly by the household members, when are they made autonomously, and when does which member dominate (c.f. Davis & Rigaux, 1974)? These questions are challenging because answers are influenced by the way people live together in a household. Given that concepts of family, gender and roles are changing over time, we conclude this chapter by an empirical look at what has been and what may be. We do so by contrasting the perceived decision dynamics observed from parents and the ideal decision dynamics striven for by students. Results provide insights into which lens tend to be best suited for which type of decision. Moreover, they allow for a glimpse into potential changes in the future.

1. A comprehensive framework of financial decision making

The framework depicted in Figure 1 reflects the scope of financial decisions. A modified version of Kamleitner and Kirchler (2007) process model on credit choice highlights the interplay of what Ferber (1973) identified as the principal types of financial decisions: (a) spending decisions (i.e., purchase decisions about acquiring goods), (b) decisions about saving and credit use (i.e., decisions about whether to make an acquisition when funds are currently lacking and whether to hold money back for future spending decisions), (c) investment decisions (i.e., decisions on whether and how to accumulate material wealth), and (d) money management (i.e., decisions on how to budget available money).
As shown in the framework, spending decisions are the starting point to understand and explain financial decisions in the household. Credit and saving decisions are secondary decisions: they are decisions made in order to ensure that enough money is available for more or less specified spending decisions. Once the decision is about the choice of saving or credit options, financial products take on the role of the “product”. For example, when buying a new car on a loan two potentially extensive decision processes--about the car and the loan--can be involved. Investment decisions, too, tend to follow the process of extensive spending decisions. Finally, money management can be seen as an underlying mechanism that tends to be involved in all other financial decisions.

The framework also stresses the role of surrounding factors under which financial decisions take place (c.f. Kamleitner, Hoelzl, & Kirchler, 2012). Amongst them there are general influences such as the individual situation persons are in (e.g. social status and family background Ashby, Schoon, & Webley, 2011) and their individual characteristics including factors such as financial literacy (e.g. Dvorak & Hanley, 2010; van Rooij, Lusardi, & Alessie, 2011), and personality characteristics (e.g. Donnelly, Iyer, & Howell, 2012) like delay of gratification (e.g. Norvilitis et al., 2006; Pyone & Isen, 2011).

Notably, the model is not necessarily specific to individuals as decision makers. It could just as well apply to the household as a decision making unit. The framework indicates the possibility that multiple members may be directly or indirectly involved in all steps by an arrow influencing the entire model.
2. Individual financial decisions

Following the logic of the framework, we first provide a review of previous findings on decisions about individual expenditures before moving on to individual credit use and saving decisions as well as individual investment decisions. Finally, we will discuss money management as a financial decision in itself and as an important factor in other decisions.

2.1. Spending decisions

The literature on the process of purchase decisions is vast. In particular in consumer research several encompassing models of the individual decision making process have been developed. Many of these models date back to the early days of consumer research and they focus on depicting the decision process as faced by an individual decision maker (e.g. Borcherding, 1983; Engel, Blackwell, & Miniard, 1993, 2007; Howard & Sheth, 1969; Kroeber-Riel, 1992; Nicosia, 1966). The framework offered in Figure 1 reflects some of the key premises that these models tend to share:

Usually decision processes start with the need for a product or service that can be prompted by stimuli from the individual sphere or outside factors like social influences or market offers. The type of good desired (e.g. Kotler, 1982 distinguishes on the basis of the expected lifetime of a product between durable goods, convenience goods and services) plays a key role in how a decision process unfolds, whether multiple options are searched and how deeply different choice options are elaborated. Some acquisitions are made spontaneously in a shortened and impulsive decision process. Others, in particular expenditures for regularly purchased convenience goods, are made habitually.
They do not involve a decision process as such. People tend to engage in extensive decision processes for products that are rarely purchased or involve risks (e.g., expensive items such as washing machines). An extensive decision process is characterized by information search and comparison. It is only after an evaluation of multiple alternatives that a decision is made. Notably, the distinction of different types of decision processes is not restricted to the acquisition of goods. Financing decisions, too, vary in terms of level of involvement and depth of processing (e.g. Kamleitner et al., 2012).

2.2. Decisions about credit use and saving

If a desired good is not attainable with the currently available means, consumers are left with three options (see Figure 1). Either they abandon the acquisition, they borrow the money, or they postpone the acquisition and save until the desired good becomes attainable. These three paths are inherently linked. Research on when which path (saving or credit) would be taken has primarily been conducted by economists (e.g. Duesenberry, 1949; Modigliani, 1966; Prelec & Loewenstein, 1998; Shefrin & Thaler, 1988). Simplified, the conclusion has been that credit use is preferred if (a) the (discounted) net benefits of borrowing outweigh the (discounted) net benefits of saving and if (b) income expectations turn credit use into a means of smoothing out lifetime income. The possibility that consumers would forgo acquisitions for good has largely been neglected.

Instead of viewing credit and saving as two explicit sides of the same coin, other--in particular psychological--contributions focused on these decisions in isolation (for reviews see for example Berthoud & Kempson, 1992; Groenland, 1999; Kamleitner et
The propensity for credit use varies as a function of the product; with it being particularly acceptable for durable goods and investment products (e.g. Engel et al., 1993; Prelec & Loewenstein, 1998). This, however, only holds for those forms of credit that make the borrowing process salient. It does not hold for cases in which consumers are not fully aware that they are borrowing money and do so spontaneously or habitually; e.g., in the case of credit card usage (e.g. Lo & Harvey, 2011; Thomas, Desai, & Seenivasan, 2011). For example, while people would mostly be averse to take out a loan for a holiday, they may use their credit cards to do so without second thought. This variability in decisions across credit vehicles is a fundamental factor in credit decisions. It is one of the main reasons why research on credit use, including reviews (e.g. Kamleitner et al., 2012), tends to focus on specific types of credit use.

Saving decisions are less influenced by variability in terms of saving vehicles. In these decisions time horizons play a major role (Fisher & Montalto, 2010; Rabinovich & Webley, 2007). The more proximate a saving goal feels, the more likely people are to decide to save (e.g. Hershfield et al., 2011 increased saving by using age-progressed renderings of participants). Whether a saving goal feels proximate and within reach is also a matter of the nature of this goal (e.g. Canova, Rattazzi, & Webley, 2005; Ülkümen & Cheema, 2011). People save for concrete (e.g., a new car) and unspecific (e.g., for a rainy day) purposes alike. Variability in the nature of saving goals is, hence, one of the key factors determining whether consumers can eventually implement saving decisions (e.g. Rabinovich & Webley, 2007).

2.3. Investment decisions
Investment decisions are similar to saving decisions in that money is put aside for a future purpose. In abstract terms, the purpose, however, is not variable. The aim is wealth protection and accumulation rather than acquisition and usage. This goal can be achieved by investing in a wide range of investment vehicles which have to be purchased. Investment thus follows a similar process to extensive spending decisions. However, given that products are chosen because of their monetary value, potential fluctuations in value, i.e. the perception of risks, move center stage. Consequently risk preferences, i.e., the extent of risk a person feels comfortable with, are a key determinant of the choice between investment options (e.g. Dimmock & Kouwenberg, 2010; Sachse, Jungermann, & Belting, 2012). Notably, risk preferences may not always translate into adequate product choice. This is because risk perception is prone to biases. For example, when simultaneously focusing on potential gains and losses, the loss probability may sometimes be underestimated; yielding riskier decisions than intended (Diacon, 2004).

Another factor that sets investment decisions apart is that decisions often concern portfolios rather than individual options. Such “diversification” makes it possible to balance the inherent risk of several products against each other. Similarly, time horizon takes on a special meaning in investment contexts. The general assumption is that longer investment horizons reduce the risk of losses (but see e.g. Strong & Taylor, 2001 for results that do not entirely support this assumption). It is, however, not entirely clear whether decision makers truly understand the consequences of time horizons and diversification. Most evidence suggests that people struggle to fully understand the extent of these effects. For example, Goetzmann and Kumar (2008) find that a surprisingly high number of investors (75%) hold under-diversified portfolios that are
worse in turn of their risk-return trade-off than benchmark market portfolios (e.g. the S&P 500 containing stock values of the 500 biggest US companies).

2.4. Money Management

People need to manage the funds available for all these decisions to be made. To a large extent this happens mentally. Thaler (1985) hence coined the term “mental accounting”. In several experiments he found that people establish so called mental accounts to keep track of their expenditures within a specific time period and/or for a specific purpose. Mental accounts (e.g., 100 Euros for eating out per month) are useful rules of thumb for budgeting and tracing available funds. Mental accounting, thus, can help to decide between competing usages of funds and acts as a self-control mechanism (Thaler, 1980, 1999). However, these advantages do not universally hold. Mental accounts can equally be malleable and self-delusional (Cheema & Soman, 2006; Shafir & Thaler, 2006). For example, habitual expenditures such as the daily cup of coffee may be booked into a vague “other spending’s” account and people can trick their own mental system by reframing decisions; e.g., luxury goods can be “booked” as “investments” which justifies expenditures and turns eventual consumption “free” of charge (Shafir & Thaler, 2006).

Mental accounting is perhaps the most prevalent money management practice and it permeates and blends with all other financial decisions (e.g. Kamleitner & Hölzl, 2009). For example, in the case of loans consumers can mentally link the pleasure of consuming the acquired good and the pain of paying back the loan (e.g. Kamleitner, Hoelzl, & Kirchler, 2009; Prelec & Loewenstein, 1998). In case they establish such a mental link and “book” pain and pleasure on the same account debt aversion for non-
durables (i.e. products for which repayment may extend beyond the time of product use) becomes more likely (Prelec & Loewenstein, 1998). Mental accounts may even influence the decision to save or borrow. If an acquisition does not well fit with a mental saving account, credit use may be preferred despite available savings (Karlsson, Gärling, & Selart, 1997).

Beyond mental, factual money management practices, such as the frequency with which accounts are checked or the amount of actual or symbolic accounts held, matter (Donnelly et al., 2012; Kidwell, Brinberg, & Turrisi, 2003; Lea, Webley, & Walker, 1995). Money management appears to be most effective when mental and factual practices align and reinforce each other (Kamleitner, Hornung, & Kirchler, 2011; Soman & Cheema, 2011).

3. Household financial decisions

The majority of insights on financial decisions regard individual decision makers. Yet, in reality multiple household members may be involved in different ways (Kirchler et al., 2008). The question whose needs are considered becomes as important as the question how decisions about products are made. This opens the door for additional considerations such as relational power, relationship quality, and role stereotypes (e.g. Kirchler, 1988). It also puts a spotlight on formal practices such as money distribution and pooling by couples (e.g., separate versus joint bank accounts in which partners incomes are pooled).
In the following we will briefly review key insights arising when the four financial decisions are viewed from a joint rather than individual decision makers’ point before moving on to an analyses of when which viewpoint may be most appropriate.

3.1. Spending decisions in the household

Living together mostly implies that many products are acquired for the household rather than for individual household members. Individual and potentially conflicting preferences of household members as well as their relationships add complexity to the decision process. Bizarrely, individual preferences tend to be stronger for everyday spending decisions than other financial decisions. Whereas most people are indecisive as to which kind of blue chip stock or bank bond they prefer, the color of a car or even the topping of a pizza can be a crucial test for a relationship.

Kirchler (1989) provided one of few household decision models that incorporates the dynamics found in most individual decision models as well as insights on decisions by couples (e.g. Corfman, 1987; Pollay, 1968; Scanzoni & Polonko, 1980; Sheth, 1974). Similar to individual decisions, the decision process begins with the desire for a good by at least one of the partners. Product type, relational aspects (in particular quality of and power in a relationship), and the impact of the decision on the relationship determine whether the ensuing decision is spontaneous, habitual or extensive; joint or individual. This last aspect, i.e., the degree to which partners are involved, was the topic of interest in a seminal paper by Davis and Rigaux (1974). They provide a classification for household decisions that holds across all financial decisions. Basing their analyses on married couples, they distinguished between: (a) autonomous decisions by one of the
spouses, (b) husband or wife dominated decisions, and (c) jointly made or syncratic decisions.

In particular extensive decisions open up the potential for syncratic decisions because they enable the partners to become differentially involved in information search, the evaluation of alternatives, and the eventual decision.

However, a partner’s involvement in a decision does not have to be active. Even if only one partner is in charge of a decision, he or she is likely to account for the assumed preferences of the partner -- even in an exploitative relationship (Maccoby, 1986).

A key aspect in decisions for more than one person is the potential of disagreement and conflict. Multiple types of household conflict have been identified by Kirchler, Hölzle, Meier, and Rodler (2001). Depending on the type of conflict the partners are more or less motivated to solve the problem in a way that either reduces the negative impact on their relationship or maximizes their benefit (Ben-Yoav & Pruitt, 1984).

Probability conflicts relate to judgments about objective truths and outcomes and the likelihood with which they will happen. For example, partners may agree about the social significance of an item and have similar design preferences. Yet, they may be finding the joint decision difficult because they hold different views on the quality of alternatives. In such probability conflicts, partners are not seeking to influence each other. Rather they are having an objective disagreement in which the crucial elements are items of information. Normative pressure is kept to the background.

Note that couples do not tend to be good at making these predictions and that the ability to predict a partner’s preferences does not improve with relationship duration (Scheibehenne, Mata, & Todd, 2011).
The situation is very different for value conflicts for which there is no verifiably correct solution. Value conflicts exist if there are fundamental differences in goals and values between the partners. Purchasing decisions present a value conflict if partners have fundamental differences with regard to the symbolic power of a product rather than the specific features. Value conflicts are genuine conflict situations, in which partners try to persuade each other (Madden, 1982; March & Simon, 1958) or even impose their views on each other, using several influencing tactics (for an overview of commonly used tactics see also Kirchler, 1990).

The third type of conflict is distributional. A distributional conflict exists if the discussion revolves around the division of costs and benefits. Even if both partners are convinced that a particular product represents the optimal alternative and is desirable, so that there is no value conflict, one partner may still argue against the purchase on the grounds that the product largely benefits the other partner or would mainly be used by them. In distributional conflicts partners will try to reach a compromise using their negotiating skills. (Kirchler et al., 2001, p.75). These types of conflicts can happen for all types of financial decisions, including credit and saving decisions.

3.2. Decisions about credit use and saving in a household

Actual money management practices in (e.g., do partners hold individual credit cards) but also role specialization in and quality of a relationship will influence the way a household saves and uses credit. For example, the breadwinner role affects credit card usage. Pahl (2008) has shown that an observed higher rate of credit card usage by the male partner disappears when employment status is taken into account.
3.3. Investment decisions in the household

Investment poses a particular challenge for joint decision making because partners’ risk preferences are likely to diverge. In a study by Mazzocco (2004) only half of the examined couples held similar risk preferences. The question arises how couples come to a joint risk preference. As for example Abdellaoui, l’Haridon, and Paraschiv (2013) show, couples do not simply average their individual risk preferences. In one study the man had more influence initially whereas the woman’s influence rose over the course of investments (de Palma, Picard, & Ziegelmeyer, 2011). This may match with insights by Meier, Kirchler, and Hubert (1999) who found that the spouse believed as more experienced had more influence on the decision.

The type of relationship also plays an important role. Decisions in egalitarian relationships are more likely to be autonomous and wife dominated than decisions in relationships with traditional attitudes toward martial roles (Meier et al., 1999). To some extent this may also be caused by differences in bargaining power (c.f. Yilmazer & Lich, 2015) which determines who of the partners has more say in terms of the risk taken.

3.4. Money management in the household

A purely mental money management system is unlikely to work for an entire household. Formal ways of managing the household finances have to be established and responsibilities have to be assigned. The answer to the question “Who manages the household’s finances?” is informed by marital and breadwinner roles, relationship
satisfaction, power in the relationship, equity perceptions, and the meaning of money for each partner (e.g. Burgoyne & Kirchler, 2008; Jasso, 1988).

The most common way in which households manage their money is through pooling (Pahl, 2008) which refers to the uniting of both partners’ income on a joint banking account. However, in blended and patchwork families (i.e., couples that are in a new relationship after a divorce or separation with at least one child from the previous relationship) an increase of the practice of separate banking accounts (Raijas, 2011) and separate money management has been observed.

4. Which decisions are made jointly? An empirical investigation

As this review has shown, financial decisions are complex phenomena – in particular when they happen jointly by household members. A crucial question therefore asks which decisions are made jointly. Already in the 1970s Davis and Rigaux (1974) addressed this question. They investigated which product categories are decided upon primarily by one gender, autonomously by both genders, and jointly. In addition, they distinguished between the respective influence of partners across the different stages of a decision process (need recognition, information search and final decision). Results were reported in the so called decision triangle (see figure 2 for an exemplar with data from this study). The y-axis depicts whether, if any, of the partners dominates the decision (1 = man dominated to 3 = women dominated with 2= joint decisions in the middle). The extent of role specialization is displayed on the x-axis. It reflects the percentage of participants stating that a specific phase has been decided on jointly. The phases of the decision process are displayed in form of a line flowing from problem recognition (rhomb) to information search (dot) to the final decision (triangle).
As discussed, the role of partners in the decision process is influenced by gender dynamics, breadwinner and marital roles and partner’s bargaining power (e.g. Burgoyne & Kirchler, 2008). All of these aspects have seen at least some changes in the last decades (e.g. Gere & Helwig, 2012; Lewis & Sussman, 2014). For example, Pahl (2008) observed a decrease in the number of couples pooling their money.

Here we aim to empirically examine the way decisions are made in all four domains of financial decisions. Moreover, we aim to capture what is and what may yet come. We assess the decision processes observed from parents as well as the ideal decision processes striven for by their children.

4.1. Sample and procedure

Overall, 300 Austrian business students (mean age= 23.51 years, 54.7 % female) participated in a lab-based survey on decision making in partnerships. Participants were first asked to report how thirteen financial decisions were made by their parents. Subsequently, they reported on how they would like to make those decisions once they share a household with a partner. The target decisions were chosen so as to reflect all four areas of financial decision making. In addition, goods that had emerged as particularly prone to be decided on by the husband or wife in the original Davis and Rigaux study were used. For all thirteen decisions participants were asked to indicate who (man, woman, jointly) would usually recognize the need for a product, who would search for information, and who would make the final decision.

To keep insights comparable (e.g. Negrusa & Oreffice, 2011 find some differences across couples sexual orientations), only heterosexual relationships were taken into
account. Controlling for the actual relationship status of students did not change results of students’ anticipated decision roles.

4.2. Results and Discussion

To facilitate interpretation of results and following Davis and Rigaux (1974), each role-triangle is separated into four sections: female dominated decision steps are in the upper right corner, male dominated decisions in the lower right corner, autonomous decisions that are equally likely to be independently taken by either of the partners are in the middle of the triangle and truly syncratic (or joint) decisions are in the outer right corner of the triangle. Results have been split according to the four financial decisions.

4.2.1. Decision roles involved in spending decisions

Figure 2a shows parents’ observed actual (dotted line) and students’ ideal (grey for females and black for males) decision processes for seven different spending decisions. Focusing on parents decision processes, it becomes evident that as already observed by Davis and Rigaux (1974) all four sections of the triangle are at least somewhat populated. As in the 1970s cleaning products and groceries are still female dominated. Moreover, cars still tend to be somewhat male dominated, primarily during the phase of information search. Unlike in the 1970s the decision for a concrete car is prone to be made syncratic.

Getting an internet connection seems to be the task for either one of the partners. Despite being a technological topic it is not necessarily male dominated. The decision about living room furniture is autonomic during problem recognition and information search but the final decision is made jointly. The decision about which holidays to go on
is similar to furniture. However, for holidays problem recognition appears more likely to be a joint process.

In sum, reports on parents spending decisions are similar to those observed in earlier research (Davis & Rigaux, 1974). The final decision, however, seems to have become more syncratic. Interestingly, the stereotypical female domains have remained untouched but the male domains have made some way for joint decisions.

Moving on to how students described the way they anticipate to make decisions in their households a glance at Figure 2a proves revealing. First, the fact that the black lines tend to be lower in the graph than the grey lines suggests that each gender assigns itself slightly more say in decisions. The perhaps surprising exception is cars. At least when it comes to information search, many women appear happy to leave that task to their future partner.

Second, ideals cluster more strongly in the syncratic section of the triangle. This suggests that students intend to make less autonomous and gender-dominated decisions than observed by their parents. In fact, students’ ideals see barely any autonomous decisions. Cleaning products are the only product category for which both genders expect that one person will decide it all.

4.2.2. Decision roles involved in credit use and saving

Figure 2b depicts decision roles for credit (credit cards, loans) and saving (saving book and life insurance) decisions. It shows that students’ ideals and parents’ reality
tend to crowd together in the syncratic section of the decision triangle. Whereas female ideals are clearly syncratic across all decision phases, male ideals and parents actual behaviors are situated at the edge to autonomous decisions during the information search phase. Even a product focusing on one individual’s life, i.e. life insurance, has become more syncratic than in the 1970s. It is only during information search that one of the partners is in charge.

4.2.3. Decision roles involved in investment decisions

Figure 3a shows decision patterns for investment decisions in general and stock in particular. A first glimpse reveals that investment decisions are more prone to be made autonomously (specifically during problem recognition and information search) than saving and credit decisions. While both partners appear to recognize the need to save or borrow, recognizing the need to invest seems often to be down to one of the partners.

Moreover, Figure 3a reveals that the decision for investments in general is more likely to be syncratic than the decision about stocks as a concrete investment vehicle. In particular for men, the decision to acquire stocks seems to lie in their domain. Women generally expect to have more influence on investment decisions than either their mothers have or their male colleagues and potential future partners anticipate.

On the whole results suggest that couples are likely to decide on an investment strategy jointly but that the choice for a concrete high-risk investment product may be male dominated; in particular if it is down to the male himself.

4.2.4. Decision roles involved in money management
Figure 3b depicts decision patterns with regard to money management. Participants were asked to indicate who would express the need to decide on whether to pool the respective, who would think about possible distributions of money, and who finally decides which kind of distribution is implemented.

Interestingly, in this decision parents are observed to decide more synchronously than their adult sons’ intent to do. Parents were observed to and female participants would like to jointly go through all decision stages. Male participants differ in that they consider problem recognition and information search as the domain of only one of the partners.

INSERT FIGURE 3 HERE

5. Conclusion

By providing a glimpse at contemporary financial decision making in the household results of the study reveal some general patterns across the four main areas of financial decision making: spending decisions, saving and credit use, investment, and money management. Despite increasing degrees of financial autonomy of the spouses, most financial decisions tend to be made jointly and the future generation intends to further increase this trend. Notably, this intention differs somewhat across the genders. In particular with respect to decisions that involve money only (i.e., money management, investment, saving and credit use) male students anticipate that the decision process would be more autonomous than female participants. It is only with regard to spending decisions, i.e. decisions that involve non-financial products, that female participants considered autonomous decisions at least as or as likely as their male counterparts.
Knowledge about individual decisions is, hence, as necessary as it is limited in order to understand the decision process in the household.

There is no way to know how our sample is going to make decisions once they have been sharing a household with a partner for some time. The lack of longitudinal insights is, however, not a limitation that is specific to the study at hand. On the contrary, there is very little evidence on how decision dynamics change within a relationship (for some cross sectional evidence on couples dynamics see Scheibehenne et al., 2011) and the extent to which a potentially observed change is due to the maturation of the relationship and societal trends, respectively.

Although we have no means of ensuring that results generalize to a sample with a more varied educational and cultural background, they do hold an important message. The increase in financial independence of women in many industrialized countries does not necessarily entail more autonomous financial decisions. In fact, nearly all stereotypical financial decisions were deemed syncratic and this appears to be an aspired practice by the future generation of (well-educated) households. The only exception appears to be spending decisions; in particular about everyday goods and services. Yet, even for groceries students seem to aspire joint decisions. Whether this is a valid prediction of what will be practiced in the future remains, however, to be seen. This finding may be the result of romantic expectations of limitless “togetherness” or of a generally perceived choice overload. Given that many goods and services (including financial services) are marketed to individual persons rather than couples there seems to be a mismatch between what is offered and what is actually needed by households.
Especially the differential influence across the three stages of the decision process, in particular the tendency to search autonomously, may hold implications for marketers.

Our results also imply a noteworthy asymmetry between the factors that likely matter to decision makers and the factors that occupy decision researchers. A short glimpse into the latest issues of journals such as the Journal of Consumer Research, the Journal of Economic Psychology, and Judgment and Decision Making suffices to reveal that most disciplines involved in the study of financial decision making tend to overlook the fact that decisions happen on a household as well as on an individual level.

Topics inherent to household level decisions such as relationship quality, power, resource distribution, gender dynamics, and conflicts may be more relevant than ever before. It seems high time that academic research on financial decisions systematically considers (and asks) who is making them.
References


Figure 1: A framework of financial decision making in households
Figure 2: Observed (parents) and intended patterns of spending decisions (2a) and saving and credit use (2b) across genders.
Figure 3: Observed (parents) and intended patterns of investment decisions (3a) and money management decisions (3b) across genders